LEGAL SERVICES CORPORATION

Board of Directors Meeting

April 15 – 17, 2012

Location:

LEGAL SERVICES CORPORTATION
3333 K Street, NW
F. McCalpin Conference Center, 3rd. Floor
Washington, DC 20007

LSC

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Schedule

LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE
APRIL 15-17, 2012

Meeting Location:
Legal Services Corporation
McCalpin Conference Center
3333 K Street, NW Washington, DC
Tel (202) 295-1500

SUNDAY, APRIL 15, 2012

Start	End	Meeting/Event	Location
2:15pm	2:45pm	Institutional Advancement Committee	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
2:55pm	4:10pm	OPEN Board Meeting (Strategic Plan Discussion)	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
4:15pm	5:45pm	Finance Committee	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
5:50pm	6:30pm	Governance & Performance Review Committee	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW

EMERGENCY CONTACTS:
In the case of an emergency, please contact Rebecca Fertig at (202) 577-6313 or fertigr@lsc.gov or Kathleen McNamara at (202) 528-9543 or mcnamarak@lsc.gov

LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE
APRIL 15-17, 2012

Meeting Location:
Legal Services Corporation
McCalpin Conference Center
3333 K Street, NW Washington, DC
Tel (202) 295-1500

MONDAY, APRIL 16, 2012			
9:20am	10:35am	Promotion and Provision Committee (DC Access to Justice Commission)	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
10:45am	12:15pm	Ops & Regs Committee	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
1:00pm	2:00pm	Fraud Awareness Briefing (OIG)	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
2:05pm	3:30pm	Audit Committee	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
3:35pm	5:15pm	OPEN Board Meeting	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
5:15pm	6:00pm	CLOSED Board Meeting	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW

EMERGENCY CONTACTS:
In the case of an emergency, please contact Rebecca Fertig at (202) 577-6313 or fertigr@lsc.gov or Kathleen McNamara at (202) 528-9543 or mcnamarak@lsc.gov

LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE
APRIL 15-17, 2012

Meeting Location:
Legal Services Corporation
McCalpin Conference Center
3333 K Street, NW Washington, DC
Tel (202) 295-1500

TUESDAY, APRIL 17, 2012			
9:00am	11:30am	Pro Bono Task Force Report	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
11:45am	12:15pm	Lunch (with Task Force)	Legal Services Corporation McCalpin Conference Center 3333 K Street, NW
12:15pm	1:00pm	Travel to the White House	--
1:00pm	3:00pm	White House Forum on the State of Civil Legal Assistance	--

EMERGENCY CONTACTS:
In the case of an emergency, please contact Rebecca Fertig at (202) 577-6313 or fertigr@lsc.gov or Kathleen McNamara at (202) 528-9543 or mcnamarak@lsc.gov
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Institutional Advancement Committee

INSTITUTIONAL ADVANCEMENT COMMITTEE

April 15, 2012

Agenda

1. Approval of agenda
2. Approval of minutes of the Committee's meeting of January 21, 2012
3. Discussion of Committee 2012 goals
4. Discussion of Committee members' self-evaluations
5. Public Comment
6. Consider and act on other business
7. Consider and act on motion to adjourn the meeting

Committee Meeting Minutes
January 21, 2012

Legal Services Corporation
Meeting of the Institutional Advancement Committee
Open Session
Saturday, January 21, 2012

DRAFT MINUTES

Chairman John G. Levi convened an *open session* meeting of the Legal Services Corporation's ("LSC") Institutional Advancement Committee ("the Committee") at 9:03 a.m. on Saturday, January 21, 2012. The meeting was held at Westgate Hotel, 1055 Second Avenue, San Diego, CA 92101.

The following Committee members were present:

John G. Levi, Chairman
Martha Minow
Robert J. Grey, Jr.
Charles N.W. Keckler
Father Pius Pietrzyk
Herbert S. Garten (by phone)
Thomas F. Smegal (by phone)
Frank B. Strickland (by phone)

Other Board Members Present:
Sharon L. Browne
Victor B. Maddox
Laurie Mikva
Julie A. Reiskin
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Richard Sloane	Special Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Mattie Cohan	Senior Assistant General Counsel, Office of Legal Affairs
Katherine Ward	Executive Assistant, Office of Legal Affairs
David Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel
Joel Gallay	Special Counsel to the Inspector General

Ronald "Dutch" Merryman	Assistant Inspector General for Audit
Thomas Coogan	Assistant Inspector General for Investigations
David Maddox	Assistant Inspector General for Management and Evaluation
Stephen Barr	Communications Director, Office of Government Relations and Public Affairs
Don Saunders	National Legal Aid and Defender Association (NLADA)
Chuck Greenfield	NLADA
Justice Earl Johnson, Jr.	American Bar Association's (ABA) Standing Committee on Legal Aid and Indigent Defendants (SCLAID)

The following summarizes actions taken by, and presentations made to, the Committee:

MOTION

Dean Minow moved to approve the agenda. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Father Pius moved to approve the minutes of the Committee's July 20, 2011 meeting. Dean Minow seconded the motion.

VOTE

The motion passed by voice vote.

President Sandman gave a brief report on a grant from the Public Welfare Foundation. He noted that an advisory group recently convened to discuss the issues related to data reporting and outcomes measurement for grantees. The next step will be to prepare LSC's proposal for a much larger grant to explore these issues.

Chairman Levi deferred item number 4 on the agenda, discussion of Committee members' self-evaluations for 2011 and the Committee's goals for 2012, until the next telephonic meeting. He then noted that the Committee received a report from Robert Osborne, LSC's development consultant, during a closed briefing.

Chairman Levi invited public comment and received none. There was no new business to consider.

MOTION

Dean Minow moved to adjourn the meeting. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

The *open session* meeting of the Committee adjourned at 9:08 a.m.

Finance Committee

FINANCE COMMITTEE

April 15, 2012

Agenda

1. Approval of agenda

2. Approval of the minutes of the Committee's meeting of January 20, 2012

3. Consider and act on the Revised Operating Budget for FY 2012 and recommend **Resolution 2012-XXX** to the full Board

    - David Richardson, Treasurer/Comptroller

4. Presentation on LSC's Financial Reports for the first five months of FY 2012

    - David Richardson, Treasurer/Comptroller

5. Report on FY 2013 appropriations process

    - Carol Bergman, Director, Office of Government Relations and Public Affairs

6. Discussion with Management regarding process and timetable for FY 2014 budget "mark."

7. Public comment

8. Consider and act on other business

9. Consider and act on motion to adjourn the meeting

Committee Meeting Minutes
January 20, 2012

Legal Services Corporation
Meeting of the Finance Committee
Open Session
Friday, January 20, 2012

DRAFT MINUTES

Chairman Robert J. Grey, Jr. convened an *open session* meeting of the Legal Services Corporation's ("LSC") Finance Committee ("the Committee") at 3:27 p.m. on Friday, January 20, 2012. The meeting was held at Westgate Hotel, 1055 Second Avenue, San Diego, CA 92101.

The following Committee members were present:

Robert J. Grey, Jr., Chairman
Sharon L. Browne
Martha Minow
Father Pius Pietrzyk
Robert E. Henley, Jr. (by phone)
John G. Levi, *ex officio*

Other Board Members Present:
Charles N.W. Keckler
Harry J.F. Korrell, III
Victor B. Maddox
Laurie Mikva
Julie A. Reiskin
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Richard Sloane	Special Assistant to the President
Kathleen McNamara	Executive Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Mattie Cohan	Senior Assistant General Counsel, Office of Legal Affairs
Katherine Ward	Executive Assistant, Office of Legal Affairs
David Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel
Joel Gallay	Special Counsel to the Inspector General
Ronald "Dutch" Merryman	Assistant Inspector General for Audit

Thomas Coogan	Assistant Inspector General for Investigations
David Maddox	Assistant Inspector General for Management and Evaluation
Stephen Barr	Communications Director, Office of Government Relations and Public Affairs
Treefa Aziz	Government Affairs Representative, Office of Government Relations and Public Affairs (by phone)
Don Saunders	National Legal Aid and Defender Association (NLADA)
Chuck Greenfield	NLADA
Justice Earl Johnson, Jr.	American Bar Association's (ABA) Standing Committee on Legal Aid and Indigent Defendants (SCLAID)

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Grey called the *open session* meeting to order.

MOTION

Ms. Browne moved to approve the agenda. Dean Minow seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Ms. Browne moved to approve the minutes of the Committee's October 17, 2011 meeting. Dean Minow seconded the motion.

VOTE

The motion passed by voice vote.

Mr. David Richardson, Treasurer and Comptroller, presented the revised consolidated operating budget for fiscal year 2011 and the corresponding resolution for recommendation to the Board. He answered Board members' questions. Mr. Schanz, Inspector General, and Mr. Maddox, Assistant Inspector General for Management and Evaluation, provided details with respect to the Office of Inspector General's budget.

MOTION

Ms. Browne moved to recommend to the Board that it adopt the resolution approving the revised consolidated operating budget for fiscal year 2011. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Richardson next presented the consolidated operating budget for fiscal year 2012. He then answered Board members' questions.

MOTION

Dean Minow moved to recommend to the Board that it adopt the resolution approving the consolidated operating budget for fiscal year 2012. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Richardson then presented LSC's financial reports for the first two months of FY 2012. He answered Board members' questions. Next, Mr. John Constance, Director, Office of Government Relations and Public Affairs, reported on submission of LSC's fiscal year 2013 budget request. Chairman Grey deferred the Committee members' self-evaluations and Committee goals for 2012 until the next meeting. Mr. Victor Fortuno, Vice President and General Counsel, presented a resolution regarding selection of accounts and depositories for LSC funds. There was consensus among the Committee members that the resolution should be amended to reflect the requirement of two signatures, other than the LSC President's, to authorize the transfer of funds. Chairman Grey asked that the resolution be amended for consideration by the full Board at its meeting.

Chairman Grey invited public comment and received none. There was no new business to consider.

MOTION

Ms. Browne moved to adjourn the meeting. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

The *open session* meeting of the Committee adjourned at 4:33 p.m.

Consolidated Operating Budget

FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Jr., Finance Committee Chairman

FROM: David L. Richardson, Treasurer/ Comptroller ***dlr***

DATE: April 4, 2012

SUBJECT: Consolidated Operating Budget Review & Internal Budgetary Adjustments

---

The Board of Directors approved a Consolidated Operating Budget for FY 2012 at the January Board Meeting totaling $364,235,664. Since that time, we have been notified by the U.S. Court of Veterans Appeals for Veteran Claims that the funding available for our U.S. Court of Veterans Appeals Funds grant has increased from $2,280,630 to $2,726,363. The increase of $445,733 must be added to our COB, which will increase the COB to $364,681,397.

Additionally, we have completed a review of our budget and expenses that is described in Section 3 of LSC *Guidelines for Adoption, Review and Modification of the Consolidated Operating Budget (Guidelines).* Following these *Guidelines,* each office director reviewed his or her office's expenses for the five-month period ending February 29th and provided a projection of spending for the seven remaining months of the fiscal year.

The President reviewed the information and has approved a number of internal budgetary adjustments (adjustments). All of the adjustments were under $5,000, with the exception of those for the Office of Program Performance. The President made the decision to implement a recommendation of the Government Accountability Office by hiring a consulting firm to review the internal controls of the grant competition process at an estimated cost of $25,000. Other projected consulting expenses were adjusted downward to provide some of the funding for this initiative; however, an additional $11,000 is needed to provide funding for the remaining costs.

In addition, to increase OPP's oversight presence in the field, program visits were adjusted that will require new funds in the amount of $21,000 for temporary employee pay. This amount will fund 45 additional person-days of program visits, preparation, and report writing.

Because of open positions, the unspent funds from the compensation and benefits budget category was used to provide the $32,000 needed for these projected consulting and temporary employee costs.

FY 2012 OIG Five Month Budget Review

The OIG has participated in the budget and expense review process, also. Based on this process, the OIG has a number of adjustments. Compensation & Benefits is increased by $65,000 related to the funding of two new positions; 1) a Director of Audit Operations/Administrative Officer and 2) an Investigative Analyst. The Capital Expenditures line is increased by $125,000 to pay for the purchase and integration of audit management/work paper software as well as computer equipment. These increases were offset by reducing Consulting ($40,150) and Other Operating Expenses ($150,000). The OIG is projecting FY 2012 carryover to be $1,301,964.

We ask that you approve the attached resolution for the revised COB with the changes discussed above. Attachment A presents the revised COB by line item and Attachment B summarizes each office's budget by budget category.

If you have any questions or need additional information, please let me know.

Attachments (3)

Resolution
Attachment A
Attachment B

BOARD OF DIRECTORS

RESOLUTION
Revised Consolidated Operating Budget to reflect an increase in U.S. Court of Veterans Appeals Funds For Fiscal Year 2012

WHEREAS, the Legal Services Corporation (LSC) Board of Directors (Board) has reviewed the available funds for Fiscal Year (FY) 2012, which includes:

1) a fiscal year (FY) 2012 appropriation of $348,000,000;
2) US Court of Veterans Appeals Funds totaling $2,726,363, which includes the $445,733 increase;
3) a $17,000 grant from Public Welfare Foundation and
4) FY 2011 carryover in the amount of $13,938,034, which is comprised of:
    a. Basic Field Programs carryover $1,666,604;
    b. U.S. Court of Veterans Appeals of $3,807;
    c. Grants from Other Funds of $725,077;
    d. Technology Initiatives of $3,826,487;
    e. Herbert S. Garten Loan Repayment Assistance Program of $1,181,550;
    f. Management and Grants Oversight of $4,302,956;
    g. and Office of Inspector General totaling $2,231,553; and

WHEREAS, LSC's Management and Inspector General have presented operating budgets for FY 2012 that are within the available funds.

NOW, THEREFORE, BE IT RESOLVED THAT the Board hereby adopts a revised Consolidated Operating Budget for FY 2012 totaling $364,681,397 of which $334,748,338 is for the *Delivery of Legal Assistance*; $2,181,550 is for the *Herbert S. Garten Loan Repayment Assistance Program*; $21,319,956 for the *Management and Grants Oversight* budget; and $6,431,553 is for the *Office of Inspector General*.

Adopted by the Board of Directors on April 17, 2012

_____

John G. Levi
Chairman

_____

Victor M. Fortuno
Vice President for Legal Affairs,
General Counsel, & Corporate Secretary

ATTACHMENT A

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET
FOR THE FISCAL YEAR 2012

	(1) FY 2012 APPROPRIATION	(2) FY 2011 CARRYOVER	(3) COURT OF VETS APPEALS & ADJUSTMENTS	(4) FY 2012 CONSOLIDATED OPERATING BUDGET	(5) 2012 VETERANS FUNDING ADJUSTMENT	(6) REVISED CONSOLIDATED OPERATING BUDGET
I. DELIVERY OF LEGAL ASSISTANCE						
1. Basic Field Programs	322,400,000	1,666,604	-	324,066,604	-	324,066,604
2. U.S. Court of Veterans Appeals Funds	-	3,807	2,280,630	2,284,437	445,733	2,730,170
3. Grants From Other Funds	-	725,077	-	725,077	-	725,077
4. Technology Initiatives	3,400,000	3,826,487	-	7,226,487	-	7,226,487
DELIVERY OF LEGAL ASSISTANCE TOTALS	325,800,000	6,221,975	2,280,630	334,302,605	445,733	334,748,338
II. HERBERT S. GARTEN LOAN REPAYMENT ASSISTANCE PROGRAM	1,000,000	1,181,550	-	2,181,550	-	2,181,550
III. MANAGEMENT & GRANTS OVERSIGHT	17,000,000	4,302,956	17,000	21,319,956	-	21,319,956
IV. INSPECTOR GENERAL	4,200,000	2,231,553	-	6,431,553	-	6,431,553
TOTAL BUDGET	$348,000,000	$13,938,034	$2,297,630	$364,235,664	$445,733	$364,681,397

ATTACHMENT B

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET FOR MANAGEMENT AND GRANTS OVERSIGHT AND INSPECTOR GENERAL FOR FISCAL YEAR 2012

BUDGET CATEGORY	BOARD OF DIRECTORS	EXECUTIVE OFFICES	LEGAL AFFAIRS	GOVERNMENT RELATIONS & PUB AFFS	HUMAN RESOURCES	OFFICE FINANCIAL & ADMIN SRVCS
COMPENSATION & BENEFITS	0	825,450	1,032,250	849,000	676,600	981,250
TEMP. EMPLOYEE PAY	0	0	0	0	19,500	3,750
CONSULTING	243,300	100,000	350,000	7,500	42,300	1,000
TRAVEL & TRANSPORTATION	304,100	88,150	17,000	16,700	12,750	15,950
COMMUNICATIONS	11,450	8,300	5,400	3,850	4,250	24,300
OCCUPANCY COSTS	7,800	0	0	0	0	1,750,000
PRINTING & REPRODUCTION	650	300	300	5,000	300	82,550
OTHER OPERATING EXPENSES	63,200	300	32,900	31,150	42,500	360,400
CAPITAL EXPENDITURES	0	0	0	0	0	170,000
TOTAL	630,500	1,022,500	1,437,850	913,200	798,200	3,389,200

BUDGET CATEGORY	INFORMATION TECHNOLOGY	PROGRAM PERFORM	INFORMATION MANGEMENT	COMPLIANCE & ENFORCE	CONTINGENCY FUND	MGT & GRNTS OVERSIGHT	INSPECTOR GENERAL
COMPENSATION & BENEFITS	1,094,650	3,492,650	638,550	3,334,850	420,000	13,345,250	3,954,400
TEMP. EMPLOYEE PAY	0	251,000	0	362,000	0	636,250	40,000
CONSULTING	207,000	66,000	0	50,000	0	1,067,100	619,850
TRAVEL & TRANSPORTATION	38,000	336,000	7,500	468,000	0	1,304,150	385,000
COMMUNICATIONS	44,400	25,000	200	25,000	0	152,150	34,050
OCCUPANCY COSTS	0	500	0	200	0	1,758,500	6,000
PRINTING & REPRODUCTION	0	0	0	2,000	0	91,100	10,100
OTHER OPERATING EXPENSES	253,200	27,500	29,000	6,250	1,730,356	2,576,756	1,182,153
CAPITAL EXPENDITURES	218,700	0	0	0	0	388,700	200,000
TOTAL	1,855,950	4,198,650	675,250	4,248,300	2,150,356	21,319,956	6,431,553

Financial Reports

FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Jr., Finance Committee Chairman

FROM: David L. Richardson, Treasurer/Comptroller ***dlr***

DATE: March 23, 2012

SUBJECT: February 2012 Financial Report

The financial report for the period ending February 29, 2012, is attached for your review. There are three worksheets that comprise this report:

Attachment A provides summary information for each element of the Consolidated Operating Budget (COB) in two sections.

Attachment B presents Management and Grants Oversight's budget and expenditures.

Attachment C provides budget and expenditures for the Office of Inspector General (OIG).

The first section of Attachment A presents information for the Delivery of Legal Assistance, ***Roman numeral I*** and the Herbert S. Garten Loan Repayment Assistance Program, ***Roman numeral II***. The expenditures for the reporting period are compared to the annual budget and the report shows the variance for each budget line. The expenditures are compared to the same period of the prior year, also.

I. There are four elements included in the Delivery of Legal Assistance:

1. The Basic Field Programs budget is $324,066,604; the grant expenses are $323,213,547 through this period. The remaining funds of $853,057 are earmarked to support grants in Mississippi, Wyoming, and American Samoa service areas.

2. The US Court of Veterans Appeals Funds budget totals $2,284,437. There are no expenses reported through this period.

3. The Grants from Other Funds budget totals $725,077: emergency grants totaling $253,346 were awarded to Legal Services Law Line of Vermont ($65,013) and Legal Aid Western Missouri ($188,333) in October 2011. The balance of $471,731 is available to support additional one-time grants.

4. The Technology Initiatives budget totals $7,226,487; net grant expenses of $3,184,224 were reported through the period. Thirty-three grants totaling $3,246,000 were awarded in November and four grants totaling $61,776 have been canceled. The remaining funds of $4,042,263 will be used for this year's technology grants and other technology initiative expenses.

II. The Herbert S. Garten Loan Repayment Assistance Program's budget is $2,181,550; there are no loan expenses for the period.

The second section of Attachment A presents expenditures for MGO, ***Roman numeral III,*** and the OIG, ***Roman numeral IV***. The expenditures are compared to a pro rata allocation of the annual budget based on the number of months into the fiscal year. The presentation is made this way because MGO and OIG expenditures occur on a monthly basis.

III. MGO's annual budget totals $21,319,956. The budget allocation for the period is $8,883,316 and is compared to the expenditures of $6,442,342. This is $2,440,974 or 27.48% under budget. Encumbrances (contracts) for the period are $150,518. The expenditures are $664,408 less than the same period in 2011.

The January Financial Report showed that MGO was 27.84% under budget.

IV. The OIG's annual budget is $6,431,553 and the allocated budget for this period is $2,679,814. The expenditures are $1,895,889; this is $783,925 or 29.25% under budget. OIG encumbrances are $143,444. The expenditures are $212,372 more than in FY 2011.

The OIG was 29.93% under budget with the January Financial Report.

Attachment B, page 1, presents comparative budgets and expenditures for MGO by cost center; all cost centers are under budget. Attachment B, page 2, shows the budgets and expenditures by budget category; the budget categories are all under budget.

The largest variance under budget of $827,289 is from the Other Operating Expenses. These unspent funds are due mainly to the unallocated Contingency funds totaling $720,982.

The second largest variance under budget of $814,803 as reported on Attachment B, page 2, is from the Compensation and Benefits category. There are two reasons for this variance: 1) we continue to have a number of open positions; and 2) the unspent Contingency Funds.

The open positions as of this report include the Vice President for Grants Management, Special Counsel to the President[1], Director of Institutional Advancement, and an Administrative Assistant in the Executive Office; Administrative Assistant in Information Technology[2]; Deputy Director, a Program Counsel, and a Program Analyst in Program Performance; and the Director in Compliance and Enforcement.

Attachment B, page 3, provides a summary of the expenditures by office and by budget category and all offices are under budget.

Comparative OIG budget and expenditures by budget category is presented with Attachment C and the budget categories are all under budget, except a minor overage of $760 in the Capital Expenditures category.

---

[1] A second Special Assistant to the President began employment in February.
[2] An Administrative Assistant began in February, also.

The largest budget category variances in the OIG budget include funds for:

A. Other operating expenses totaling $539,420 which consist of Contingency Funds related to the OIG's multi-year spend-down plan; and

B. Consulting totaling $99,730; the OIG has $141,710 in encumbrances for IT support services including network operations and a new OIG intranet and document management system.

If you have any questions, please let me know.

Attachments (3)

cc Board of Directors
President
Corporate Secretary
Inspector General

ATTACHMENT A

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET WORKSHEET
FOR THE FIFTH MONTH OF FISCAL YEAR 2012
PERIOD ENDING FEBRUARY 29, 2012

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	F I S C A L Y E A R 2 0 1 2						C O M P A R A T I V E	
	ANNUAL BUDGET	ACTUAL	ANNUAL BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM-BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
I. DELIVERY OF LEGAL ASSISTANCE								
1. Basic Field Programs	$324,066,604	323,213,547	$324,066,604	$853,057	0.26	$0	$392,656,500	($69,442,953)
2. US Court of Vets Appeals Funds	2,284,437	0	2,284,437	2,284,437	100.00	0	1,820,000	(1,820,000)
3. Grants From Other Funds	725,077	253,346	725,077	471,731	65.06	0	0	253,346
4. Technology Initiatives	7,226,487	3,184,224	7,226,487	4,042,263	55.94	0	2,958,540	225,684
TOTAL DELIVERY OF LEGAL ASSISTANCE	$334,302,605	$326,651,117	$334,302,605	$7,651,488	2.29	$0	$397,435,040	($70,783,923)
II. HERBERT S. GARTEN LOAN REPAYMENT ASSISTANCE PROGRAM	$2,181,550	$0	$2,181,550 **	$2,181,550	100.00	$0	$856,532	($856,532)

	ANNUAL BUDGET	ACTUAL	FIFTH MONTH OF FY 2012 BUDGET *	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM-BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
III. MANAGEMENT & GRANTS OVERSIGHT	$21,319,956	$6,442,342	$8,883,316	$2,440,974	27.48	$150,518	$7,106,750	($664,408)
IV. INSPECTOR GENERAL	6,431,553	1,895,889	2,679,814	783,925	29.25	143,444	1,683,517	212,372
TOTAL	$364,235,664	$334,989,348	$348,047,285	$13,057,937		$293,962	$407,081,839	($72,092,491)

* 5/12THS OF THE 12 MONTH BUDGET
** $8,480 LRAP ACCOUNTS RECEIVABLE

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET WORKSHEET
FOR THE FIFTH MONTH OF FISCAL YEAR 2012
PERIOD ENDING FEBRUARY 29, 2012

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	F I S C A L Y E A R 2 0 1 2						C O M P A R A T I V E	
	ANNUAL BUDGET	ACTUAL	FIFTH MONTH OF FY 2012 BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM-BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
III. MANAGEMENT & GRANTS OVERSIGHT								
1. Board of Directors	$630,500	$138,234	$262,708	$124,474	47.38	$47,310	$99,402	$38,832
2. Executive Office	1,022,500	202,889	426,042	223,153	52.38	0	212,382	(9,493)
3. Legal Affairs	1,437,850	506,395	599,104	92,709	15.47	8,550	513,418	(7,023)
4. Government Relations/Public Affairs	913,200	313,564	380,500	66,936	17.59	0	342,382	(28,818)
5. Human Resources	798,200	280,885	332,583	51,698	15.54	9,711	297,895	(17,010)
6. Financial & Admin Services	3,389,200	1,234,861	1,412,167	177,306	12.56	35,326	1,353,410	(118,549)
7. Information Technology	1,855,950	609,326	773,313	163,987	21.21	26,321	825,143	(215,817)
8. Program Performance	4,198,650	1,479,502	1,749,438	269,936	15.43	23,300	1,581,662	(102,160)
9. Information Management	675,250	255,094	281,354	26,260	9.33	0	264,594	(9,500)
10. Compliance & Enforcement	4,248,300	1,421,592	1,770,125	348,533	19.69	0	1,616,462	(194,870)
11. Contingency Fund	2,150,356	0	895,982	895,982	100.00	0	0	0
MANAGEMENT & GRANTS OVERSIGHT	$21,319,956	$6,442,342	$8,883,316	$2,440,974	27.48	$150,518	$7,106,750	($664,408)

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE FIFTH MONTH OF FY 2012 - PERIOD ENDING FEBRUARY 29, 2012
MANAGEMENT AND GRANTS OVERSIGHT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		FISCAL YEAR 2012					COMPARATIVE	
BUDGET CATEGORY	ANNUAL BUDGET	ACTUAL	FIVE MONTH BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM-BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
TOTAL COMP./BENEFITS	13,382,000	4,761,035	5,575,838	814,803	14.61	-	5,100,497	(339,462)
TEMP. EMPLOYEE PAY	615,250	143,803	256,354	112,551	43.90	-	143,045	758
CONSULTING	1,057,100	248,932	440,459	191,527	43.48	80,321	157,441	91,491
TRAVEL/TRANSPORTATION EXPS	1,299,400	259,056	541,415	282,359	52.15	-	298,517	(39,461)
COMMUNICATIONS	152,150	32,535	63,396	30,861	48.68	-	44,232	(11,697)
OCCUPANCY COST	1,758,500	712,500	732,708	20,208	2.76	-	718,407	(5,907)
PRINTING & REPRODUCTION	91,100	20,093	37,958	17,865	47.07	35,326	27,044	(6,951)
OTHER OPERATING EXPENSES	2,575,756	245,941	1,073,230	827,289	77.08	34,871	272,634	(26,693)
CAPITAL EXPENDITURES	388,700	18,447	161,958	143,511	88.61	-	344,933	(326,486)
TOTAL	21,319,956	6,442,342	8,883,316	2,440,974	27.48	150,518	7,106,750	(664,408)

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LEGAL SERVICES CORPORATION
OPERATING EXPENSES FOR FISCAL YEAR 2012
FOR THE FIFTH MONTH OF FY 2012 - PERIOD ENDING FEBRUARY 29, 2012
MANAGEMENT AND GRANTS OVERSIGHT

BUDGET CATEGORY	BOARD OF DIRECTORS	EXECUTIVE OFFICE	LEGAL AFFAIRS	GOV'T REL PUBLIC AFFS	HUMAN RESOURCES	OFFICE FINANCIAL & ADMIN SRVCS
COMPENSATION & BENEFITS	-	188,565	410,595	301,147	245,583	377,862
TEMPORARY EMPLOYEE PAY	-	-	-	-	14,024	-
CONSULTING	62,084	-	80,186	100	5,987	-
TRAVEL/TRANSPORTATION EXPS	56,766	12,690	5,395	3,443	748	4,266
COMMUNICATIONS	2,090	1,634	1,333	1,299	838	884
OCCUPANCY COST	-	-	-	-	-	712,500
PRINTING & REPRODUCTION	-	-	-	-	-	20,093
OTHER OPERATING EXPENSES	17,294	-	8,886	7,575	13,705	119,256
CAPITAL EXPENDITURES	-	-	-	-	-	-
TOTAL	$138,234	$202,889	$506,395	$313,564	$280,885	$1,234,861

BUDGET CATEGORY	INFORMATION TECHNOLOGY	PROGRAM PERFORMANCE	INFORMATION MANAGEMENT	COMPLIANCE & ENFORCEMENT	CONTINGENCY	TOTAL MGT & GRANTS OVERSIGHT
COMPENSATION & BENEFITS	407,336	1,299,711	248,071	1,282,165	-	4,761,035
TEMPORARY EMPLOYEE PAY	-	73,345	-	56,434	-	143,803
CONSULTING	93,375	7,200	-	-	-	248,932
TRAVEL/TRANSPORTATION EXPS	4,083	92,753	-	78,912	-	259,056
COMMUNICATIONS	14,469	5,974	6	4,008	-	32,535
OCCUPANCY COST	-	-	-	-	-	712,500
PRINTING & REPRODUCTION	-	-	-	-	-	20,093
OTHER OPERATING EXPENSES	71,616	519	7,017	73	-	245,941
CAPITAL EXPENDITURES	18,447	-	-	-	-	18,447
TOTAL	$609,326	1,479,502	$255,094	$1,421,592	-	6,442,342

ATTACHMENT C

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE FIFTH MONTH OF FY 2012 - PERIOD ENDING FEBRUARY 29, 2012
INSPECTOR GENERAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		FISCAL YEAR 2012					COMPARATIVE	
BUDGET CATEGORY	ANNUAL BUDGET	ACTUAL	FIVE MONTH BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM-BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
TOTAL COMP./BENEFITS	3,889,400	1,559,811	1,620,582	60,771	3.75	-	1,467,604	92,207
TEMP. EMPLOYEE PAY	40,000	16,367	16,667	300	1.80	-	1,656	14,711
CONSULTING	660,000	175,270	275,000	99,730	36.27	141,710	34,802	140,468
TRAVEL/TRANSPORTATION EXPS	385,000	85,501	160,417	74,916	46.70	-	76,741	8,760
COMMUNICATIONS	34,000	8,004	14,167	6,163	43.50	-	6,659	1,345
OCCUPANCY COST	6,000	-	2,500	2,500	100.00	-	1,007	(1,007)
PRINTING & REPRODUCTION	10,000	3,282	4,167	885	21.24	-	1,656	1,626
OTHER OPERATING EXPENSES	1,332,153	15,644	555,064	539,420	97.18	-	19,425	(3,781)
CAPITAL EXPENDITURES	75,000	32,010	31,250	(760)	(2.43)	1,734	73,967	(41,957)
TOTAL	$6,431,553	1,895,889	2,679,814	783,925	29.25	143,444	1,683,517	212,372

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Governance & Performance Committee

GOVERNANCE AND PERFORMANCE REVIEW COMMITTEE

April 15, 2012

Agenda

1. Approval of agenda

2. Approval of minutes of the Committee's meeting of January 20, 2012

3. Approval of minutes of the Committee's telephonic meeting of February 15, 2012

4. Staff report on progress on implementation of GAO recommendations

5. Consider and act on the evaluation of officers of the Corporation for 2011

   - Victor Fortuno, Vice President for Legal Affairs, General Counsel & Corporate Secretary
   - David Richardson, Treasurer/Comptroller

6. Consider and act on other business

7. Public Comment

8. Consider and act on motion to adjourn the meeting

Committee Meeting Minutes
January 20, 2012

DRAFT v1

Legal Services Corporation
Meeting of the Governance & Performance Review Committee
Open Session
Friday, January 20, 2012

DRAFT MINUTES

Chair Martha L. Minow convened an *open session* meeting of the Legal Services Corporation's (LSC) Board of Directors Governance & Performance Review Committee at 4:34 p.m., on Friday, January 20, 2012, at the Westgate Hotel, 1055 Second Avenue, San Diego, California.

The following committee members were present:

Martha L. Minow, Chair
Sharon L. Browne
Charles N.W. Keckler
Julie A. Reiskin
John G. Levi, *ex officio*

Other Board members present were:

Robert J. Grey, Jr.
Victor B. Maddox
Laurie I. Mikva
Father Pius Pietrzyk, O.P.
Gloria Valencia-Weber

Also present were:

James J. Sandman, President
Richard L. Sloane, Special Assistant to the President
Kathleen McNamara, Executive Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel & Corporate Secretary

David L. Richardson, Treasurer & Comptroller
Mattie Cohan, Senior Assistant General Counsel
Katherine Ward, Executive Assistant
John Constance, Director, Office of Government Relations & Public Affairs
Stephen Barr, Communications Director
Jeffrey E. Schanz, Inspector General ("IG")
Laurie Tarantowicz, Assistant IG and Legal Counsel
Joel Gallay, Special Counsel to the IG
Ronald "Dutch" Merryman, Assistant IG for Audit
David Maddox, Assistant IG for Management & Evaluation
Thomas Coogan, Assistant IG for Investigations
Robert E. Henley, Jr., Non-Director Member, LSC Finance Committee
Don Saunders, National Legal Aid & Defenders Association (NLADA)
Charles "Chuck" Greenfield, NLADA
Justice Earl Johnson, Jr., American Bar Association Standing Committee on Legal Aid & Indigent Defendants

The following summarizes actions taken by and presentations made to the Committee.

MOTION

Ms. Reiskin moved approval of the agenda and Mr. Keckler seconded the motion.

The agenda was approved without objection.

MOTION

Ms. Reiskin moved approval of minutes of the October 18, 2011 meeting of the Committee. Mr. Keckler seconded the motion.

The minutes were approved without objection.

Chair Minow gave highlights of results of the Board, individual and committee self-evaluations process for 2011. She then recognized John Constance, Director of the Office of Government Relations and Public Affairs, who gave a progress report on implementation of recommendations made by the United States Government Accountability Office. President Sandman participated in the discussion, at the conclusion of which the Committee thanked and commended Mr. Constance for his service.

Chair Minow next described to the Committee the procedure proposed for conducting an evaluation of the President. There were no objections to the proposed procedure. President Sandman participated in the discussion and described how he prepared his self-evaluation. Chair Minow shared President Sandman's self-evaluation with the Committee during the meeting and advised that the Committee would consider it further at its April 2012 meeting.

The Committee then engaged Jeffrey Schanz, Inspector General's ("IG"), in a discussion regarding his performance over the preceding 12-month period.

With respect to the Committee's evaluation of corporate officers, President Sandman proposed and the Committee agreed to have the Treasurer and Vice President for Legal Affairs prepare self-evaluations that would be submitted to the Committee accompanied by President Sandman's commentary.

After determining there was no other business to come before the Committee, Chair Minow opened the floor to public comments. There being no public comments, the following motion was offered.

MOTION

Mr. Levi moved adjournment of the meeting and Mr. Keckler seconded the motion.

VOTE

The motion passed by a voice vote and the meeting adjourned at 4:57 p.m.

Committee Meeting Minutes
February 15, 2012

Legal Services Corporation
Meeting of the Governance & Performance Review Committee
Open Session
Wednesday, February 15, 2012

DRAFT MINUTES

Chair Martha Minow convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Governance & Performance Review Committee ("the Committee") at 4:33 p.m. on Wednesday, February 15, 2012. The meeting was held at Legal Services Corporation, 3333 K Street NW, Washington DC 20007.

The following Committee members were present:

Martha Minow, Chair
Sharon L. Browne
Charles N.W. Keckler
Julie A. Reiskin
John G. Levi, *ex officio*

Other Board Members Present:
Robert J. Grey, Jr.

Also attending were:

James J. Sandman	President
Katherine Ward	Executive Assistant, Office of Legal Affairs
David Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
John Constance	Director, Office of Government Relations and Public Affairs
Richard Sloane	Special Assistant to the President
Rebecca Fertig	Special Assistant to the President

The following summarizes actions taken by, and presentations made to, the Committee:

MOTION

Ms. Reiskin moved to approve the agenda. Mr. Keckler seconded the motion.

VOTE

The motion passed by voice vote.

Approval of the Committee's January 20, 2012 meeting was postponed.

Chair Minow led the discussion of the President's self-evaluation and invited Committee members to comment. Ms. Reiskin suggested that, as part of the evaluation process, future goals for the President should be considered. Ms. Browne agreed and also suggested that it would be helpful to prioritize such goals.

Next, Chair Minow briefly addressed the Committee members' self-evaluations and suggested that the Committee goals for the upcoming year be discussed at the next meeting, when the new staff liaison will be present.

Chair Minow invited public comment and received none. There was no new business to consider.

MOTION

Mr. Keckler moved to adjourn the meeting. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

The *open session* telephonic meeting of the Committee adjourned at 4:57 p.m.

Staff Report on GAO Recommendations

GAO Recommendations from June 2010 Report
"Improvements Needed in Controls over Grant Awards & Grantee Program Effectiveness"

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
1	Develop and implement procedures to provide a complete record of all data used, discussions held, and decisions made on grant applications.	Accepted	Changes to the LSC Grants software program already completed and include:			Closed Dec. 2011: GAO in process of formal close out.
			The home page of the LSC Grants review module has been revised to include a listing of grant documents that must be reviewed (if applicable). The final page of the review module requires the reviewer to certify, by entering the reviewer's name, that all applicable grant documents have been reviewed in completing the grant application evaluation.	June 2010	Real time observation of LSC Grants	
			LSC grants is further revised to include a page for OPP management to use in certifying the meeting(s) held with staff reviewers to discuss data used in the evaluation process, the reviewer's recommendations, and managements final funding recommendation for the grant Applicant.	August 2010	Real time observation of LSC Grants	
			The evaluation module of LSC grants is also modified to designate certain reviewer data fields as required. Designating fields as required prohibits a reviewer for submitting an application evaluation that is incomplete. As an example, the field that reviewers use to certify that all required grant documents have been reviewed is a required field. Also, data fields linked to particular responses provided in other data fields are designated as required fields.	June 2010	Real time observation of LSC Grants	

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
2	Develop and implement procedures to carry out and document management's review and approval of the grant evaluation and award decisions.	Accepted	The following changes were incorporated for the 2011 grant decision cycle: LSC grants has been revised to include a page for the LSC Vice President for Programs and Compliance and a page for the LSC President to use in certifying the meeting(s) held with OPP and OCE management to discuss the evaluation process, and OPP and OCE management recommendations. The Vice President's page includes a funding recommendation for the grant Applicant and the President's page includes a line for certifying the funding decision for each Applicant. Funding decisions were completed in December 2010.	December 2010	Real time observation of LSC Grants	Closed Dec. 2011: GAO in process of formal close out.
3	Conduct and document a risk-based assessment of the adequacy of internal control of the grant evaluation and award and monitoring process from the point that the Request for Proposal is created through award, and grantee selection.	Accepted	LSC is engaging an outside expert to develop and perform a full evaluation and assessment of the competitive grants process. This will include conducting a risk-based assessment of the internal control of the grant evaluation, award, and monitoring process; recommendations of additional internal control options; recommendations of options for maximizing information reporting capabilities; and a report on internal controls and options implemented.	Ongoing.	Documentation of the risk based internal control assessment of the process and any related risk remediation efforts.	3/20/2012: LSC issued a RFP for consultant services to implement this recommendation.

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
4	Conduct and document a cost benefit assessment of improving the effectiveness of application controls in LSC Grants such that the system's information capabilities could be utilized to a greater extent in the grantee application evaluation and decision-making process.	Accepted	LSC implemented the use of the required fields, certifications required by reviewers documenting the review process, and certifications by management and the Executive Office documenting the process for reaching final funding recommendations and funding decisions. LSC Grants will undergo a continuous internal evaluation by staff and management to assess the effectiveness of the control features implemented, and consider additional control feature options.	November 2010	Cost benefits assessment. Real time observation of the required fields, certs etc. in LSC Grants Evidence of the continuous internal evaluation by staff.	Closed Dec. 2011: GAO in process of formal close out. .
	Grantee Oversight Activities					
5	Develop and implement procedures to ensure that grantee site visit selection risk criteria are consistently used and to provide for summarizing results by grantee.	Accepted	OPP and OCE Manuals have been revised to include procedures for risk criteria used for selecting grantee site visit. Also, both offices have developed summarized results of the selection process by grantee. Outside labor counsel has reviewed LSC's response.	August 16, 2010	Evidence of outside labor counsel review and implementation.	Apr. 2012: Informed GAO that LSC has implemented the recommendation and requested a close-out of recommendation.
6	Establish and implement procedures to monitor OCE grantee site visit report completion against the 120 day time frame provided in the OCE Procedures Manual.	Accepted	OCE has developed an annual tracking document that includes comprehensive information on grantee site visits, and reporting date and issuance (OCE/OPP combined visit list). Outside labor counsel has reviewed LSC's response.	April 2012	Evidence of outside labor counsel review and implementation.	Apr. 2012: Informed GAO that LSC has implemented the recommendation and requested a close-out of recommendation

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
7	Execute a study to determine an appropriate standard timeframe for OLA opinions to be developed and issued. Develop and implement procedures to monitor completion of OLA opinions related to OCE site visits against the target time frame for issuing opinions.	Accepted	Office of Legal Affairs (OLA) issued a new Opinions Protocol that sets forth the procedures and processes to be followed in the development and issuance of both Advisory and Internal Opinions. As part of this effort, OLA implemented appropriate timeframes for response to requests for opinions.	August 20, 2010	Copy of study and new OLA Opinions Protocol. Also, evidence of implementation of the new protocol.	Closed Dec. 2011: GAO in process of formal close out.
8	Develop and implement procedures to provide a centralized tracking system for LSC's recommendations to grantees identified during grantee site visits and the status of grantees' corrective actions.	Accepted	Both OPP and OCE currently monitor recommendations and corrective actions through separate processes in each office. In addition, LSC is building into the LSC Grants system another method for monitoring the status of recommendations and corrective actions from OPP and OCE oversight visits. The system will require grantees to update this information with their annual competition or renewal application submissions to LSC. This information will be used by staff in meeting their oversight responsibilities.	August 2011	Evidence of procedures and implementation of the centralized tracking system for LSC recommendations.	Closed Dec. 2011: GAO in process of formal close out.
	Performance Management					
9	Develop and implement procedures to link performance measures (1) to specific offices and their core functions and activities, and (2) to LSC's strategic goals and objectives.	Accepted	The LSC Board of Directors is developing a new strategic plan for the Corporation which will include linking performance measures to LSC's strategic goals and objectives. LSC is in process of revising its employee performance evaluation system and currently reviewing OPP & OCE position descriptions as the first step in this process to link to strategic goals and objectives. Revisions will be discussed with the union.	Ongoing	Evidence of procedures and sustainable implementation.	Further action required from LSC. :

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
10	Develop and implement procedures for periodically assessing performance measures to ensure they are up-to-date.	Accepted	LSC will develop and implement procedures to periodically assess performance measures after a new strategic plan is completed.	Ongoing	Evidence of implementation.	Further action required from LSC.
	Staffing Needs Assessment					
11	Develop and implement procedures to provide for assessing all LSC component staffing needs in relation to LSC's strategic and strategic human capital plans.	Accepted	LSC will develop and implement a human capital plan consistent with the new strategic goals the Board adopts.	Ongoing	Evidence of procedures and their sustainable implementation.	Further action required from LSC.
12	Develop and implement a mechanism to ensure that all LSC staff receives annual performance assessments.	Accepted	LSC is in the process of developing a new performance appraisal system and aims to conduct staff performance assessments covering 2012. Since the GAO requires two consecutive years of performance appraisals to close out the recommendation, expected completion date is 2014.	Ongoing	Evidence of procedures and their sustainable implementation e.g., most recent actual performance assessments for all OPP and OCE employees. Also list of OPP and OCE staff on board at time of performance assessment cycle.	Further action required from LSC.

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
	Budget Controls					
13	Develop and implement a process to monitor contract approvals to ensure that all proposed contracts are properly approved before award.	Accepted	Recommendation completed. LSC implemented new Administrative Manual procedures to better monitor contract approvals and ensure that funds are available and all contracts receive appropriate approvals prior to issuance. This policy and practice was in place prior to GAO's completing their fieldwork for this report, and a review of LSC's practices since October 1, 2009 will show that the procedures are being followed and all contracts are now being properly approved.	October 2009	Evidence of process design and implementation.	Closed by GAO (10/13/2011)
14	Develop and implement procedures for contracts at or above established policy thresholds, to ensure the LSC President provides written approval in accordance with policy before contract award.	Accepted	Recommendation completed. LSC implemented new Administrative Manual procedures to better monitor contract approvals and ensure that funds are available and all contracts receive appropriate approvals prior to issuance. This policy and practice was in place prior to GAO's completing their fieldwork for this report, and a review of LSC's practices since October 1, 2009 will show that the procedures are being followed and all contracts are now being properly approved.	October 2009	Evidence of procedures and their implementation.	Closed by GAO (10/13/2011)

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
15	Develop and implement procedures to ensure budget funds are available for all contract proposals before contracts are awarded.	Accepted	Recommendation completed. LSC implemented new Administrative Manual procedures to better monitor contract approvals and ensure that funds are available and all contracts receive appropriate approvals prior to issuance. This policy and practice was in place prior to GAO's completing their fieldwork for this report, and a review of LSC's practices since October 1, 2009 will show that the procedures are being followed and all contracts are now being properly approved.	October 2009	Evidence of sustainable implementation.	Closed by GAO (10/13/2011)
	Internal Control Environment					
16	Develop and implement procedures for providing and periodically updating training for LSC management and staff on applicable internal controls necessary to effectively carry out LSC's grant award and grantee performance oversight responsibilities.	Accepted	LSC is in the process of developing training procedures for LSC management and staff regarding internal controls to carry out grant award competition and grantee oversight responsibilities. LSC expects to submit new training procedures to the GAO by April 30, 2012.	Ongoing	Evidence demonstrating implementation of procedures for providing and periodically updating training for LSC management and staff on applicable internal controls necessary to effectively carry out LSC's grant award and grantee performance oversight.	Further action required from LSC.

Updated 04/05/2012

No.	Grant Application Processing and Award	LSC Response	LSC Action Plan	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	Current Status
17	Establish a mechanism to monitor progress in taking corrective actions to address recommendations related to improving LSC grants award, evaluation, and monitoring.	Accepted	LSC has established a formal process to monitor and track actions taken by LSC in response to recommendations from the Government Accountability Office. This written procedure identifies the Office of Government Relations and Public Affairs as the office responsible for maintaining the tracking system and includes quarterly reporting on the status of any remediation efforts to the Board of Directors.	October 2010	Evidence of implementation of the monitoring of corrective actions taken to address recommendations related to improving LSC grant award.	Closed Dec. 2011: GAO in process of formal close out. .

Total Number of Recommendations: 17

Total Number Closed by GAO: 9

Total Number of Open Items: 8

Number of Pending Requests for close-out: 2

Promotion & Provision for the Delivery of Legal Services

PROMOTION AND PROVISION FOR THE DELIVERY OF LEGAL SERVICES COMMITTEE

April 16, 2012

Agenda

1. Approval of Agenda

2. Approval of Minutes of the Committee's telephonic meeting of March 9, 2012

3. Panel Presentation on the work of the District of Columbia Access to Justice Commission

    - Moderator -- Peter B. Edelman, Professor of Law, Georgetown University Law Center, Chair of the District of Columbia Access to Justice Commission
    - Judge Anna Blackburne-Rigsby, District of Columbia Court of Appeals
    - Andrew Marks, Partner, Crowell & Moring
    - Patricia Mullahy-Fugere, Executive Director of the Washington Legal Clinic for the Homeless

4. Consider and act on Management's list of suggested topics for future Committee meetings

5. Public comment

6. Consider and act on other business

7. Consider and act on motion to adjourn the meeting

Committee Meeting Minutes
March 9, 2012

Legal Services Corporation
Meeting of the Promotion and Provision for the Delivery of Legal Services Committee
Open Session
Friday, March 9, 2012

DRAFT MINUTES

Chairman Laurie I. Mikva convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Promotion & Provision for the Delivery of Legal Services Committee ("the Committee") at 12:02 p.m. on Friday, March 9, 2012. The meeting was held at Legal Services Corporation, 3333 K Street NW, Washington DC 20007.

The following Committee members were present:

Laurie I. Mikva, Chairman
Sharon L. Browne
Victor B. Maddox
Julie A. Reiskin
John G. Levi, *ex officio*

Also attending were:

James J. Sandman	President
Richard Sloane	Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Kathleen McNamara	Executive Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Katherine Ward	Executive Assistant, Office of Legal Affairs
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel
Janet LaBella	Director, Office of Program Performance
John C. Meyer	Director, Office of Information Management

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Mikva called the *open session* meeting to order.

MOTION

Ms. Brown moved to approve the agenda. Ms. Reiskin seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Ms. Reiskin moved to approve the minutes of the Committee's January 20, 2012 meeting. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Mikva shared comments that were relayed to her through Mr Constance, Director, Government Relations and Public Affairs, regarding the Committee members' self-evaluations and goals for 2012. She explained that as part of the process for setting goals for the upcoming year, this was a good opportunity to also review the Committee's charter, which is required to be done periodically. There was consensus among the Committee members on the need to work with LSC management to develop a list of topics for the Committee to focus on over the next 20-24 months.

Next, there was discussion on videotaping panel presentations. President Sandman informed the Committee that LSC management is looking into alternatives for recording and making available all presentations made to the Committee and to the Board. Chairman Mikva then briefly addressed the issues related to grantee peer reviews, including legal, ethical, and financial concerns.

Chair Minow invited public comment and received none. There was no new business to consider.

MOTION

Ms. Reiskin moved to adjourn the meeting. Mr. Maddox seconded the motion.

VOTE

The motion passed by voice vote.

The *open session* telephonic meeting of the Committee adjourned at 12:57 p.m.

Suggested Topics for Future Committee Meetings

Suggested Topics for Future Promotion and Provision for the Delivery of Legal Services Committee Meetings

A. Top Tier

1. Strategic planning in times of funding cutbacks

2. Grantee use of technology

3. Resource development best practices

4. Grantee use of data

5. PAI best practices and model programs (following issuance of Pro Bono Task Force report)

6. Report on staff assessment of TIG

B. Second Tier

7. Succession planning and leadership development

8. Client satisfaction feedback and its use

9. Recruitment and retention of quality advocacy staff

10. Geographic information system (GIS) mapping as tool for service delivery assessment

11. TIG priorities for the current and upcoming grant cycles

Operations & Regulations Committee

OPERATIONS & REGULATIONS COMMITTEE

April 16, 2012

Agenda

1. Approval of agenda

2. Approval of minutes of the Committee's telephonic meeting of February 29, 2012

3. Staff report on open rulemaking on enforcement mechanisms

   - Mattie Cohan, Office of Legal Affairs

4. Consider and act on Board policy on LSC promulgations

   - Mattie Cohan, Office of Legal Affairs

5. Consider and act on Rulemaking Options Paper on possible amendment on LSC's regulation on Subgrants, 45 C.F.R. Part 1627

6. Staff report on Board policies and protocols

7. Consider and act on revisions to Board's contributions protocol

8. Public comment

9. Consider and act on other business

10. Consider and act on motion to adjourn the meeting

Committee Meeting Minutes
February 29, 2012

Legal Services Corporation
Meeting of the Operations and Regulations Committee
Open Session
Wednesday, February 29, 2012

DRAFT MINUTES

Chairman Charles N.W. Keckler convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Operations and Regulations Committee ("the Committee") at 3:33 p.m. on Wednesday, February 29, 2012. The meeting was held at Legal Services Corporation, 3333 K Street NW, Washington DC 20007.

The following Committee members were present:

Charles N.W. Keckler, Chairman
Harry J.F. Korrell, III
Robert J. Grey, Jr.
Laurie I. Mikva
John G. Levi, *ex officio*

Other Board Members Present:

Father Pius Pietrzyk
Julie A. Reiskin

Also attending were:

James J. Sandman	President
Richard Sloane	Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Mattie Cohan	Senior Assistant General Counsel, Office of Legal Affairs
David Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel
David Maddox	Assistant Inspector General for Management and Evaluation
Janet LaBella	Director, Office of Program Performance
John Meyer	Director, Office of Information Management
Jeffrey Morningstar	Director, Office of Information Technology
Chuck Greenfield	National Legal Aid and Defender Association (NLADA)

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Keckler called the *open session* meeting to order and noted the presence of a quorum.

MOTION

Mr. Grey moved to approve the agenda. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Mr. Grey moved to approve the minutes of the Committee's January 19, 2012 meeting. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Keckler addressed the first agenda item, which was to discuss the Committee members' self-evaluations for 2011, the Committee's goals for 2012, and possible amendments to the Committee's charter. In discussing the goals for the upcoming year and the charter, the Committee members questioned the need to have overlapping duties and responsibilities with other Board committees, such as Audit and Governance and Performance. Chairman Keckler proposed that draft redline changes reflecting the Committee's discussion of the charter be prepared for a future Committee meeting.

Next, Ms. Cohan, Senior Assistant General Counsel, Office of Legal Affairs, provided background information on developing a policy regarding which documents generated by the Corporation should be presented to the Board prior to publication for notice and comment or just simply for publication. The Committee members offered their opinions on the matter. Mr. Greenfield, NLADA, shared his comments, as well, noting that it would be helpful for LSC to develop systematic criteria for the categories of documents generated by the Corporation.

Mr. Sloane, Special Assistant to the President, next reported on the LSC Continuity of Operations Plan (COOP). Mr. Sloane offered some observations about the state of the current plan and provided recommendations and potential options for revising the plan. Mr. Morningstar, Director, Office of Information Technology, provided detailed remarks on the technological component of the plan. Chairman Keckler noted that the role of the Board is only lightly mentioned in the current COOP and asked for a greater Board role to be developed for future consideration.

Chairman Keckler invited public comment and received none. There was no new business to consider.

MOTION

Mr. Korrell moved to adjourn the meeting. Ms. Mikva seconded the motion.

VOTE

The motion passed by voice vote.

The *open session* meeting of the Committee adjourned at 4:48 p.m.

Rulemaking on Enforcement Mechanisms

OFFICE OF LEGAL AFFAIRS

MEMORANDUM

To: Operations & Regulations Committee

Through: Victor M. Fortuno, Vice President & General Counsel VMF

From: Mattie Cohan, Senior Assistant General Counsel MC

Subject: Status Report on Enforcement Mechanisms Rulemaking

Date: April 5, 2012

cc: James J. Sandman, President

On January 31, 2012, LSC published in the Federal Register a Notice of Proposed Rulemaking ("NRPM") proposing amendments to LSC's regulations at 45 C.F.R. Parts 1606 (termination), 1618 (enforcement), and 1623 (suspension). In particular, LSC proposed changes that would provide enforcement mechanisms better suited to violations or compliance issues in an intermediate range—material but not extreme, or multiple but not profuse, in situations where a recipient does not voluntarily take corrective action in a timely manner. The NPRM proposed: the establishment of standards and procedures for limited reductions in funding; adoption of express authority to impose Special Grant Conditions during a grant year; and amending maximum suspension period from 30 to 90 days. Comments on the NPRM were due to LSC by April 2, 2012.

LSC received seventeen timely filed comments on the NPRM from the following commenters:

- National Legal Aid and Defender Association
- American Bar Association Standing Committee on Legal Aid and Indigent Defense
- LSC Office of Inspector General
- Northwest Justice Project (LSC funded provider)
- Iowa Legal Aid (LSC funded provider)
- Legal Aid Foundation of Metropolitan Chicago/Prairie State Legal Services/Land of Lincoln Legal Assistance Foundation (LSC funded providers)
- Merrimack Valley-North Shore Legal Services (LSC funded provider)
- California Project Directors Association - Bay Area Legal Aid/California Indian Legal Services/California Rural Legal Assistance/Central California Legal Services/ Greater Bakersfield Legal Assistance/Inland Counties Legal Services/Legal Aid

Foundation of Los Angeles/Legal Aid Society of Orange County/Legal Aid Society of San Diego/Legal Services of Northern California/ Neighborhood Legal Services of Los Angeles County (LSC funded providers)

- Maryland Legal Aid (LSC funded provider)
- Legal Aid Society of Northeastern New York/Legal Services of the Hudson Valley/Neighborhood Legal Services/Legal Aid Society of Mid-New York/Legal Assistance of Western New York/Nassau-Suffolk Legal Services Committee (LSC funded providers)
- Montana Legal Services Association (LSC funded provider)
- New York Legal Services Funding Alliance: Legal Aid Society of Northeastern New York/Legal Services of the Hudson Valley/Neighborhood Legal Services/Legal Aid Society of Mid-New York/Legal Assistance of Western New York/Nassau-Suffolk Legal Services Committee (LSC funded providers); and Chautaqua County Legal Services/Erie County Bar Association Volunteer Lawyers Project/Frank H. Hiscock Legal aid Society/Legal Aid Society of Rockland County/Legal Aid Society of Rochester/Legal Aid Bureau of Buffalo/Legal Services of Central New York/Volunteer Legal Services Project of Monroe County/Western New York Law Center (Non-LSC funded providers)
- Legal Aid Services of Oregon (LSC funded provider)
- Colorado Legal Services (LSC funded provider)
- Association of Virginia Legal Aid Programs: Blue Ridge Legal Services, Inc./Central Virginia Legal Aid Society, Inc./Legal Aid Society of Eastern Virginia, Inc./Legal Services of Northern Virginia, Inc./Southwest Virginia Legal Aid Society, Inc./Virginia Legal Aid Society, Inc. (LSC funded providers) and Legal Aid Justice Center/Legal Aid Society of Roanoke Valley, Inc./Legal Services Corporation of Virginia/Rappahannock Legal Services, Inc./Virginia Poverty Law Center, Inc. (Non-LSC funded providers)
- Georgia Legal Services/Atlanta Legal Aid Society (LSC funded providers)
- Legal Services Association of Michigan: Legal Services of Northern Michigan/Legal Aid and Defender Association/Legal Services of South Central Michigan/Legal Services of Eastern Michigan/Legal Aid of Western Michigan/Michigan Indian Legal Services (LSC funded providers); and Lake Shore Legal Aid/University of Michigan Law Clinic/Center for Civil Justice/Michigan Migrant Legal Assistance Program/Michigan Legal Services/Elder Law of Michigan/Neighborhood Legal Services (Non-LSC funded providers)

The comments from the legal services community disfavor the proposals, suggesting, among other things, that LSC has sufficient enforcement mechanisms at its disposal and that the imposition of any monetary penalty on an LSC recipient would be detrimental to client services. In addition, they argue that the proposed limited reduction in funding provisions lack both sufficient due process and sufficiently defined standards for when they could be invoked.

In contrast, the OIG generally supported the proposals. The OIG argues that the proposed provisions for limited reductions in funding provide sufficient due process would increase LSC's flexibility as a grant administrator. The OIG also generally supports the proposed changes regarding suspension and Special Grant Conditions, with some suggested revisions. Finally, the OIG comments that non-compliance and the misuse of funds also harm the client community and notes that funds recovered through a limited reduction in funding would be available for re-granting to other recipients for client services.

The comments are posted to LSC's website, on the Open Rulemaking Page: http://www.lsc.gov/about/laws-regulations/open-rulemaking.

The Committee is not being asked to take any action at this time. We will be preparing an analysis of the comments and a Draft Final Rule for the Committee's consideration at a future meeting of the Committee.

Board Policy on LSC Promulgations

OFFICE OF LEGAL AFFAIRS

MEMORANDUM

To: Operations & Regulations Committee

Through: Victor M. Fortuno, Vice President & General Counsel

From: Mattie Cohan, Senior Assistant General Counsel *MC*

Subject: Draft Resolution Adopting a Board Policy on LSC Promulgations

Date: March 30, 2012

cc: James J. Sandman, President

At the February 29, 2012 meeting of the Committee, the Committee asked staff to develop a draft policy for the Committee's consideration regarding the Board's involvement in the issuance of various LSC promulgations. This memo and the attached resolution respond to this request.

Background

LSC promulgates a variety of documents affecting LSC grant recipients, including various substantive rules, procedural rules, and interpretive guidance documents. LSC also promulgates a variety of documents affecting the internal operations of the Corporation. LSC is required by section 1008(e) of the LSC Act to publish some promulgations for notice and comment and to publish certain promulgations in the Federal Register 30 days prior to their effective date. Other promulgations are not legally subject to either notice and comment or publication in the Federal Register prior to their effective date. On occasion LSC chooses to seek public comment and/or provide prior notice in the Federal Register of some of the latter promulgations as a discretionary matter.

The LSC Act does not address the extent to which the Board of Directors is required to actively approve, or even receive prior notice of, most promulgations. (The one exception is found in section 1006(b)(5) of the Act, which expressly required the first Board of Directors to adopt regulations within 90 days of its first meeting to implement specific statutory prohibitions on certain political activity.) The LSC Rulemaking Protocol, adopted by the Board in 2000 and amended in 2002, provides that regulations to be adopted in the Code of Federal Regulations must be subject to prior review and adoption by the Board. To date, however, no LSC Board has adopted a comprehensive policy regarding which promulgations of the Corporation are required

to be reviewed and/or approved by the Board. Rather, Board review and/or approval of certain other documents has been *ad hoc*. For example, the Property Acquisition and Management Manual and the LSC Accounting Manual were brought to the Board for prior review and approval, whereas the Board was apprised of the 2011 Grant Assurances and provided an opportunity to comment, but was not asked to provide express approval. With regard to LSC internal promulgations, the Employee Handbook and LSC Code of Ethics and Conduct have been formally adopted by the Board, but other documents, such as the Administrative Manual, the ePolicy, and the Emergency Response Plan, have been subject to neither Board approval nor prior notice.

Draft Promulgations Policy

In accordance with the request of the Committee, attached hereto is a draft policy, set forth in the form of a Board Resolution. As this is a matter of policy rather than legal requirement, we wish to make it clear that the attached draft policy is not being presented as advice or a recommendation from the Office of Legal Affairs. Rather we have simply tried to articulate what we understood to be the Committee's preference as discussed at that meeting.

With respect to external promulgations, the draft policy provides that the Board should approve promulgations that the Corporation is required by the LSC Act to publish for public comment and should receive prior notice of promulgations that the Corporation is legally required by the LSC Act to publish in the Federal Register prior to their effective date. In addition, the draft policy provides that promulgations that management, in its discretion, subjects either to public comment or publication in the Federal Register 30 days prior to the effective date must also be provided to the Board for prior notice.

Attachment

BOARD OF DIRECTORS

RESOLUTION

BOARD OF DIRECTORS POLICY ON REQUIRED BOARD NOTICE AND APPROVAL OF CERTAIN LSC PROMULGATIONS

WHEREAS, the Legal Services Corporation ("LSC" or "Corporation") promulgates a variety of documents affecting LSC grant recipients, including various substantive rules, procedural rules, and interpretive guidance documents; and

WHEREAS, LSC's Board of Directors ("Board") does not have a comprehensive policy regarding which promulgations of the Corporation are required to be reviewed and/or approved by the Board;

BE IT RESOLVED that the Board hereby adopts the following policy:

1. Any promulgation requiring notice and comment under section 1008(e) of the Legal Services Corporation Act ("LSC Act") must be presented to the Board of Directors for prior review and approval.

2. Any promulgation that LSC is required by section 1008(e) the LSC Act to publish in the Federal Register 30 days prior to its effective date must be distributed to the Board prior to publication with notice of management's intent to issue the document, but is not subject to formal Board approval prior to publication.

3. Any promulgation that LSC is not required by section 1008(e) of the LSC Act to publish for notice and comment or publish in the Federal Register 30 days prior to its effective date, but that management, as a matter of discretion, subjects (or has subjected) to public comment, or determines to publish in the Federal Register 30 days prior to its effective date, must be distributed to the Board prior to publication with notice of management's intent to issue the document, but is not subject to formal Board approval prior to publication.

4. Any other promulgation not described herein is subject to neither Board approval nor prior notice as a matter of course.

Adopted by the
Board of Directors
On April 16, 2012

_____
John G. Levi
Chairman

_____
Victor M. Fortuno
Vice President, General Counsel & Corporate Secretary

Rulemaking Options Paper

OFFICE OF LEGAL AFFAIRS

RULEMAKING OPTIONS PAPER
TIG THIRD-PARTY CONTRACTING

To: Operations and Regulations Committee

Through: Victor M. Fortuno, Vice President and General Counsel

From: Mark Freedman, Senior Assistant General Counsel

Re: Rulemaking Options—TIG Third-Party Contracting

Date: April 4, 2012

SCOPE OF RULEMAKING OPTIONS

This Rulemaking Options Paper (ROP) addresses issues involving third-party contracting by LSC recipients using LSC funds from LSC Technology Initiative Grants (TIGs). In audit AU-11-01, the LSC Office of Inspector General (OIG) reviewed LSC's operation of the TIG program. The OIG recommended that LSC Management commence rulemaking to address financial accountability for third-party contracting in the TIG program that is not covered by the subgrant rule. Management directed OLA to provide this ROP to address those issues. As required by the LSC Rulemaking Protocol, this ROP includes a recommendation regarding the rulemaking processes for each option. OLA does not make any recommendation regarding the substantive choices before the Board. Management is providing its recommendations separately.

EXECUTIVE SUMMARY

All LSC-recipient expenditures of LSC funds are subject to LSC's financial requirements under LSC's cost standards rule (45 C.F.R. Part 1630), the LSC Accounting Guide, the LSC Audit Guide, and the LSC Property Acquisition and Management Manual (PAMM) (for covered property transactions). The LSC subgrant regulation, 45 C.F.R. Part 1627, provides for additional prior approval and oversight requirements when an LSC recipient subgrants LSC funds to another entity for programmatic purposes. Most, and perhaps all, subgrants are also transfers under 45 C.F.R. Part 1610, which applies most LSC restrictions to all of the operations of the subgrantee, including the use of non-LSC funds (except for private attorney involvement (PAI) transfers, which do not restrict non-LSC funds). The subgrant regulation does not apply to every third-party contract. Non-subgrant contracts usually involve the procurement of goods or services such as supplies, equipment, and business services.

AU-11-01 contains recommendations that Management ensure that TIG recipients follow proper contracting procedures for third-party contracts using TIG funds. In response, Management has implemented new TIG policies and grant assurances, which the OIG has determined are sufficient to close those recommendations.

Some TIGs have as their core purpose technical or business activities that require non-legal services expertise. Third-party contractors often provide that expertise. Contracts for these types of activities would normally not be considered subgrants or transfers when paid for out of LSC's basic field grants. In AU-11-01, the OIG treated this type of third-party contracting as subgrants and transfers when funded out of TIGs provided specifically for those purposes. LSC normally looks to the nature of the third-party goods or services contracted for, not the source of LSC funds, to determine if the transaction is a subgrant or transfer. Thus, under longstanding LSC practice and OLA's legal analysis, LSC does not treat these types of contracts as subgrants or transfers. This interpretation is based on the language of both the subgrant and the transfer rules, which for these purposes are functionally identical.

The subgrant rule defines subgrants as payments of LSC funds to third parties "to conduct certain activities specified by or supported by the recipient [providing the funds] *related to the recipient's programmatic activities."* 45 C.F.R. § 1627.2(b)(1) (subrecipient definition) (emphasis added) and similar language at 45 C.F.R. §1610.2(g) (transfer definition). The rule then explains that:

> Such activities would normally include those that might otherwise be expected to be *conducted directly by the recipient itself, such as representation of eligible clients,* or which provide *direct support to a recipient's legal assistance activities* or such activities as client involvement, training[,] or state support activities.

Id. (emphasis added). The subgrant rule distinguishes programmatic subgrant activities (such as representation of eligible clients) from non-subgrant contracts outside of the definition. The rule states that "subrecipient activities would normally also *not include* the provision of goods or services by vendors or consultants in the normal course of business . . . ." *Id.* (emphasis added). Neither rule involves consideration of the purpose of the primary LSC grant or grants that is the source of the LSC funds. This interpretation enables LSC to apply the rules consistently across all types of LSC grants.

In AU-11-01, the OIG applied a different interpretation of the definitions of Part 1627 subgrants and Part 1610 transfers. The OIG determined that third-party contracts were subgrants and transfers if the contractor performed the core activity of the TIG, even if that activity would be a non-subgrant procurement if funded through other LSC grants (including other TIGs). The OIG's interpretation applies to TIGs in which virtually all of the funds are paid to a third-party contractor and ones in which a third-party contractor has the primary responsibility for managing the core work of the TIG. Furthermore, "[t]he OIG noted in its review that the programmatic purposes of some TIG grants appeared to overlap the sort of business services that might not be treated as subgrants in other contexts." AU-11-01 at 44. Thus, under the OIG's interpretation, a third-party contract in these circumstances is a subgrant out of a specific-purpose TIG even if it would not be a subgrant of a basic field grant or a larger TIG with a more general purpose. The OIG attributed this result to "a degree of ambiguity in the application of LSC's subgrant rule to grants with relatively narrow, technological programmatic purposes, as was the case with some TIG grants." *Id.* The OIG acknowledged that "Part 1627 draws a distinction between payments to third parties to carry out activities 'related to the [grantee's] programmatic activities,' which must be treated as subgrants, and services provided by 'vendors or consultants in the normal

course of business,' which need not be treated as subgrants when the services 'would not be expected to be provided directly by the [grantee] itself.'" *Id.* The OIG observed:

> The subgrant rule appears to have been written with the LSC's principal legal service grants in mind, such that ordinarily, programmatic activities consist of the provision of legal services, and business services can easily be classified as ancillary. This division is not as easy to make in the case of TIG grants, and the rule does not seem to have anticipated this problem.

Id. Based on that analysis, and other concerns regarding oversight of third-party contracting, the OIG recommended that Management initiate rulemaking. In Recommendation 29 of AU-11-01 the OIG states that:

> The President of LSC should: To the extent that the subgrant rule does not adequately account for the unique features of TIG grants, initiate a process to amend LSC regulations to account for these features and provide for workable oversight of TIG funds paid to third parties.

Management has instructed OLA to provide this ROP to address the two issues identified by this recommendation: 1) amending the LSC regulation to "provide for workable oversight of TIG funds paid to third parties," and 2) amending the LSC regulations to account for the "unique features of TIG grants." For each of these issues, there are three primary rulemaking options for consideration by the Board.

The three rulemaking options regarding financial oversight of TIG funds paid to third parties are: (1) the Board could make no changes to the regulations and defer to Management's inherent authority to interpret and apply the regulations to these TIG situations; (2) the Board could adopt new provisions in Part 1630 to specifically address third-party contracting in TIGs; (3) the Board could adopt a new regulation separate from Part 1630 to address third-party contracting in TIGs.

The three primary options for the Board regarding treatment of TIGs in which a third party handles the core technical activities or business services of the grant are: (1) the Board could make no changes to the subgrant or transfer rules and defer to Management's inherent authority to interpret and apply the regulations to these TIG situations; (2) the Board could engage in rulemaking to adopt the longstanding LSC interpretation of these rules; (3) the Board could engage in rulemaking to adopt the OIG's interpretation of these rules. As part of any rulemaking on this issue, the Board could also consider whether the transfer rule should apply differently from the subgrant rule to these types of TIG contracting, including whether the transfer rule should apply only to the LSC funds transferred, as is the case for PAI transfers.

If the Board decides to engage in rulemaking, then the Board can choose whether to use ordinary Notice and Comment Rulemaking, with or without a Rulemaking Workshop, or Negotiated Rulemaking. OLA recommends that, if the Board chooses to engage in rulemaking, it should use Notice and Comment Rulemaking without the complexity or expense of a Rulemaking Workshop or Negotiated Rulemaking. If the Board wishes to solicit additional input

from outside of LSC regarding these issues and their implications prior to drafting a Notice of Proposed Rulemaking (NPRM), then LSC could issue an Advance Notice of Proposed Rulemaking (ANPRM) identifying the issues and seeking public feedback.

REGULATORY BACKGROUND

Regulatory Framework and Rules on Contracting with LSC Funds

As a grantmaking institution, LSC has the authority and, often, the statutory responsibility to set rules and requirements regarding how LSC funds are spent. For third-party contracting, LSC has the discretion to set rules for how, and under what circumstances, LSC's restrictions and requirements will apply. Part 1630 applies cost standards to all expenditures of LSC funds. The LSC Accounting Guide and the LSC Audit Guide provide further information regarding complying with these standards. The PAMM implements the Part 1630 requirements regarding certain real-property and personal-property transactions. Compliance with these requirements is handled primarily through annual audits by independent public accountants (IPAs) "in accordance with generally accepted government auditing standards and guidance established by the Office of the Inspector General . . . ." Pub. L. 104-134, 110 Stat. 1321, 1321-58, § 509(a) (requiring that these audits include review of the recipient's financial statements, internal control systems, and compliance with all Federal laws and regulations) (FY 1996 LSC appropriation riders incorporated by reference in all subsequent years). These audits are reported to the OIG, which refers any actions for follow-up to Management.

Part 1630 requires all LSC recipients to follow cost standards for all expenditures of LSC funds, including contracting. Part 1630 does not set out specific third-party contracting requirements, but generally provides that all expenditures must be reasonable and necessary for carrying out the LSC grant(s) consistent with ordinary business practices. 45 C.F.R. § 1630.3(b). All expenditures of LSC funds, regardless of the amount, must be documented for Part 1630 purposes and meet the Part 1630 requirements regarding reasonable costs following "generally accepted sound business practices, Federal and State laws and regulations, and the terms and conditions of the grant or contract . . . ." 45 C.F.R. § 1630.3(b)(2). When an LSC grantee provides LSC funds to a third party, it must follow the Part 1630 requirements. LSC Management has discretion to determine whether the expense is sufficiently documented and justified under Part 1630.

The PAMM applies to purchases of real property and purchases or leases of personal property over $10,000 with LSC funds. Part 1630 requires LSC approval for such purchases and leases, and the PAMM specifies procedures for acquisition, retention, and disposal of such property. 45 C.F.R. § 1630.5(b). The PAMM was adopted via a process functionally equivalent to Notice and Comment Rulemaking (although the PAMM itself was not codified as a regulation). The PAMM specifically limits itself to property matters and does not apply to LSC-recipient contracting for services.

The TIG program has always included enhanced accountability for major contracting. Unlike the basic field grants, which provide funding in scheduled monthly installments, TIG

funds are provided primarily for progress on the goal and objective of the grant. After an initial payment, subsequent payments are provided as the recipients complete and report upon milestones toward the completion of the grant. The signing of a major contract will be a milestone and, to be paid, the recipient must report with whom it was signed, when it was signed, and provide a copy of the contract. That contract is reviewed by LSC staff to be sure that it complies with the budget and objectives of the grant.

The following recommendations in AU-11-01 also addressed third-party contracting in the TIG program:

> Recommendation 5. Establish procedures to ensure that grantees who submit grant applications follow proper contracting processes in selecting vendors to accomplish the tasks required by the grant, including using appropriate competition and maintaining adequate documentation; and have the skills necessary to fully monitor contract performance.
>
> Recommendation 34. To the extent that current or future subgrant requirements do not apply, put in place a process to ensure that the grantees follow an adequate contracting process, including competing high dollar contracts and maintaining adequate documentation for all contracted services.

LSC Management has adopted procurement requirements for TIGs involving expenditures of over $3,500 for service contracts, including competition and documentation requirements. These changes have been added to the TIG Procedures Manual and to the draft 2012 TIG Grant Assurances. The OIG has determined that these actions are sufficient to close these two recommendations.

Subgrants and Transfers

LSC recipients may provide LSC funds to third parties for activities related to the primary recipient's "programmatic" activities, that is, activities that involve the provision of legal services or information and substantively related activities. In these situations, the third-party contract is a subgrant under Part 1627. Similarly, these contracts are usually transfers under Part 1610. For example, in the past, some recipients have provided subgrants to other legal aid organizations to deliver legal services in specific parts of a service area. Currently, some LSC recipients have subgrants with other entities to handle Private Attorney Involvement (PAI) activities.

The statutory restrictions on LSC recipients extend to the primary recipients of LSC funding, but LSC has the discretion to determine whether, and under what circumstances, they extend to third parties. In the exercise of that discretion, LSC has made the programmatic/non-programmatic distinction in Parts 1610 and 1627 to treat all programmatic transfers/subgrants as subject to all of the LSC restrictions, but not to extend those restrictions to non-programmatic third-party payments, such as acquiring goods or services. This distinction is discussed in more detail below.

Part 1627 subgrants are subject to LSC pre-approval and to financial oversight and auditing requirements. 45 C.F.R. § 1627.3. The primary purpose of these requirements is to ensure that the entity that ultimately delivers the programmatic legal services is subject to the same financial requirements as the primary grantee, and that LSC can veto any inappropriate subgrantee. These financial requirements apply to the LSC funds subgranted to the third party. They do not affect the non-LSC funds of the third party. Part 1627 does not address any substantive restrictions on activities.

Functionally, the subgrant definition is also used for transfers under Part 1610, which provides that a transfer of LSC funds to another entity carries the same LSC restrictions that apply to the primary LSC grantee, including the application of the 1996 restrictions to all of the non-LSC funds of the third-party entity. 45 C.F.R. § 1610.7. This restriction presents the most significant limitation on subgrants/transfers. While the subgrant rule extends only to the LSC funds subgranted, the transfer rule affects all of the activities of the third party. This is significantly different from many other federally-funded programs, in which the program-specific requirements only restrict the use of the funds from the federal grant.

Part 1627, adopted in 1983, defines a "subgrant" as "any transfer of Corporation funds from a recipient [that] qualifies the organization receiving such funds as a subrecipient under the definition set forth in paragraph (b)(1) of this section." 45 CFR § 1627.2(b)(2) (the definition uses "transfer" as a general term while Part 1610 uses "transfer" as a term-of-art). Paragraph (b)(1) then defines a subrecipient as:

> any entity that accepts Corporation funds from a recipient under a grant contract, or agreement <u>to conduct certain activities</u> specified by or supported by the recipient <u>related to the recipient's programmatic activities.</u>
>
> Such activities <u>would normally include</u>
>
> - those that might otherwise be expected to be <u>conducted directly by the recipient itself, such as representation of eligible clients,</u>
> - or which provide <u>direct support</u> to a recipient's <u>legal assistance activities</u>
> - or such activities as client involvement, training or state support activities.
>
> Such activities would <u>not normally include</u> those that are covered by a fee-for-service arrangement, such as those provided by a private law firm or attorney representing a recipient's clients on a contract or judicare basis, except that any such arrangement involving more than $25,000 shall be included.
>
> Subrecipient activities <u>would normally also not include</u> the <u>provision of goods or services by vendors or consultants</u> in the normal course of business if such goods or services would not be expected to be provided directly by the recipient itself, such as auditing or business machine purchase and/or maintenance.

> A single entity could be a subrecipient with respect to some activities it conducts for a recipient while not being a subrecipient with respect to other activities it conducts for a recipient.

Id. at § 1627.2(b)(1) (formatting and emphasis added).

> Part 1610, adopted in 1996, defines a "transfer" using similar terms.
>
> *Transfer* means a payment of LSC funds by a recipient to a person or entity
>
> - for the purpose of conducting programmatic activities that are normally conducted by the recipient, such as the representation of eligible clients,
> - or that provide direct support to the recipient's legal assistance activities.
>
> *Transfer* does not include any payment of LSC funds to vendors, accountants or other providers of goods and services made by the recipient in the normal course of business.

45 CFR § 1610.2(g) (formatting and emphasis added). Section 1610.7(a) applies most of the LSC substantive restrictions, including those on non-LSC funds, to the transferee. These restrictions involve legal services activities (such as class actions, representation of aliens, and lobbying) and legal aid program operations (such as program priorities and timekeeping for cases and matters).

> If a recipient transfers LSC funds to another person or entity, the prohibitions and requirements referred to in this part, except as modified by paragraphs (b) and (c) of this section, will apply both to the LSC funds transferred and to the non-LSC funds of the person or entity to whom those funds are transferred.

Section 1610.7(c) provides a limitation on these restrictions for transfers for PAI activities.

> For a transfer of LSC funds to bar associations, *pro bono* programs, private attorneys or law firms, or other entities for the sole purpose of funding private attorney involvement activities (PAI) pursuant to 45 CFR part 1614, the prohibitions or requirements of this part shall apply only to the funds transferred.

Additionally section 1610.7(b) provides that the transferee can follow the primary recipient's Part 1620 priorities (rather than adopting its own), and that the Part 1635 timekeeping rules apply only to the transferred LSC funds.

The Part 1610 transfer definition was based on the Part 1627 subgrant definition, and for purposes of this ROP they are functionally identical. In AU-11-01, the OIG also appears to have treated them as functionally identical for the TIGs reviewed. The OIG stated that "[m]ost, if not all, subgrants also qualify as transfers under Part 1610 subjecting the recipients of these payments to the restrictions outlined therein." AU-11-01 at 42 (footnote omitted).

The subgrant definition of activities "related to the [primary] recipient's programmatic activities" under Part 1627 appears to have the same meaning as "conducting programmatic activities that are normally conducted by the [primary] recipient . . . or . . . direct support to the recipient's legal assistance activities" under Part 1610. Presumably those programmatic activities of the primary recipient involve "legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance," which are the types of activities that the LSC Act authorizes LSC to support. 42 U.S.C. §2996b(a) (§ 1003(a)—establishment and purpose provision). Thus, the provision of lawyers to represent eligible clients is a programmatic purpose, while the provision of parking spaces for those clients is not.

Generally, all third-party contracts are either subgrants or non-subgrant procurements. Ordinarily, the distinction is easy to make based on the ultimate beneficiary of the services. Subgrants are generally for programmatic activities that directly benefit clients, such as providing legal services. Procurements generally fund activities that directly benefit the grantee itself, such as purchasing and maintaining an office computer network. LSC has traditionally applied these rules on a case-by-case basis to determine if the third-party contracting constitutes a subgrant and transfer.

AU-11-01 Recommendation 29 and Rulemaking Options

Recommendation 29 of AU-11-01 states:

> The President of LSC should: To the extent that the subgrant rule does not adequately account for the unique features of TIG grants, initiate a process to amend LSC regulations to account for these features and provide for workable oversight of TIG funds paid to third parties.

This recommendation involves two issues raised by AU-11-01. First, the OIG expressed concern about workable oversight requirements for third-party payments that are not subgrants. Second, the OIG concluded that certain business-service contracting in some TIGs constituted subgrants, because the contracting involved the primary purpose of the TIG itself and/or used almost all of the funds granted in the TIG. The discussion below addresses each of these two recommendations separately.

If the Board engages in any rulemaking regarding the Part 1627 subgrant definition, then the Board may also want to consider rulemaking regarding the Part 1610 transfer definition. The financial accountability concerns in Part 1627 are different than restrictions issues covered by Part 1610. The rules currently use similar language, and so changes to one rule would merit consideration of changes to conform or distinguish the application of the other rule. In particular, the Part 1610 transfer provisions are more closely associated with legal services activities than the Part 1627 subgrant provisions. If the Board determines that the Part 1627 subgrant provisions should apply to non-legal services based contracting, then it may be appropriate to consider not applying the Part 1610 transfer provisions, or applying them to the LSC-funds transferred but not the non-LSC funds of the transferee (which is how the Part 1610 transfer rule treats transfers that are solely for private attorney involvement (PAI) purposes).

A. Oversight of Non-Subgrant, Third-Party Contracting

1. Non-Subgrant, Third-Party Contracting Oversight Issues

All expenditures of LSC funds, regardless of the amount, must be documented for Part 1630 purposes and meet the Part 1630 requirements regarding reasonable costs following "generally accepted sound business practices, Federal and State laws and regulations, and the terms and conditions of the grant or contract . . . ." 45 C.F.R. § 1630.3(b)(2). LSC has its own procurement requirements, as do many LSC grantees, but, as of the issuance of AU-11-01, LSC did not require grantees to follow any specific contracting requirements for procurements of services (as opposed to goods). Since, and as a result of, the OIG's recommendations 5 and 34 in AU-11-01, Management has adopted procurement requirements for TIGs involving expenditures of over $3,500 for service contracts, including competition and documentation requirements. The OIG has determined that these actions are sufficient to close those two recommendations.

2. Rulemaking Options for Oversight of Non-Subgrant, Third-Party Contracting

The Board has three primary options regarding rulemaking on this issue. First, the Board could take no action and leave the issue to Management's discretion as part of the implementation of the requirements of Part 1630. LSC Management has amended the TIG Procedures Manual and will be implementing new TIG contracting requirements via grant assurance during the next TIG cycle, and all new TIGs will be subject to these requirements. This provides Management with the flexibility to adjust the requirements based on experience and tailor them over time to meet LSC's oversight needs and the operation of the TIG program.

The second option is to engage in rulemaking to *modify* existing LSC regulations, most likely Part 1630, to add specific TIG contracting requirements. This would provide a more public process for the development of these requirements. Once adopted, the requirements would remain constant, absent a new rulemaking to amend them. The Part 1630 cost standards rule sets out the core requirements and framework that underlie the LSC accounting and audit guides, the LSC PAMM, and LSC recipients' financial management practices.

The third option is to adopt a *new* separate rule specifically for contracting in the TIG program. As with the second option, this would involve a public process and the promulgation of rules that would remain constant until the next rulemaking. A TIG-specific rule might be appropriate if the Board determined that the types of contracting in TIGs merited fairly extensive treatment. In that case, intertwining the TIG-contracting rules and definitions in the general Part 1630 cost standards rule might become too difficult. A TIG specific rule could have its own procedures for questioned and disallowed costs, or it could state that the Part 1630 procedures would apply to TIG contracting situations.

B. Primary-Purpose or Pass-Through, Third-Party Contracting

1. Primary-Purpose or Pass-Through, Third-Party Contracting Issues

In AU-11-01, the OIG identified TIGs that it determined contained contracting that should have been subgrants. These TIGs generally involved technical work such as developing hardware and/or software systems, technical support, or related technical activities. In the TIGs identified by the OIG, a contractor handled most or all of the work under the TIG, and/or a contractor had the primary management responsibility for the work under the TIG. For example, one TIG was for providing free trainings and technical support to LSC grantees on how to use various technologies in developing, maintaining, and/or publishing materials on legal issues. Almost the entire TIG was paid to a third-party, non-profit entity that provided this kind of help-desk and training service specifically for legal aid programs. The third-party did not provide any substantive legal work or legal expertise. In some of the other TIGs , the third-party contractor was responsible for managing the technical project to coordinate between various vendors and grantees. The OIG determined that all of these contracting activities should be subgrants and transfers because the contractor was responsible for the primary purpose of the TIG, regardless of the nature of the contractor's work.

The OIG discussed this concern as follows:

> The OIG noted in its review that the programmatic purposes of some TIG grants appeared to overlap the sort of business services that might not be treated as subgrants in other contexts. There is a degree of ambiguity in the application of LSC's subgrant rule to grants with relatively narrow, technological programmatic purposes, as was the case with some TIG grants. Part 1627 draws a distinction between payments to third parties to carry out activities "related to the [grantee's] programmatic activities," which must be treated as subgrants, and services provided by "vendors or consultants in the normal course of business," which need not be treated as subgrants when the services "would not be expected to be provided directly by the [grantee] itself." The subgrant rule appears to have been written with the LSC's principal legal service grants in mind, such that ordinarily, programmatic activities consist of the provision of legal services, and business services can easily be classified as ancillary. This division is not as easy to make in the case of TIG grants, and the rule does not seem to have anticipated this problem.

AU-11-01 at 44. In making its determination, the OIG applied the following analysis:

> The TIG grants specify programmatic purposes other than the direct provision of legal services, namely the implementation of certain technological improvements. Payments by TIG grantees to third parties for services that fall within these purposes amount to subgrants within the meaning of LSC's regulations as currently written and should be administered consistent with the requirements of Part 1627.

Id. at 42. Thus, the OIG concluded that third-party contracts for technological activities were subgrants when those activities were the primary purpose of the TIG itself. In some cases, a third-party contractor handled all of the work, and in others a third-party contractor managed the project. This application of the rule would mean that a third-party contract for a technical activity, such as writing computer software, might be a subgrant if paid for from a TIG for that specific work, but might not be a subgrant if paid for out of a larger, more general purpose TIG, or out of a basic field grant.

OLA reviewed the OIG's analysis of the subgrant rule and the similar provisions of the transfer rule and disagreed with the OIG's conclusions. The subgrant rule emphasizes the nature of the third-party activity funded in relation to the programmatic purposes of the primary recipient. It makes no mention of the purpose of the LSC grant that is the source of the LSC funds. The language and examples in the rule focus on what the third-party contractor will do with the LSC funds. The rule specifically refers to LSC "recipients" providing funds for third-party activities "related to the recipient's programmatic activities." It then defines programmatic activities as those that the LSC recipient itself would normally do, such as "representation of eligible clients" or "direct support to a recipient's legal assistance activities . . . ." 45 C.F.R. § 1627.2(b)(1). Similarly the transfer rule applies to payments for "conducting programmatic activities that are normally conducted by the recipient itself, such as *representation of eligible clients*, or that provide direct support to the recipient's *legal assistance activities*." 45 C.F.R. § 1610.2(g) (emphasis added). The subgrant rule then explicitly excludes "the provision of goods or services by vendors or consultants in the normal course of business if such goods or services would not be expected to be provided directly by the recipient itself, such as auditing or business machine purchase and/or maintenance." 45 C.F.R. § 1627.2(b)(1). The transfer rule repeats this limitation on the scope of the definition more concisely at 45 C.F.R. § 1610.2(g).

LSC recipients' programmatic activities involve the delivery of legal services. Technology development is not one of their "programmatic activities." The provision of a TIG, or any other special grant, for a non-legal services activity does not convert that activity into one of the programmatic activities of the primary recipient. The subgrant rule was not designed as catch-all contracting rule. General procurement requirements might be better suited for financial accountability for non-programmatic third-party contracting.

Furthermore, the subgrant rule and the transfer rule were designed to provide accountability requirements when an LSC recipient provides LSC funds to a third party for programmatic legal services activities. Both rules explicitly exclude non-programmatic goods and services. The transfer rule involves restrictions on legal services activities (such as lobbying, class actions, and representation of aliens) that are unrelated to non-programmatic third-party activities. These provisions generally apply to the transferee's LSC and non-LSC funds. There is no indication or discussion in Part 1610 or the regulatory history that LSC intended to apply these legal services restrictions and requirements on contracts for non-legal aid services or on non-legal aid entities such as technology or business vendors. Rather, Part 1610 repeats the Part 1627 distinction between programmatic and non-programmatic activities based on the legal services activities of the primary LSC recipient. The OIG's interpretation would apply Part 1610 to situations well beyond the scope of the rule's restrictions, and it would disregard the

distinction set out in both rules. Application of the transfer rule to these types of TIG contracting could involve requiring companies providing business or computer services to agree to these legal services restrictions on all of their LSC and non-LSC activities (including work for other clients and their use of company profits). That application of the transfer rule to non-legal entities is inconsistent with the overall purpose and structure of the rule.

Similarly, LSC also provides emergency and special needs grants that are often for specific non-programmatic expenses. For example, some emergency grants are for the replacement of offices, equipment, and infrastructure damaged or destroyed in natural disasters. Thus, an emergency grant might entirely be paid out to one or more third-party contractors for goods or services that would not normally constitute subgrants. Under the OIG's analysis those third parties would become Part 1627 subgrantees, and also Part 1610 transferees. Under OLA's analysis those third-party contracts would be analyzed the same as if they were paid for out of a basic field grant.

2. *Rulemaking Options for Primary-Purpose or Pass-Through, Third-Party Contracting*

The Board has three primary options regarding rulemaking on this issue. First, the Board could take no action and leave the issue to Management's discretion to interpret and apply the Part 1627 subgrant definition and the Part 1610 transfer definition. Management could continue to apply the current interpretation of the rules, and Management could consider if additional guidance, such as a program letter, might be appropriate to address these types of situations. Management could also consider if the applications of the separate definitions in the two rules might be different in some specific types of contracting situations.

The second option is to engage in rulemaking to clearly state that the definition of a subgrant is based on the *nature of the contracted activity itself*, reflecting OLA's reading of the current rule and LSC's longstanding practice. This option would eliminate the kinds of ambiguities that underlie the disagreement between Management and the OIG regarding the scope of these rules. It would also make clear that third-party contracting will be treated consistently over all types of LSC grants.

The third option is to engage in rulemaking to clearly state that the definition of a subgrant *includes consideration of the primary LSC grant, or grants*, from which funds are used, reflecting the OIG's reading of the current rule. This option would also eliminate ambiguity on this subject. It would provide additional subgrant oversight in situations in which LSC provides a specific TIG for a normally non-programmatic activity and a third-party handles the primary work of the TIG. This option would create situations in which the application of the subgrant rule would depend on which LSC grant the recipient draws the funds from for the third-party contract. Under this option, the Board could also consider a) whether to apply the subgrant rule to these "primary purpose" contracts but not the transfer rule (if it doesn't otherwise apply), or b) whether to limit the application of the transfer rule in these instances to the LSC funds transferred (as is the case for private attorney involvement (PAI) transfers).

RULEMAKING PROCESS

Under the LSC Rulemaking Protocol, LSC may pursue rulemaking by Notice and Comment Rulemaking or through the use of Negotiated Rulemaking (which must be followed by a brief notice and comment process). If LSC pursues a Notice and Comment Rulemaking, then LSC has the option of also conducting a public Regulatory Workshop in connection with the rulemaking to engage in a discussion with interested parties about the subject of the rulemaking prior to the development of a Notice of Proposed Rulemaking for publication and comment.

Although these issues are likely to be of significant interest to the recipient community, Negotiated Rulemakings and Regulatory Workshops are generally best suited to rulemakings on issues relating to the provision of legal services. Any rulemaking conducted on these issues involving third-party contracting would primarily involve questions of LSC grants management and not issues relating to the provision of legal services. As such, neither the resource intensive and prolonged face-to-face dialog with recipients required in a Negotiated Rulemaking, nor the convening of a Regulatory Workshop would seem likely to raise issues or create novel approaches to problem solving that will be of significant assistance to LSC in the drafting of a Notice of Proposed Rulemaking. In our view, the time and expense of a Negotiated Rulemaking or a Regulatory Workshop would not appear to be warranted. Instead, a Notice and Comment rulemaking would provide an appropriate process.

In the Notice and Comment process LSC could begin with an Advance Notice of Proposed Rulemaking (ANPRM) to solicit input on the issues that the Board wants to consider for rulemaking. An ANPRM identifies the issue under review without setting out any specific proposals. This would provide the Board with an opportunity to consider input from the recipient community prior to drafting language to publish for comment in a NPRM.

Rulemaking Options Paper
on
Management Recommendations –TIG
Third Party Contracting

LSC

Legal Services Corporation
America's Partner For Equal Justice

To: Operations and Regulations Committee

From: James J. Sandman, President

Re: Management Recommendations on Rulemaking Options—TIG Third-Party Contracting

Date: April 4, 2012

SUMMARY

The Office of Legal Affairs (OLA) has provided the Committee with a Rulemaking Options Paper (ROP) addressing issues involving third-party contracting by LSC recipients using funds from LSC Technology Initiative Grants (TIGs). Management instructed OLA to provide the ROP as part of Management's response to audit AU-11-01, in which the LSC Office of Inspector General (OIG) reviewed LSC's operation of the TIG program. The ROP explains the two contracting issues raised by the OIG and provides OLA's recommendation regarding the appropriate rulemaking procedures. This memorandum offers Management's recommendation regarding these options.

Recommendation 29 of AU-11-01 states:

> The President of LSC should: To the extent that the subgrant rule does not adequately account for the unique features of TIG grants, initiate a process to amend LSC regulations to account for these features and provide for workable oversight of TIG funds paid to third parties.

This recommendation was based in part on the OIGs' concern that third-party payments made by grant recipients using TIG funds were not subject to sufficient financial oversight. In response, Management has already taken a number of steps to enhance the oversight of third-party payments in the TIG program. Those steps are described below. Management does not believe that rulemaking is necessary to provide tools for improving financial oversight of third-party payments. Management can address this issue adequately using its existing authority under the LSC cost standards rule, 45 C.F.R. Part 1630.

The OIG also concluded that certain business-service contracting under some TIGs constituted Part 1627 subgrants and Part 1610 transfers because the contracting involved the primary purpose of the TIG itself and/or used almost all of the funds granted in the TIG. OLA and Management disagree with the OIG's interpretation of these rules. OLA's interpretation, and LSC's longstanding application of the rules, is that whether a third-party contract for services constitutes a subgrant or a transfer depends on the extent to which the services contracted for are legal services, not on the type of LSC grant that the funds to pay for the services are drawn from. To resolve Management's disagreement with the OIG over the interpretation of the existing rules, Management recommends that the Board commence rulemaking to further clarify the rules consistent with LSC's longstanding interpretation and application of them.

NON-SUBGRANT, THIRD PARTY CONTRACTING

As described in the ROP, the OIG recommended rulemaking to "provide for workable oversight of TIG funds paid to third parties." Recommendations 5 and 34 in AU-11-01 addressed financial oversight of third-party contracting in TIG grants. In response, LSC Management has adopted new procurement requirements for TIGs involving expenditures of over $3,500 for service contracts, including competition and documentation requirements. These changes have been added to the TIG Procedures Manual and to the draft 2012 TIG Grant Assurances. The OIG has determined that these actions are sufficient to close these two recommendations.

The new TIG contracting requirements have been adopted under LSC's authority to implement the cost-standards requirements of 45 C.F.R. Part 1630, which require LSC recipients to follow cost standards for all expenditures of LSC funds, including contracting. Part 1630 does not set out specific third-party contracting requirements, but generally provides that all expenditures must be reasonable and necessary for carrying out LSC grant(s) consistent with ordinary business practices. 45 C.F.R. § 1630.3(b). All expenditures of LSC funds, regardless of the amount, must be documented for Part 1630 purposes and meet the Part 1630 requirements regarding reasonable costs following "generally accepted sound business practices, Federal and State laws and regulations, and the terms and conditions of the grant or contract . . . ." 45 C.F.R. § 1630.3(b)(2). When an LSC grantee provides LSC funds to a third party, it must follow the Part 1630 requirements. LSC Management has discretion under the regulation to determine whether the expense is sufficiently documented and justified.

The 2012 TIGs will be awarded toward the end of this year. Through the next year, LSC will be able to evaluate how well the new TIG contracting requirements operate. Many, if not all, LSC recipients have their own contracting procedures, and many are already subject to federal contracting requirements for grants from agencies such as the Department of Justice (under Violence Against Women Act grants). If the current TIG contracting requirements prove ineffective or unworkable, then Management can revise them. Management believes that incorporating special TIG contracting requirements into the regulations is unnecessary and would reduce this important discretion.

PRIMARY-PURPOSE, OR PASS-THROUGH, THIRD-PARTY CONTRACTING

As described in the ROP, the OIG disagrees with OLA and Management regarding the application of the subgrant and transfer rules to TIGs that are primarily for business or technology services. In some of these TIGs, one contractor handles almost all of the work, and in others a contractor manages the work. These are activities that would not constitute subgrants or transfers if they were funded out of a basic field grant or a larger, more general purpose, TIG. The ROP explains OLA's legal analysis. AU-11-01 specifically notes that the OIG believes the rule as written does not necessary fit well with the operation of the TIG program. The OIG's primary concern appears to be ensuring that all third-party contracts are categorized properly and that there is sufficient financial oversight for all of them, regardless of categorization.

Management believes that TIG grant recipients should have the benefit of uniform guidance from LSC on the application of the subgrant and transfer rules. Disagreements between OIG and Management on the interpretation of LSC's regulations are not helpful to the field. Management therefore recommends that the Board initiate a notice and comment rulemaking process to amend Parts 1610 and 1627. Management believes the amendments should clearly reflect LSC's longstanding reading of these rules – that is, that both rules are designed to address legal services activities. Both rules explicitly state that they do not cover non-programmatic activities and provide examples, including payments to vendors of goods or services made in the normal course of business. The preapproval and auditing requirements for subgrants reflect a desire by LSC to maintain the kind of control and accountability that it has for primary grants. When LSC adopted the transfer rule, it based the transfer definition on the subgrant definition. The transfer rule subjects the transferee to all of LSC's substantive restrictions on legal services activities, including the 1996 restrictions that reach the use of non-LSC funds. These restrictions involve *legal services* activities (such as class actions, representation of aliens, and lobbying) and *legal aid program operations* (such as program priorities and timekeeping for cases and matters). As with the subgrant rule, the transfer rule does not extend those restrictions to non-programmatic procurement of goods or services. Management does not believe it would be prudent grant management to extend these types of restrictions and requirements to third-party vendors that provide business services and technology services as part of TIGs. These LSC restrictions are meant to apply to entities that receive LSC funds for the provision of legal services under the LSC Act.

Management also recommends this option because of its fitness in other LSC grantmaking contexts. Currently LSC provides emergency and special needs grants that are often for specific non-programmatic expenses. For example, LSC makes some emergency grants for the replacement of offices, equipment, and infrastructure damaged or destroyed in natural disasters. A recipient might pay out all of an emergency grant to one or more third-party contractors for goods or services that are unrelated to the provision of legal services. Under the OIG's analysis, those third parties would become Part 1627 subgrantees and Part 1610 transferees, and they would be subject to LSC's restrictions. Under OLA's analysis, those third-party contracts would be analyzed in the same manner as if they had been paid for out of a basic field grant. Management believes that these types of grants would be unnecessarily hampered by application of the subgrant and transfer rules and that those rules were not intended to reach these situations. It is unlikely that the vendors involved would agree to the subgrant and transfer restrictions, especially as to their non-LSC funds.

Under the current approach, LSC treats all third-party contracts consistently under the rules, regardless of what type of grant the LSC funds come from. This provides important clarity for recipient compliance and LSC oversight. Management does not recommend an oversight system in which the same activities would be a subgrant and a transfer under some types of grants but not under others.

CONCLUSION

Management believes that the underlying concerns for Recommendation 29 in AU-11-01 are best addressed through the combination of Management's new TIG requirements for third-party contracting and revision of the rules to reflect LSC's longstanding application of them. This approach would maintain Management's flexibility regarding oversight of TIG funds paid to third parties. It would also resolve the disagreement regarding the scope of both rules.

Summary of Protocols, Policies & Procedures

SUMMARY

of

Protocols, Policies & Procedures

Relevant to the Activities

of the

Board of Directors

Board of Directors
Protocols, Policies & Practices

INTRODUCTION

This document summarizes various protocols, policies and procedures (hereinafter collectively referred to simply as "policies") that require some action by the Board or somehow impact on actions that the Board might reasonably be anticipated to take. Some of the policies are set forth in the LSC Bylaws or formal resolutions of the Board, some are embodied in oral motions made and passed at meetings of the Board, some are grounded in external authorities such as the LSC Act and regulations, and some are set out in general LSC administrative policies. Board policies that have become obsolete or were superseded by a more recent policy are not summarized herein, nor are Board resolutions or policies which do not create any ongoing obligations or instructions regarding Board action. In addition to this summary, Board members may wish to review the Memorandum from provided to each Board member regarding the rights, duties, and responsibilities of members of LSC's Board of Directors.

1. ADMINISTRATIVE REQUIREMENTS

a. Board Compensation

Resolution 2004-001 (January 31, 2004) is the most recent resolution adopted governing the rate of compensation for Board members. The resolution sets forth two separate provisions for the rate of compensation. One sets the rate at 1/260th of the LSC President's salary (allowing the rate to change automatically with the President's salary). The other sets a flat rate of $320 per day. In practice, the flat rate of $320/day has been used and is still in effect.

Board Members may receive compensation at the flat rate for: attending any LSC Board or Committee meeting; meeting with LSC staff; and attending LSC conferences or other special events organized by LSC; whether in person or by phone. In

addition, Board members may receive compensation at the flat rate for the following activities undertaken in their official capacity representing LSC: testifying in front of Congress; attending a meeting with a member of Congress (including staff); attending a meeting with a constituent at the request of a member of Congress; attending a meeting at the White House; attending some other external event upon the prior approval of the Board Chair (or a designee).

For events that LSC staff (the Corporate Secretary, Government Relations and Public Affairs or Executive Office staff) are aware of, LSC staff will generate and process the request for payment without further action by the Board member. For other events, the Board member must submit a request for payment to LSC. Requests submitted via email are acceptable.

Action Timeline: As necessary.

b. **LSC Business Travel**

Chapter 5, *Business Travel*, of the ***LSC Administrative Manual*** (November 2009) sets forth LSC's current travel policy. In accordance with the travel policy, Generally, Board members may be reimbursed at government per diem rates for meals and incidentals, less deductions for LSC-provided meals and for vehicular mileage, and pro-rated for the first and last day of travel. Taxi costs to and from airports and meeting venues is reimbursable at cost, including tips of up to 15%. Air travel by other than coach fares must be approved in advance by the LSC President. Additional details about specific costs and requirements are in the travel policy. Generally, the office of the Corporate Secretary and the LSC Travel Coordinator work with the Board members to make travel arrangements and ensure that Travel Authorization and Travel Expense Report forms are properly completed for Board members.

Action Timeline: As necessary.

c. **Contracting**

Chapter 1, *Procurement and Contracting*, of the ***LSC Administrative Manual*** (March 2010) sets forth administrative requirements for contracting for goods and services. There are competition requirements for contracts in excess of $3,500 and requirements for the use of Requests for Proposals for contracts in excess of $10,500. Sole source contracting is permitted under certain circumstances and a written justification for a sole source contract must be developed for the file. Contracts must signed off on by the Office of Legal Affairs and the Comptroller and contracts in excess of $10,000 must be pre-approved by the President prior to execution.

Action Timeline: As necessary.

d. **Reporting and Tracking of Volunteer Hours**

The Corporation is required to report the average number of hours Board members volunteered as part of its annual tax filing. The reporting period covers LSC's fiscal year from October 1st to September 30th. A self-calculating electronic form is provided to members to report volunteer hours.

Action Timeline: Volunteer hours should be submitted by October 15th annually for the preceding year. Quarterly reporting is encouraged in accordance with the following schedule. Board members are asked to submit reports on the 10th business day following conclusion of a quarter, as follows.

Volunteer Hours Reporting Schedule

QUARTER ENDED	SUBMISSION DEADLINE (or 10th business day after quarter ends)
December 31	January 10
March 31	April 11
June 30	July 11
September 30	October 10

e. **Records Management**

Pursuant to the ***LSC Records Management Policy***, all "official LSC records" must be maintained, stored, and disposed of in accordance with the Records Management Policy and the Record Retention and Disposal Schedules. Official Board records are generally maintained by the Corporate Secretary and necessary handling of such records is done by the Corporate Secretary. If a Board member is unsure of whether he or she possesses a record not otherwise in the possession of the Corporate Secretary, he or she should contact the Corporate Secretary for further guidance.

Action Timeline: As necessary.

2. **BOARD GOVERNANCE**

a. **LSC Bylaws**

The ***LSC Bylaws*** set forth the rules governing the internal affairs of the Corporation in the following areas:

- **Article I -** Nature, Powers, and Duties of Corporation
- **Article II -** Offices and Agents
- **Article III -** Board of Directors
- **Article IV -** Meetings of Directors

- **Article V -** Committees
- **Article VI -** Officers
- **Article VII -** Deposits and Accounts
- **Article VIII -**Seal
- **Article IX -** Fiscal Year
- **Article X -** Indemnification
- **Article XI -**Amendments

There is too much information in the Bylaws to adequately summarize in this document. However, some of the provisions are especially important because they are implicated by regular and frequent activity of the Board. In particular, the Bylaws provide that the Chairman sets the agendas for Board meetings, and that the respective Committee Chairs, in consultation with the Corporate Secretary, set the agendas for Committee meetings. In addition, the Bylaws reserve the right to appoint committee members to the full Board, except as the board delegates to the Chair the specific authority to appoint Director and/or non-Director members of Committees. A majority of the Board, but in no event fewer than 4 members, constitutes a quorum for action. Members may participate by phone or video conference, including via internet. Proxy voting is not permitted. Meetings must be noticed in advance.

Action Timeline: Prior notice of meetings must be provided to Members and generally made available to the public seven days prior to the meeting. Public meeting notice requirements are discussed further in the section on the Government in the Sunshine Act requirements, *infra*.

b. **Ethics**

i. Pursuant to ***Resolution 2008-007*** (March 24, 2008), the Board adopted for the Corporation a *Code of Ethics and Conduct* (Code), designated an Ethics Officer and ratified the Inspector General's designation of an Ethics Officer for the Office of Inspector General. The Code requires board members to refrain from entering into relationships or transactions in which there is a conflict of interest and

advises that they should avoid even the appearance of a conflict. The Code requires Board members to refrain from participating in any decision, action, or recommendations with respect to any matter which directly benefits such member or pertains to any organization with which the member has been affiliated in the last two years. The Code also requires a Board member to disclose matters coming before him/her in which he/she has a private interest and recuse him/herself from voting on such matters. The Code requires Board members to avoid situations in which they might profit financially from LSC Activities and to disclose such situations when they arise. Board members are required to sign a statement confirming receipt of a copy of the Code and agreement to comply with its terms.

Action Timeline: A Board member should sign a copy of the Code shortly after being seated on the Board and as otherwise necessitated by amendments to the Code. In situations of actual or potential conflicts of interest, the Board member must make timely disclosure to the LSC Ethics Officer and the Board of Directors.

ii. **Annual Disclosure of Outside Interests**

Section 3.05 of the ***LSC Bylaws***, *Outside Interests of Directors*, requires Board members to disclose for themselves and immediate family members the names of organizations with which they have been associated. Significant financial or personal ownership interests (i.e., interests having a fair market value of $5,000 or more) must be disclosed, but need not be quantified. Previously undisclosed interests that give rise to a conflict of interest must be disclosed promptly by filing a supplemental statement. Similarly, while a member is not required to disclose the clients of the law firm by which s/he is employed, s/he must disclose promptly his/her firm's association with a firm client if the Board proposes to take action against that client.

Action Timeline: The Outside Interests Disclosure Form is provided to Board members by the Corporate Secretary and must be submitted within 30 days of the Board's annual meeting and be supplemented throughout a reporting period as circumstances dictate.

c. **Board Self-Evaluation Process**

Pursuant to a motion adopted in November 2008, the Governance & Performance Review Committee ("GPRC") develops and distributes forms for the annual conduct of Board Member and Board self evaluations. Completed forms are collected by the GPRC Chair. An outline and plan are prepared from the results and are considered and acted upon by the GPRC and Board annually at their January meetings. Among other things, evaluation results facilitate identification of information and training enhancements required by the Board.

Action Timeline: Self assessment forms are distributed to Members electronically following the GPRC's October meeting. Completed evaluations (both individual Member and Board) must be completed and returned to the GPRC Chair by early December.

d. **Committee Self Evaluation Process**

Pursuant to ***Resolution 2010-003,*** (April 17, 2010), each Committee chair must conduct an evaluation of his/her committee, review the committee's Charter, conduct a public discussion of the committee's accomplishments and areas possibly requiring improvement, and submit a brief report to the GPRC that includes a discussion of recommended changes, if any, to the committee's Charter.

Action Timeline: The committee evaluation process should conclude no later than December 15th annually.

e. **Board Member Document Requests**

A protocol on ***Processing Board Members' Document Requests*** was adopted by motion in November 2008. This protocol sets forth the procedure to be followed by Board Members who wish to obtain copies of books and records of the Corporation, general processing time for a request, how confidential documents are to be handled, how disagreements between Members regarding access to records will be addressed, and how documents prepared in support of Committee activities will be distributed. This protocol prohibits one Member from preventing another Member from having access to records except under specific procedures. The protocol does not apply to records in the possession of the Office of Inspector General.

Action Timeline: As necessary.

f. **Continuity of Operations Plan**

[Note: The current Continuity of Operations Plan ("COOP") does not have specific provisions covering the Board. However, amendments to the COOP to provide specific provisions applicable to the Board are under consideration by the Operations and Regulations Committee. If amendments to the COOP are adopted that impose requirements on the Board, this section will be updated accordingly.]

g. **Confidentiality**

Board members are reminded that they are within the Corporation's privilege and individual members are obligated to safeguard the confidentiality of any and all materials that have been labeled confidential or privileged. The Board may waive its privilege in materials as a body and individual Board members are not authorized to make privilege waiver decisions on an individual basis.

3. CORPORATE OVERSIGHT

a. Private Contributions

Pursuant to the ***Protocol for the Acceptance and Use of Private Contributions to LSC***, ***Resolution 2010-004*** (April 17, 2010), the Board must pre-approve the solicitation of private contributions (with two exceptions related to in-house staff events/functions and staff charitable fundraising efforts). The Board must also approve the budgeting of such contributions.

[Note: This Protocol is currently under review and changes may be adopted at the April 2012 Board Meeting. If changes are adopted, this section will be updated accordingly.]

Action Timeline: As necessary

b. Personnel

i. Corporate Officer and Inspector General Evaluations

Pursuant to the Governance and Performance Review Committee Charter, the Board is responsible for reviewing and approving the Committee's annual performance review of the LSC President, other Corporate Officers appointed by the Board and the Inspector General. Details regarding the scope and topics for the Inspector General's annual performance review are set forth in ***Resolution 2011-002*** (January 28, 2011).

Action Timeline: Annually, upon presentation by the Governance and Performance Review Committee.

iii. Whistleblower and Related Policies

Pursuant to the ***Audit Committee Charter*** and Section 2.5 of ***LSC Employee Handbook*****,** the Audit Committee has the responsibility to entertain complaints or concerns regarding

accounting, internal controls and auditing issues. The process set forth in the Handbook governs how the Committee will process, investigate, report on, and resolve complaints submitted to it.

Action Timeline: As necessary.

iv. **Employee Handbook**

Pursuant to the terms of the ***Employee Handbook***, the Board must approve any amendment to the Handbook that changes the at-will status of employees. In addition, the Handbook provides that major provisions of it relating to personnel actions or policies may generally be suspended, modified, amended, waived or departed from only with the approval of the Board of Directors.

Action Timeline: As necessary.

v. **Outside Employment of Officers**

Pursuant to section 1005(a) of the LSC Act, no officer of the Corporation may receive any salary or compensation from any source outside the Corporation except as approved by the Board. Occasionally, outside employment requests are brought before the Board for action.

Action Timeline: As necessary.

c. **Communications Policy**

Pursuant to ***Resolution 1997-006*** (May 10, 1997), the Board is responsible for transmitting the OIG's Semi-Annual Report to Congress. The Board also typically approves a Management response to the Semi-Annual Report and transmits both documents to Congress together. In addition, under the resolution, the President is required to confer with the Board Chair (or his/her designee) to obtain his/her approval on all written communications to Congress, with copies to other

Board members provided as circumstances warrant. The resolution also provides the Board with the opportunity to see certain OIG communications prior to issuance, where time permits the OIG to provide them in advance.

Action Timeline: The OIG's Semi-Annual reports to Congress cover the periods of April 1 – September 30 and October 1 – March 31 each year. The Board acts on the Management response to the Report each May and October and transmits the OIG Report and the Management response shortly thereafter. For other communications brought to the Board Chair, action is as necessary.

d. **LSC External Promulgations**

[Note: The Operations and Regulations Committee is currently considering recommending adoption of a policy on Board action with respect to certain external promulgations issued by LSC. If a policy is adopted, this section will be updated accordingly.]

[Note: In 1990, the then-sitting Board adopted by motion a policy requiring consultation between the Board Chairman and President before the imposition of new and non-routine conditions, restrictions, obligations, or requirements to collect data from grantees, and before taking new or non-routine positions regarding policy. However, although never officially rescinded, this policy has not been endorsed or followed by subsequent Boards and Management and, in practice, has become obsolete.]

Action Timeline: TBD

4. STATUTORY AND REGULATORY REQUIREMENTS

a. Government in the Sunshine Act

The LSC Act subjects the Corporation to the Government in the Sunshine Act. 45 C.F.R. Part 1622 is the Corporation's regulation implementing the requirements of the Government in the Sunshine Act. In addition, some provisions of the Corporation's Bylaws compliment provisions of LSC's "Sunshine regulation." Under the Sunshine Act and regulations, meetings of a quorum of the Board, or a quorum of Committees must generally be noticed seven days in advance in the Federal Register and held in open session. There are emergency provisions allowing for meeting on less than seven days notice. In addition, meetings may be closed to the public for certain statutorily and regulatorily specified reasons. Whenever a meeting is to be held in closed session, the General Counsel is required to certify that the requirements for closing the meeting have been satisfied. Transcripts and minutes of open meetings covered by the Sunshine Act are required to be made and made publicly available. Minutes or redacted transcripts of closed meetings are to made available to the extent possible.

Action Timeline: Board meeting notices must be issued in compliance with this regulation at least 7 calendar days in advance of a meeting.

b. Freedom of Information Act ("FOIA")

The LSC Act subjects the Corporation to FOIA. LSC has implementing regulations found at 45 C.F.R. Part 1602. Pursuant to FOIA, certain records in the possession of the Corporation are subject to disclosure in response to a written request for such records. (Some records are subject to withholding in accordance with specified exemptions as set forth in FOIA and the Corporation's regulation.) Although most Corporation records are in the possession of Corporation staff and/or in the Corporation's computer systems, records in

the possession of Board members may be records subject to FOIA. These can include emails. FOIA requests are processed by the Office of Legal Affairs (except for records uniquely within the possession of the OIG; requests for such records are processed by the OIG). If LSC receives a request for records that would involve records in the possession of the Board member not otherwise in the possession of the Corporation, you will be notified and given instructions on how to proceed.

Action Timeline: As necessary.

c. **Rulemaking**

The LSC Act authorizes the Corporation to issue regulations. Pursuant to the ***LSC Rulemaking Protocol*** (November 19, 2002) the Board is responsible for initiating all rulemakings of the Corporation and adopting all regulations (and amendments thereto). The Board may initiate a rulemaking in response to a request from Management, the OIG, a member of the public or on its own accord. Rulemaking action items come to the Board through the Operations and Regulations Committee.

Action Timeline: As necessary.

d. **Lobbying**

Section 1006(c) of the LSC Act provides that Board members, when acting on behalf of LSC, are expressly authorized to engage in the following activities:

- testifying before the US Congress, or a State or local legislative body, on any legislation when formally requested to do so by Congress, by a state or local legislative body, by a committee, or by a member thereof;

- testifying before Congress or a state or local legislative body in the absence of a formal request to

do so when legislation directly affects the activities of LSC;

- responding to Congressional or other legislative inquiries and requests in ways short of formal testimony; and

- communicating with Congress; Senators and Representatives and the professional staff working for Members and committees; and state and local legislative bodies, members and committees thereof, and their staff in connection with legislation or appropriations directly affecting the activities of LSC.

Board members are prohibited from engaging in grassroots lobbying or activities on behalf of the Corporation other than as described above. ***OLA Internal Opinion 2012-002*** (January 11, 2012) provides confidential legal advice to the Board on the lobbying restrictions.

Action Timeline: Continuing.

Board Contributions Protocol

DRAFT Protocol for the Acceptance and Use of Private Contributions of Funds to LSC

(for inclusion in the LSC Accounting and Administrative Manuals)

From time to time, LSC may solicit private contributions of funds for the conduct of LSC business and may, from time to time, receive unsolicited private contributions. This protocol shall apply to the solicitation, acceptance, budgeting, expenditure of and accounting for private contributions of funds (whether solicited or unsolicited). In-kind contributions of goods or services are not subject to this protocol.

A. Solicitation

Except as otherwise provided herein, private contributions of funds (including by grant) to LSC may not be solicited by Directors, officers or staff of LSC without the prior approval of the Board of Directors. Solicitations for the following purposes are hereby approved by the Board and may be made without further approval of but subject to at least ten working days' prior notice to the Board:

- Contributions for research projects related to legal services for people of limited means;
- Contributions for projects to provide training and technical assistance to recipients;
- Contributions for fellowships for recent law school graduates to take positions with recipients;
- Contributions for programs to educate the public about the role of legal services providers in their communities and about LSC;
- Contributions to support appreciation/recognition events for LSC employees.

Before any Director, officer or staff of LSC makes any solicitation for a purpose not listed above, the proposed solicitation must be presented to the Board for approval no later than ten working days in advance of the proposed solicitation.

Exempt from this requirement, but subject to the approval of the President of LSC, are 1) solicitations directed to local merchants for modest donations of funds for in-house staff events/functions and 2) fundraising among LSC staff for charitable causes.

B. Notification to Donors

Whenever a contribution to LSC is received by the Corporation, the Treasurer shall acknowledge the contribution and include the explanation required by law that the funds contributed to LSC may not be used in any manner that violates the LSC Act or any provision of the Appropriation Act that applies to LSC.

C. Budgeting of contributions

All private funds received by LSC for the same purposes, whether solicited or not, shall be accounted for separately. The Board of Directors shall approve the budgeting of such contributions using the same LSC Budget Guidelines that apply to all other LSC funds. If contributed funds come with restrictions, the General Counsel shall approve the legality of any such restrictions prior to the

Corporation's acceptance of the funds.

D. Expenditures from contributed funds

Contributed funds shall be spent in accordance with the LSC Administrative Manual and are subject to the same approval requirements as contained in the Manual. In the event that contributed funds are to be used to pay for expenses for which federal funds may not be used, such contributed funds must received and budgeted prior to any such expense being incurred. No federal funds shall be advanced to cover expense intended to be paid for by private contributions.

E. Accounting

Should LSC engage in a solicitation of private contributions, the Comptroller shall provide an accounting of any additional expense to the Corporation associated with the solicitation.

Adopted on [insert date] and supersedes
Board Resolution nos. 2010-004 and 2008-013

BOARD OF DIRECTORS

RESOLUTION

Further Modifying LSC's Protocol for Its Acceptance and Use of Private Contributions

WHEREAS,

The Board of Directors ("Board") has studied the existing protocol for the Corporation's acceptance and use of private contributions; and

WHEREAS,

The Board has concluded that the existing protocol could be improved by clarifying some of its provisions and adding a section preapproving certain categories of solicitations; and

WHEREAS,

The fees being charged by the bank for maintaining a separate bank account for LSC's private contributions now exceed the interest being paid on the account;

NOW, THEREFORE, BE IT RESOLVED THAT

The Board of Directors adopts the attached modified protocol for the acceptance and use of private contributions to LSC; and

BE IT FURTHER RESOLVED THAT

Management is charged with implementing and adhering to the modified protocol, and the protocol may hereafter be modified only by the Board..

Adopted by the Board of Directors
on April 16, 2012

_____
John G. Levi
Chairman

_____
Victor M. Fortuno
Vice President, General Counsel
& Corporate Secretary

Current Protocol for the acceptance and use of private contributions to LSC (for inclusion in the LSC Accounting and Administrative Manuals)

From time to time, LSC may solicit private contributions for the conduct of LSC business and may, from time to time, receive unsolicited private contributions. This protocol shall apply to the solicitation, budgeting, expenditure of and accounting for private contributions.

A. Solicitation

Private contributions to LSC may not be solicited by Directors, officers or staff of LSC without the prior approval of the Board of Directors. Exempt from this requirement but subject to the approval of the President of LSC, are 1) solicitations directed to local merchants for modest donations of goods or funding for in-house staff events/functions and 2) fundraising among LSC staff for charitable causes.

B. Notification to Donors

Whenever a contribution to LSC is received by the Corporation, the Treasurer shall acknowledge the contribution and include the explanation required by law that the funds contributed to LSC may not be used in any manner that violates the LSC Act or any provision of the Appropriation Act that applies to LSC.

C. Budgeting of contributions

All private funds received by LSC for the same purposes, whether solicited or not, shall be accounted for separately. The Board of Directors shall approve the budgeting of such contributions using the same LSC Budget Guidelines that apply to all other LSC funds. If contributed funds come with restrictions, the General Counsel shall approve the legality of any such restrictions prior to the Board's acceptance and budgeting of the funds.

D. Expenditure from contributed funds

Contributed funds shall be spent in accordance with the LSC Administrative Manual and subject to the same approval requirement as contained in the Manual. In the event that contributed funds are to be used to pay for expenses for which federal funds may not be used, such contributed funds must received and budgeted prior to any such expense being incurred. No federal funds shall be advanced to cover expense intended to be paid for by private contributions.

E. Should LSC engage in a solicitation of private contributions, the Comptroller shall provide an accounting of all additional expense to the Corporation for the solicitation.

Revised and adopted on April 17, 2010

Audit Committee

AUDIT COMMITTEE

April 16, 2012

Agenda

OPEN SESSION

1. Approval of agenda

2. Approval of minutes of the Committee's telephonic meeting of March 15, 2012

3. Review of Audit Committee charter and consider and act on possible changes thereto

4. Quarterly review of 403(b) plan performance

    - Traci Higgins, Director, Office of Human Resources

5. Briefing by Inspector General

    - Jeff Schanz, Inspector General

6. Briefing on Travel Procedures

    - David Richardson, Treasurer/Comptroller

7. Public comment

8. Consider and act on other business

9. Consider and act on motion to adjourn the meeting

Committee Meeting Minutes
March 15, 2012

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Legal Services Corporation
Telephonic Meeting of the Audit Committee
Open Session
Thursday, March 15, 2012

DRAFT MINUTES

Chairman Victor B. Maddox convened a telephonic *open session* meeting of the Legal Services Corporation's ("LSC") Audit Committee ("the Committee") at 2:34 p.m., on Thursday, January 19, 2012. The meeting was held at the Legal Services Corporation, 3333 K Street, N.W., Washington, D.C.

The following Committee members were in attendance:

Victor B. Maddox, Chairman
Harry J. F. Korrell, III
David H. Hoffman, Non-Director Member
Gloria Valencia-Weber

The following Board members were present:

Julie Reiskin

Also in attendance were:

James J. Sandman, President
Richard L. Sloane, Special Assistant to the President
Rebecca Fertig, Special Assistant to the President
Kathleen McNamara, Executive Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel & Corporate Secretary
Katherine Ward, Executive Assistant to the Vice President for Legal Affairs
Mattie Cohan, Senior Assistant General Counsel, Office of Legal Affairs

David L. Richardson, Treasurer & Comptroller,
Office of Financial and Administrative Services
Martin Polacek, Office of Financial and Administrative Services
Wendy Christmas, Office of Financial and Administrative Services
Jeffrey E. Schanz, Inspector General ("IG")
David Maddox, Assistant IG for Management & Evaluation
Ronald "Dutch" Merryman, Assistant IG for Audit
John Eidleman, Senior Program Counsel, Office of Program Performance
Charles "Chuck" Greenfield, National Legal Aid & Defenders Association

The following summarizes actions taken by and presentations made to the Committee.

MOTION

Professor Valencia-Weber moved approval of the agenda and Mr. Korrell seconded the motion.

VOTE

The motion was approved by a voice vote.

MOTION

Mr. Korrell moved approval of minutes of the Committee's January 19, 2012 open session meeting. Professor Valencia-Weber seconded the motion.

VOTE

The motion passed by a voice vote and the minutes were approved as presented.

Chairman Maddox turned the Committee's attention to a report regarding the Corporation's Internal Revenue Service Form 990 for Fiscal Year ("FY") 2011. The report was given by David Richardson, Treasurer and Comptroller.

The Committee then discussed members' self evaluations.

Public comment was offered by Charles Greenfield of the National Legal Aid and Defenders Association.

Under "Other Business," Chairman Maddox reported on the status of revisions to the Committee's Charter and advised the matter would be on the agenda for the Committee's April 2012 meeting.

Chairman Maddox announced that the Committee would defer action on revisions to the Committee's Charter due to the absence of two Committee members from the meeting. Senior Assistant General Counsel Mattie Cohan then reviewed proposed changes to the Committee's Charter. During discussion, Mr. Korrell asked for an annotated version of proposed changes to the Charter.

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MOTION

Professor Valencia-Weber moved to adjourn the meeting and Mr. Korrell seconded the motion.

VOTE

The motion passed by a voice vote and the meeting adjourned at 4:38 p.m.

Redline Audit Committee Charter

ANNOTATED AND
REDLINED VERSION

CHARTER OF THE AUDIT COMMITTEE OF LEGAL SERVICES CORPORATION

As Amended, April xx, 2012

I. Establishment

On March 24, 2008, the Board of Directors ("Board") of the Legal Services Corporation ("LSC" or "Corporation") established, as a standing committee of the Board, a committee to be known as the Audit Committee (the "Committee"), and adopted this as the Committee's Charter.

II. Purposes

The purpose of the Committee shall be to: (1) assist the Board in fulfilling its responsibility to ensure that the Corporation's assets are properly safeguarded and to oversee the quality and integrity of the Corporation's accounting, auditing, and reporting practices; and (2) to perform such other duties as assigned by the Board.

III. Membership

The Chairman of the Board ('Chairman") shall appoint at least three Directors other than the Chairman to serve on the Committee. The Chairman shall appoint the Chair of the Audit Committee from among these Directors. If authorized by the Board, the Chairman may also appoint non-Director members, provided that no member of the Committee may be an officer or employee of the Corporation. Three Committee members will be required in order to constitute a quorum. To the extent practicable, Members of the Committee should have at least a basic understanding of finance and accounting, be able to read and understand fundamental financial statements, and understand the Corporation's financial operations and reporting requirements.

In response to comments received, the proposed change is intended to clarify that the Committee may have non-Director members. The sentence on a quorum has been moved in the paragraph for better organization of the paragraph.

IV. Terms

Members of the Committee shall serve for a term of one year, or until their earlier resignation, replacement or removal from the Committee or Board.

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V. Meetings

The Committee:

(1) shall meet at least four times per calendar year, but may meet more frequently at the call of any member of the Committee;

(2) may adopt procedural rules that are not inconsistent with this Charter, the Corporation's Bylaws, or the laws to which the Corporation is subject.

VI. Resources

All offices, divisions and components of the Corporation ("Management"), including the Office of Inspector General ("OIG") shall cooperate with all requests made by the Committee for information and support. The Committee shall be given the resources necessary to carry out its responsibilities.

VII. Authority

The Committee:

~~(1) unless otherwise directed by the Board, shall oversee the selection and retention of the external auditor ("External Auditor(s)") by the Inspector General ("IG") of the Corporation;~~

We had previously proposed deleting the first authority clause providing for the Committee to have the authority of overseeing the selection and retention of the External Auditor by the OIG (shown above). This was proposed to be deleted as unnecessary because paragraph (2) of this section expressly recognizes the Committee's authority to carry out the duties and responsibilities under the Charter and because the duties and responsibilities with respect to the External Audit function are set forth in Section VIII, Paragraph A, below. We continue to suggest its deletion, but in response to comments received, the substantive issue of the Committee's responsibility with respect to the engagement of the External Auditor by the OIG is addressed by adding a new subparagraph to Section VIII, Paragraph A.

(1) shall have unrestricted access to the Corporation's books, records, facilities, personnel, and External Auditor;

The Office of Legal Affairs received a comment regarding the application of this provision (paragraph (1)) to the OIG and OIG staff. We believe the reference to Corporation in this paragraph covers the OIG as the OIG is part of the Corporation.

(2) is authorized to carry out the duties and responsibilities described in this Charter, as well as any other activities reasonably related to the Committee's purposes or as may be directed by the Board from time to time;

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(3) may delegate authority to one or more designated members of the Committee;

(4) may rely on the expertise and knowledge of Management, the OIG, External Auditor, and such consultants and experts that the Board approves for carrying out its oversight responsibilities;

(5) may authorize to be conducted, or itself conduct, reviews into any matters within the scope of its responsibilities; and

(6) may require any person, including the External Auditor or any officer or employee of the Corporation, to attend Committee meetings or to meet with any member(s) of or advisor(s) to the Committee.

The Office of Legal Affairs received a comment regarding the application of this provision (paragraph (6)) to the OIG and OIG staff. We believe the reference to Corporation in this paragraph covers the OIG as the OIG is part of the Corporation.

VIII. Duties and Responsibilities

A. Duties and Responsibilities with Respect to Audits and Audit Related Matters

The Committee shall:

(1) ensure that the Inspector General has arranged for the annual Corporate Audit to be conducted in a timely manner;

Comment [mc1]: Management suggests this provision be slightly reworded to read: "ensure that the Inspector General has, in a timely manner, selected an External Auditor to conduct the annual Corporate Audit."

In the last draft, in addition to removing the specific authority statement regarding overseeing the selection and retention of the External Auditor, the existing duty relating to the Committee's responsibility for reviewing and confirming the independence of the external auditor was deleted as unnecessary and possibly infringing upon the authority of the OIG which has the responsibility to contract annually for the Corporate audit. In response to concerns raised by Committee members and in consultation with the OIG, we are proposing the language above. As proposed, this makes clear that the Audit Committee has a responsibility to ensure that the OIG is performing its duty in arranging for the audit, but does not vest the Committee with oversight duties beyond the "general supervision" authority as set forth in the IG Act. The OIG typically reports on this annually when the External Auditor has been engaged and provides a status report on the progress of the External Auditor as the work progresses until the Annual Audit is completed.

(2) review and discuss with Management, the OIG, and the Corporation's External Auditor the contemplated scope and plan for LSC's required annual audit;

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This duty directly implements one of the duties of an audit committee as identified by the GAO. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

(3) review and discuss with the External Auditor, the OIG, and Management the annual audit report and results of the External Auditor's year-end audit, including any problems or difficulties encountered by the External Auditor; the OIG and the Management's response to any audit findings, and any areas of significant disagreement between Management, the OIG, and the External Auditor; and any recommendations of the External Auditor;

This duty directly implements one of the duties of an audit committee as identified by the GAO. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

(4) review and discuss with the OIG its audit plan for the Corporation and provide the OIG ~~with any suggested topics~~ any recommended audits that would assist the Committee or the Board of Directors;

Comment [mc2]: Management recommends that this provision be slightly reworded to read: "review and discuss with the OIG its audit plan for the Corporation and recommend to the OIG any audits that would assist the Committee of the Board of Directors."

This duty provides for the current reporting of the IG on his annual audit plan and provides the Committee with an opportunity to suggest audit topics to the OIG in which the Committee is specifically interested. This is typically accomplished at a regularly scheduled meeting of the Audit Committee, generally the first one of the year. The proposed change responds to a suggestion from a Committee member.

(5) review and discuss with the OIG all significant matters relative to audits performed by the OIG, including any problems the OIG encountered while performing their audits;

This duty directly implements one of the duties of an audit committee as identified by the GAO. This is typically accomplished at a meeting of the Audit Committee upon presentation of information by the Inspector General.

(6) review and discuss with Management and/or the Board the Corporation's response to and, where appropriate, timely implementation of significant findings and recommendations made by the OIG and External Auditor;

This duty directly implements one of the duties of an audit committee as identified by the GAO. Significant findings of the GAO or External Auditor will be brought to the attention of the Committee through reports by the OIG and/or through the annual audit which is presented to the Committee and Board. For findings and recommendations requiring action by Management to implement, the Committee would typically require briefings from Management (at Committee meetings or otherwise) on progress on implementation and report back to the full Board on the information presented to it. For actions requiring Committee or Board action, the

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Committee would likely place its own action items on its agenda and report to the Board during full Board meetings.

(7) try to resolve disagreements between the OIG and Management on matters within the scope of the Committee's duties and responsibilities with respect to audits; and

Comment [mc3]: Management suggests deleting the word "try."

This is a suggested new duty expressly vesting the Audit Committee with the responsibility to address unresolved disagreements between Management and the OIG on matters arising out of the audit process. In the Federal sector, there is a specific process, called the A-50 process, for referrals and follow-up and the resolution of disagreements arising out of the audit process. LSC is not subject to the A-50 process and, although LSC has an equivalent policy for referrals made by the OIG to Management on findings related to OIG audits of recipients, there is no formal A-50 equivalent policy regarding OIG findings and referrals with respect to OIG audits of Management. The proposed duty provides some mechanism for resolution of significant disputes, should they arise. The OIG and Management anticipate that the Audit Committee would only be called upon to fulfill this responsibility in the rare instance in which a satisfactory resolution of a disagreement cannot be arrived at through informal consultations between the OIG and Management.

(8) review and discuss with Management its plans for OCE reviews of recipients, and summaries of significant findings and recommendations made by OCE in reviews conducted.

This is a new duty suggested by a Committee member for the Committee's consideration. It should be noted that the Operations and Regulations Committee currently has the responsibility to "periodically review the Corporation's compliance monitoring and enforcement efforts to ensure grantee compliance with the LSC Act, regulations, and other applicable laws." If this new provision is adopted, the Committee would typically require regular briefings from Management (at Committee meetings or otherwise) on these matters and report back to the full Board on the information presented to it.

B. Duties and Responsibilities Related to Financial Reporting:

The Committee shall:

(1) review Management representation letters or certifications and the LSC Finance Committee chairperson's letters or certifications regarding the contents, accuracy, or completeness of financial reports, as appropriate;

This duty directly implements one of the duties of an audit committee as identified by the GAO. This would typically be accomplished at a meeting of the Audit Committee upon presentation of such letters or certifications by Management.

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(2) review ~~all~~ any regulatory and internal control matters brought to the Committee's attention by Management, the OIG or the External Auditor that may have a material effect on the Corporation's financial statements; and

This duty directly implements one of the duties of an audit committee as identified by the GAO. The proposed revision was suggested by a Committee member. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

(3) review any significant deficiencies in internal control over financial reporting identified by Management, the IG, or the External Auditor and ensure that corrective action is taken by Management.

This duty directly implements one of the duties of an audit committee as identified by the GAO. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

C. Duties and Responsibilities Related to Risk Management

The Committee shall:

(1) in conjunction with the Board's Finance Committee, review Management's policies and procedures with respect to identifying and managing financial and other risk exposures;

This duty is based on duty 7 of the existing charter and sets forth the Committee's responsibility to review Management's risk assessment policies and procedures. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

(2) review steps Management has taken to identify, monitor and/or mitigate its enterprise risks ~~and control identified risks to the Corporation~~; and

This duty is based on duty (7) of the existing Charter and sets forth the Committee's responsibility to review Management's risk management policies and procedures and the steps Management is taking to mitigate identified risks. The proposed revision was suggested by a Committee member. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

(3) review Management's monitoring of internal controls, including significant changes to internal controls.

The third duty is based on portions of duty (6) of the existing Charter and sets forth the responsibility of the Committee to review Management's monitoring of internal controls, making clear that Management has the responsibility to identify and mitigate risk and to monitor internal controls, while it is the Committee's

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responsibility to assist the Board in the oversight of Management in this process. This is typically accomplished at a regularly scheduled meeting of the Audit Committee.

D. Other Duties and Responsibilities

The Committee shall:

(1) consult with the IG as to an appropriate approach regarding communications and meetings between the Committee and the OIG;

Comment [mc4]: Management suggests that the reference to the IG here should be to the OIG.

This duty sets forth an obligation of the Committee to consult with the OIG regarding how the Committee and the OIG should communicate, given the particular role of the OG at the Corporation and with respect to the Corporate audit function. This could be fulfilled through discussions at Committee meetings and other communications between the IG and the Committee as appropriate.

(2) report to the Board at least four times per calendar year and on such other occasions as requested to do so by the Board;

This duty directly implements one of the duties of an audit committee as identified by the GAO. At LSC, each full Board meeting agenda typically includes a report from each standing Committee, including the Audit Committee.

(3) establish procedures for the receipt, retention, and treatment of complaints or expressions of concern regarding accounting, internal controls and auditing issues, and which procedures should provide for the anonymity and confidentiality of such communications from employees;

Comment [mc5]: Management suggests this provision be amended to read: "establish procedures for the receipt, retention and handling of complaints or expressions of concern regarding accounting, internal controls, and auditing issues, which procedures should provide for anonymous communications from employees and, to the extent possible, should protect the confidentiality of communications from employees if requested."

This duty appears to implement a duty not specified by the GAO, but one which is found in many private corporation audit committee charters. This duty provides for the Corporation having an external (not within an employee's chain of command) point of contact for whistle-blowers and a mechanism for undertaking investigations of whistle-blower complaints on accounting, internal control and audit issues. Section 2.5 of the LSC Employee Handbook sets forth a policy and procedure for the submission and processing of complaints made to the Committee. That section makes clear that complainants may file complaints with either the OIG, the Audit Committee, or both, and that nothing in the policy is intended to limit or be inconsistent with the responsibility of the OIG.

(4) periodically assess the Committee's performance under the Charter, reassess the adequacy of the Charter, and report to the Board the results of the evaluation and any recommendations for proposed changes to the Charter; and

DRAFT

This duty directly implements one of the duties of an audit committee as identified by the GAO. This could be accomplished at a meeting of the Audit Committee as designated by the Committee on an annual basis (or some other basis) and reported by the Committee to the full Board.

(5) perform such other duties, consistent with this Charter, as are assigned to the Committee by the Board.

This duty is a "catch-all" duty and appears in most, if not all, other LSC Committee Charters.

IX. Limitations

(1) Nothing contained in this Charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its Directors.

(2) Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of Management, the Inspector General, and the External Auditor and any consultant or expert retained by them. The Committee's responsibilities are not to be interpreted as a substitute for the professional obligations of others.

(3) It is not the duty of the Committee to conduct audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles, generally accepted government auditing standards (the "Yellow Book") and other applicable rules, regulations, guidelines and instructions. These are the responsibilities of the OIG, the External Auditor and Management.

(4) Nothing contained in this Charter shall be construed as circumscribing the authority of the Inspector General under the Inspector General Act or is intended to restrict the authority of the Inspector General to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Corporation.

(5) Nothing contained in this Charter shall be construed as authorizing the Committee to act as an executive committee or exercise the powers of the Board of Directors.

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Resolution Adopting Changes to Audit Charter

BOARD OF DIRECTORS

RESOLUTION
AMENDMENT OF AUDIT COMMITTEE CHARTER

WHEREAS, the Board of Directors adopted a Charter for the Board's Audit Committee on March 28, 2008;

WHEREAS, in accordance with section VIII, paragraph 14 of the Charter the Committee has reassessed the adequacy of the Charter, has reported to the Board on that evaluation and has recommended proposed changes to the Charter;

NOW, THEREFORE, BE IT RESOLVED THAT the Board hereby adopts the attached revised Charter for the Audit Committee which supersedes the Charter adopted on March 28, 2008.

Adopted by the Board of Directors
On April 16, 2012

_____
John G. Levi
Chairman

_____
Victor M. Fortuno
Vice President, General Counsel & Corporate Secretary

403(b) Thrift Plan Performance

Legal Services Corporation
America's Partner For Equal Justice

OFFICE OF THE PRESIDENT

MEMORANDUM

TO: **LSC Board of Directors**

FROM: **Richard L. Sloane** *RLS*

DATE: **March 28, 2012**

SUBJECT: **LSC 403(b) Thrift Plan – First Quarter 2012 Update**

Summary of First Quarter 2012 Thrift Plan Performance: As of February 29, 2012, total Thrift Plan assets (including contributions) are approximately $18,030,290 – an increase of nearly $1.27 million since December 31, 2011.[1] As of the Thrift Plan's annual review (completed on January 31, 2012), the Thrift Plan has 296 active participants (including current and former LSC employees). Currently, the Thrift Plan offers participants the opportunity to invest in twenty seven (27) funds, including ten (10) target date funds.[2]

As noted in the January 2012 report to the Board of Directors, two funds in the Thrift Plan – Goldman Sachs' Mid Cap Value A and PIMCO's Total Return fund – slipped in the rankings of peer-category funds during 2011. During the first quarter of 2012, the performance of the Goldman Sachs fund improved slightly (an increase of 13% over peer-category funds), and the PIMCO fund improved significantly (an increase of 66% over peer-category funds). The Thrift Plan's financial advisors continue to monitor these funds' performance, but have not recommended that any funds be removed from the current menu.

Target date funds continue to be popular with LSC's Thrift Plan participants, accounting for approximately one-third (34.6%; $6.24 million) of total Thrift Plan assets. Nearly another one-third (30.8%; $5.55 million) of total Thrift Plan assets are invested in bond funds or fixed-income (money market or cash) accounts. Two-thirds of Thrift Plan participants (198/296) have elected to invest in a single fund.

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[1] The Morningstar Principia report on Thrift Plan performance through March 31, 2012 is not yet available. As soon as it is, we will update the Board accordingly.

[2] Target date funds are mutual funds in the hybrid category that automatically reset the asset mix (e.g., stocks, bonds, or cash equivalents) in their portfolio according to a selected time frame that is appropriate for a particular investor.

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Recent Market Trends and Related Economic Indicators: Through the end of February 2012, equity performance has been positive, with seventeen (17) Thrift Plan funds increasing in the 5-10% range year-to-date, and another five (5) Thrift Plan funds increasing in the 12-15% range year-to-date.

Likewise, the first quarter of 2012 has seen the 10-year Treasury interest rate increase from below 2.0% to nearly 2.3%, and the 30-year Treasury interest rate increase from below 3.0% to 3.3%.[3]

Please let me know if you have any questions or require additional information.

[3] The Treasury rate refers to the current interest rate that investors earn on debt securities issued by the U.S. Treasury. The federal government borrows money by issuing U.S. Treasury bills, notes and bonds.

Memo re: Review of Business Travel Polices

LSC

Legal Services Corporation
America's Partner For Equal Justice

FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Victor B. Maddox, Audit Committee Chairman

FROM: David L. Richardson, Treasurer/ Comptroller *dlr*

DATE: April 5, 2012

SUBJECT: Review of Business Travel Policies and Authorities

The GAO recommended in 2007 that the LSC Board of Directors periodically evaluate key management processes as part of a comprehensive internal control evaluation. To continue familiarizing the Board with LSC's internal controls, and to provide an opportunity for the Board to assess LSC's internal control environment, Management is providing to the Audit Committee a review of LSC's travel policies and authorities.

Travel Authorities

The travel policies are set forth in the Administrative Manual, Chapter 5. These procedures govern travel by any board member, employee (regular or temporary), independent contractor, or invited guest, paid for with LSC funds, regardless of whether payment is made directly or by reimbursement.

All LSC travel must be authorized in advance and in writing by the appropriate supervisor. This is done with a Travel Request Form and presented to the Travel Coordinator to secure the tickets. The approving authorities are:

- for members of the Board of Directors, the Corporate Secretary;
- for the current President, by his request, the Treasurer/Comptroller, though the Administrative Manual does not require advanced authorization for the President;
- for the Vice Presidents and Directors, the President;
- for LSC employee travelers, the employee's Director or Deputy Director;
- for Temporary employees or independent contractors, the official who signed the contract; and

- for an invited guest, the office director or LSC officer authorizing the invitation.

It is the responsibility of all persons with authority to approve travel requests to be familiar with LSC's travel policies and to make certain that funds are available in the appropriate budget prior to authorizing travel and/or approval of travel expenses.

It is the traveler's responsibility to obtain the required approval before traveling and to submit to the approving individual an accurate and factual Expense Report for reimbursement of travel expenses within 30 working days after returning from a trip.

Travel is to be completed by the means of transportation most beneficial to LSC and the traveler considering cost, time and other pertinent factors. In selecting a particular mode of transportation, consideration is given to the transportation cost using the contract carriers under the GSA contract, subsistence expenses, overtime and lost work time. All costs must be reasonable and necessary to the conduct of LSC business.

Attendance at non-LSC sponsored conferences, conventions or meetings by LSC representatives must be approved in advance in writing by an LSC Vice President, the Corporate Secretary for Board members, and the President for Executive Team members. LSC's Inspector General approves attendance for OIG representatives.

Official travel outside the conterminous 48 states of the United States must be approved in advance in writing by the LSC President or Inspector General for his staff.

If an LSC traveler is in an accident or is injured while on LSC travel, the traveler or an LSC staff member who has knowledge of the accident must notify the Treasurer/Comptroller immediately. A written description of the accident, along with a copy of the accident report (if any), must be submitted to the Comptroller's Office within 30 days of the incident. If a traveler sustains bodily injury requiring medical assistance, the Comptroller's Office must be notified by telephone as soon as practical. The Comptroller's Office will notify OLA, OHR, LSC's Officers, and LSC's insurance carrier of the accident.

Travel Policies

A Travel Request Form must be completed by the traveler or office travel coordinator for each trip. The traveler must submit an Expense Report for each instance of travel detailing expenses properly chargeable to LSC. Receipts that LSC requires be attached to the Expense Report include: airline tickets, baggage fees; parking lot fees; cab fares in excess of $25; hotel folio; car rental receipts; telephone

reimbursable expenses; dry cleaning and laundry: and meals receipts in excess of GSA-approved amounts when there is a waiver required.

The Expense Report is due within 30 working days after returning from a trip. The traveler certifies that the expense report is true and correct. It is reviewed and approved by the supervisor who authorized the trip.

When the Comptroller's Office receives the Expense Report, it is reviewed again for accuracy and for compliance with LSC policies. If errors are found, it will be returned to the traveler or the traveler's approving official for correction. The corrected Expense Report must be returned within 10 days for processing. Board Members' Expense Reports will be returned to the Corporate Secretary. The Corporate Secretary or his/her designee is authorized to make minor corrections to the Board member's Expense Report, including but not limited to inserting direct bill expenses when they are omitted.

To monitor compliance with the due date of the Expense Report, we have established a tracking system for all travel-related tickets and credit card use. When a balance is over 30 days old following the completion of the trip, the following schedule is used to deal with delinquent reports:

1. Comptroller's Office staff will notify a traveler when an Expense Report is past due.

2. If, after 45 days, the Expense Report has not been submitted, the traveler and his/her director will be notified that an Expense Report is past due.

3. If the Expense Report is not submitted within 60 days, the traveler's corporate credit cards will be suspended for 90 days and the traveler will not be eligible to purchase airline tickets using LSC's travel agency.

4. During this 90-day period, if travel is required for the employee to perform their responsibilities, his/her personal funds will need to be used for travel expenses and any reimbursements will be held to satisfy past direct billed advances, until such time that the past due Expense Reports have been submitted and accepted.

5. If an Expense Report extends to 90 days past due, the travel credit card will be suspended for an additional 6 months.

Overnight lodging is normally limited to the GSA rate for a single room, excluding tax, and meals are reimbursed based on the GSA meal and incidental expenses (M&IE)

allowance. When an individual is on travel status for part of a day, either on the day of departure or day of return, the standard meal allowance is limited as follows:

M&IE ALLOWANCE		
When travel is:		the allowance is:
Less than 12 hours*		Reimbursement up to $30 upon presentation of receipts
More than 12 hours less than 24 hours*		75 percent of the applicable M&IE
24 hours or more on	The day of departure	75 percent of the applicable M&IE
	Full days of travel	100 percent of the applicable M&IE
	The last day of travel	75 percent of the applicable M&IE

Any time a meal is furnished to a traveler by a host or hotel, it is the traveler's responsibility to reduce the daily per diem following the table below, which is based on the GSA reductions and which is updated annually by GSA:

M&IE	**$46**	**$51**	**$56**	**$61**	**$66**	**$71**
Breakfast……	7	8	9	10	11	12
Lunch……	11	12	13	15	16	18
Dinner……	23	26	29	31	34	36
Incidentals……	5	5	5	5	5	5

There is no meal allowance when all three meals are provided; however, the incidentals for each day will be reimbursed.

LSC is eligible to purchase airline tickets through the GSA contract. However, travelers must first inquire about Internet or other air fares for the travel anticipated. Internet travel tickets purchased 14 days in advance provide LSC with the greatest potential savings and may be charged by the traveler to the traveler's LSC credit card or may be booked by the LSC-approved travel agency. If there is a high probability of change in the traveler's itinerary or an uncertainty regarding the travel, the traveler should always book the ticket using the GSA contract.

Travelers are requested to use public transportation when practical in commuting to and from airports. Courtesy transportation service furnished by hotels/motels should be used to the maximum extent possible as a first source of transportation between a

common carrier terminal and the place of lodging. Reimbursement will be allowed for tips when courtesy transportation service is used. Reimbursement will be allowed for the use of airport shuttles and taxicab fares plus tips when courtesy transportation is not available or practical. Travelers should limit the use of taxicabs where less expensive transportation is available.

If a traveler chooses to drive his/her automobile to a terminal and park, reimbursement for mileage at the current LSC rate, toll charges and parking (receipts are required, and the most economical parking lot should be used) will be allowed. Reimbursement for mileage, toll charges and short-term parking is also allowed if any privately-owned vehicle is used to take a traveler to or from the terminal. The total reimbursement is limited to the cost of a taxi to the terminal plus tip whether the trip starts from home or office and returns to home or office. If the reimbursement request seems too high, the Comptroller's Office checks taxi fares through a local cab company or www.taxfarefinder.com.

The Treasurer/Comptroller is authorized to waive the lodging rate and meal and incidental expenses as set by GSA guidelines and the costs of travel to airport when circumstances indicate that additional allowances are necessary and appropriate to cover expenses for the conduct of LSC business.

Because the LSC credit card is restricted to official business by the GSA contract, any travel arrangements that combines business and personal travel must be paid with a personal credit card. A separate accounting then needs to be detailed and must accompany the traveler's Expense Report documenting the cost for the business portion of the trip. LSC's cost will be limited to the relevant Internet cost obtained by other travelers on the same trip.

Car rentals must be approved by the appropriate authorizing official and noted on the Travel Request Form that is sent to the Comptroller's Office prior to the commencement of travel. Arrangements for car rentals are to be made by the traveler or the office's travel coordinator directly with the LSC travel agency or directly with Enterprise (National Car Rental) and Budget.

Insurance coverage for rental car use is provided through the GSA contract with each car rental company. Some coverage is also provided through the SmartPay travel charge card, where used. Accordingly, travelers are not to accept or request a CDW. Travelers will NOT be reimbursed for costs related to the election of the CDW.

The use of car services is restricted to those occasions when the Treasurer/Comptroller determines that such services are necessary for the efficient conduct of LSC business. The traveler must provide, in advance, a request for the use

of the car service with a justification as to how the use of the service is in the best interest of LSC. The request must include a cost comparison of the car service with other available forms of transportation, such as taxis and common carriers. To the extent that the justification for the use of the service includes the ability of the traveler to work while traveling, the nature of the LSC work being performed must be stated. To the extent that, without the service, an additional employee would have to drive the traveler, the time of that employee may be included in the cost comparison. A request for the use of a car service must be submitted to the Comptroller for review of the cost comparisons then forwarded to the Treasurer/Comptroller for approval or rejection. There are occasions when a car service is equal to or less than a taxi fare. When this occurs, no additional analysis is needed.

LSC is a participant in the U.S. Government Travel Charge Card Program, SmartPay 2. A SmartPay travel charge card (Card) is available to any board member or regular employee traveling on LSC business.

The Card may only be used for the Cardholder's individual LSC business-related travel. Use of the card for non-business-related purposes is prohibited, violates the GSA contract, and could subject the user to suspension or termination from employment. Misuse of the card will be reported to the OIG, when necessary.

While personal and family member use of the Card is forbidden, common or shared services or facilities (rooms, meals, etc.) with family members or business associates may be charged to the Card if the Cardholder is on LSC business. Only the LSC business portion of the charged expense may be claimed on the Expense Report.

Under the GSA contract, cardholders may obtain travel-related cash advances at ATMs of the bank issuing the card or other ATMs on the same ATM network up to $600 per month. Charges for cash advances obtained at other banks, other network ATMs, or private ATM machines will NOT be reimbursed. Travelers should use the Card to the maximum extent possible to charge LSC business-related travel expenses, such as lodging, meals, airline baggage fees and rental cars. If necessary, common carrier tickets may be charged to the traveler's Card.

All advances and credit card charges for a trip must be accounted for on the Expense Report. Travelers have access to their credit card accounts through the Internet; they attach copies of their statements to their Expense Report. When travelers do not submit their statements, the Comptroller's Office accesses their statements and they are reviewed to ensure that all charges have been included. If a correction is needed, the Expense Report is returned to the traveler to make the necessary adjustments. Once it is amended, it is returned to the Comptroller's Office for final review and processing.

LSC receives a monthly statement with all the charges detail by individual. The statement is reviewed to ensure that all charges relate to travel. As a result of this review, the Comptroller's Office staff contacts cardholders regarding outstanding charges. If they are related to business travel, they are encouraged to complete an Expense Report. If charges are not business travel-related, an explanation is required.

Board of Directors Travel Process

- Travel Coordinator receives direction from the Office of Legal Affairs' (OLAs') Executive Assistant (EA) (delegated by the Corporate Secretary) to contact board members and arrange flights.
- Travel Coordinator contacts board members, secures flights with travel agency.
- Travel Coordinator prepares and submits travel approval request (TAR) to OLA EA for approval.
- OLA EA approves forms, travel coordinator purchases tickets.
- Instructions for submitting expense reports are included in the board book.
- Post meeting, Travel Coordinator contacts and provides assistance if needed for board members to submit expense reports.
- Travel coordinator sends expense reports to OLA EA for approving signature.
- OLA EA approves and returns reports to the Travel Coordinator.
- Travel Coordinator submits reports to comptroller's office for processing.

Only the LSC President and Inspector General have the authority to approve first-class or business-class travel accommodations. Written approval to use such accommodations must be obtained in advance and must accompany the Expense

The Office of Inspector General uses a similar authorization structure for staff travel and the IG is the authority for OIG related waivers. There is no advance authorization required for the Inspector General's travel; however, the IG has requested that the Assistant Inspector General for Audits approve his travel requests and Expense Reports.

Board of Directors

BOARD OF DIRECTORS

April 15, 2012

Agenda

OPEN SESSION

1. Pledge of Allegiance

2. Approval of agenda

3. Consider and act on a draft Strategic Plan for the Corporation

4. Consider and act on motion to recess the meeting until April 16th

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[Meeting will reconvene on April 16, 2012, upon conclusion of all scheduled committee meetings for the day]

April 16, 2012

OPEN SESSION

5. Approval of Minutes of the Board's Open Session Annual Meeting of January 21, 2012

6. Chairman's Report

7. Members' Reports

8. President's Report

9. Inspector General's Report

10. Consider and act on the report of the Promotion & Provision for the Delivery of Legal Services Committee

11. Consider and act on the report of the Finance Committee

12. Consider and act on the report of the Audit Committee

13. Consider and act on the report of the Operations & Regulations Committee

14. Consider and act on the report of the Governance & Performance Review Committee

15. Consider and act on the report of the Institutional Advancement Committee

16. Consider and act on resolution regarding new Ethics Officer designation

17. Public comment

18. Consider and act on other business

19. Consider and act on whether to authorize an executive session of the Board to address items listed below under Closed Session

CLOSED SESSION

20. Approval of Minutes of the Board's Closed Session Annual meeting of January 21, 2012

21. Briefing by Management

22. Briefing by the Inspector General

23. Consider and act on General Counsel's report on potential and pending litigation involving LSC

24. Consider and act on motion to adjourn the meeting

Draft Strategic Plan

Legal Services Corporation Strategic Plan 2012-2016

First Draft for Board Consideration
April 4, 2012

Prepared by:

Al Collins & Will Carlin
VShift, Managing Partners
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212-937-8575

Legal Services Corporation

Strategic Plan 2012 – 2015

Part One: A Crucial Time

The Legal Services Corporation (LSC) was founded on a nonpartisan national value – access to justice regardless of the economic status of the individual. The very first line of the US Constitution reflects the importance of justice as a national value:

We the People of United States, in Order to form a more perfect Union, establish Justice . . . .

The Framers identified establishing justice as a national goal even before they mentioned providing for the common defense or ensuring domestic tranquility. They recognized that an accessible system of justice is essential to societal stability and to the rule of law.

Congress recognized this in its finding and declaration of purpose in the Legal Services Corporation Act: "…for many of our citizens," the statute emphasizes, "the availability of legal services has reaffirmed faith in our government of laws." As Judge Learned Hand said 61 years ago, "If we are to keep our democracy, there must be one commandment: Thou shalt not ration justice."

With this in mind, ***the central goal of our strategic plan must be to maximize the availability, quality, and effectiveness of the civil legal services that our grantees provide to eligible low-income individuals***[1].

Achieving this goal requires addressing the new challenges of declining financial resources and identifying and pursuing new opportunities for more effective generation and deployment of new resources. Established to provide financial and strategic support for civil legal assistance in states and localities, LSC is the largest single funder of civil legal aid programs in the United States. Currently, we provide grants to 135 independent programs with more than 900 offices serving every county in every state, the District of Columbia, and every territory with the exception of American Samoa.

[1] Throughout this document, "low-income" and "poor" refer to the definitions in our governing act and include compliance with the eligibility rules. See **Legal Services Corporation Act As Amended, 42 U.S.C. 2996 et seq.,** Public Law 93-35593 Congress, H.R. 7824, July 25, 1974; LSC Act, Public Law 95-222, 95 Congress, H.R. 6666, December 28, 1977; LSC Reauthorization Act, and other amendments. See also 24 C.F.R. §§ 1611 & 1611X.

Virtually all of our revenue comes from a congressional appropriation. Local legal services providers depend upon a combination of these federal funds, state and local government funding, revenue from Lawyers' Trust Accounts, and philanthropy.

Funding for civil legal services is declining. Since April of 2011, LSC's federal appropriation has been reduced by 18 percent. Revenue from Interest on Lawyers' Trust Accounts – a source of significant support for local legal aid programs – continues to fall as interest rates remain very low, and budget pressures have caused many state and local governments to reduce their appropriations for civil legal services. LSC grantees reported a two percent reduction in funding from non-LSC sources in 2011.

LSC recently surveyed the programs it supports to learn what the impact of funding reductions has been on their operations. The results were sobering. Including layoffs that the programs anticipate implementing in 2012, the programs project a loss of 582 attorneys, 250 paralegals, and 394 support staff since the end of 2010 – that's 1,226 full-time legal services employees, a 13.3% reduction in staffing.

Twenty-four programs reported that they expect to close offices in 2012. Because many of these closures will occur in rural areas, eligible clients will lose the ability to access lawyers within their communities. A number of programs report that they have frozen or reduced salaries and benefits, reduced intake hours, and eliminated categories of services. Legal aid lawyers were already the lowest paid group in the legal profession before these freezes and reductions.

The same financial challenges that lead to reduced funding also contribute to the rising need for civil legal assistance. While capacity is falling, the population eligible for civil legal services at LSC-funded programs has risen steeply. Today, LSC estimates that more than 64 million Americans are eligible for services at the programs we fund -- an all-time high, and an increase of 26.6% since 2007, before the recession began.

To increase the availability, quality, and effectiveness of civil legal services for eligible low-income individuals, we will work to afford our grantees the resources, tools, and management expertise to most effectively reach and assist their clients. We will pursue our work in this crucial period along three avenues: (1) identifying and replicating best practices associated with delivering high quality civil legal assistance to the poor by our grantees; (2) promoting the development and implementation of technologies that maximize the availability of legal information and assistance; and (3) expanding the availability of civil legal assistance beyond our grantees through the most effective use of pro bono services and other private resources.

We will employ robust assessment tools to ensure that we will be able to identify, recognize, and replicate the practices producing the highest performance among our grantees. We also will provide attention and assistance to lower-performing grantees. Meeting this goal will be a significant challenge in the current funding environment. Our approach to improving quality must be focused on promoting innovation that accomplishes more with fewer resources.

In pursuit of our mission, ***our second goal is to be the leading voice for civil legal services for people in poverty in the United States.***

Working with others committed to promoting civil legal services, we will grow awareness of the significance and value of civil legal aid and thereby increase public and private resources devoted to this purpose, and we will assist grantees in diversifying their sources of revenue and increasing private-sector financial support.

We will improve communication about the work of LSC and our grantees. We will take responsibility for working with all providers of legal services to low-income individuals and with federal government agencies whose work directly and indirectly affects the legal needs of low-income individuals to expand awareness of available resources and streamline responsiveness to their needs.

Our third goal is to achieve the highest standards of fiscal responsibility in the conduct of both LSC and its grantees.

The American people entrust LSC with their funds. Both to live up to that trust and to justify further confidence, we will steward the allocated resources with prudence. We will comply with the parameters expressed by the people's representatives in Congress and conform to the highest peer-reviewed professional standards of fiscal transparency and accountability, both in our organization and in our fiscal oversight of those who receive funds from LSC.

Part Two: Our Three Strategic Goals

1. Maximize the Availability, Quality, and Effectiveness of Legal Services

An effective legal system is a pillar of our country's identity and success. The effective operation of our legal system depends on accessibility and adequate representation. It is therefore critical that LSC continue to improve the availability, quality, and effectiveness of civil legal services for those qualified under federal law to receive them

Initiative One:

Identify, promote, and spread best practices in meeting the civil legal needs of the poor.

All civil legal services providers across the country face the challenge of constrained resources while seeking to address growing unmet needs and management challenges. Many have developed effective approaches to one or more areas of practice; many have also devised successful strategies for partnering with pro bono lawyers, law schools, and other providers to extend their work or otherwise enlarge responsiveness to clients and potential clients.

Because of its unique position as the federally-created national organization in this field, LSC can and must lead an initiative to identify, share, and promote best practices among its grantees and other organizations in providing high-quality and effective legal information, advice, and representation. Best practices include approaches to particular issues, such as assistance in the face of mass foreclosures, and strategies for expanding access to legal services.

- **Best practice identification:** LSC's assessments of grantee programs will identify promising practices and vet them among other programs to highlight approaches that warrant being named a "best practice." LSC will also solicit suggestions from grantees and other providers to enlarge the pool of potential best practices.
- **Best practice resource:** LSC will become a "go-to" place for collecting and sharing information about best practices in the provision of civil legal assistance. This should include enhancing web-based resources, including a user-friendly library tool that improves the accessibility, scope, currency, and use of the library current maintained by LSC.
- **Best practice sharing:** LSC will devise successful ways to share the best practices it identifies through the potential use web tools, social media, conferences, and other techniques that grantees would find helpful in promoting dialogue and peer assessment.
- **Best practice expansion:** LSC will develop benchmarks and spread the best practices it identifies.

Initiative Two:

Implement a new performance management system

As part of ensuring high quality legal services, LSC must be able to measure the performance of grantees fairly, objectively, and effectively. It is important to be able to identify both higher- and

lower-performing grantees so that LSC can play its own role in recognizing stronger performance and helping to remedy weaker performance.

A new performance management program will be designed with input from experts in non-profit management and from grantees and may include:

- **Meaningful performance standards and metrics**, known to and understood by all participants. The standards will be developed in collaboration with grantees to support the goals of the Legal Services Corporation Act -- quality, effective civil legal services for low-income individuals, and an efficient and appropriate use of appropriated funds – and should be designed to avoid imposing unnecessary burdens on grantees.
- **Metrics designed to measure two key areas:**
    - ▷ Outcome metric(s): Evaluating the outcomes of a grantee organization's activities against desired results.
    - ▷ Efficiency metric(s): Evaluating the cost-effectiveness of a grantee organization's activities in delivering service.
- **A revised data-collection and analysis process.** Data collection from grantees should avoid impeding their organizational efficiency. Online data collection should be structured to reduce reporting costs and to increase analytical effectiveness.
- **Performance triggers.** Performance measures would not (and under current law, *could not*) alter the funding of any particular grantee. There are potential consequences other than funding changes, however, and we recommend that rewards or corrective actions be triggered only by grantee performance against clear and fair standards.
    - ▷ Any rewards or corrective measures would be implemented only when LSC is confident of the quality and fairness of the performance standards. We contemplate that any rewards or corrective measures would be implemented only near the end of the five-year plan, after much work has been done to evaluate metrics and standards.
    - ▷ Corrective actions for grantees falling below a minimum standard (to be specified after consultation with the field) might include:
        - A special review by LSC or peers;
        - Required professional development activities (such as training):
        - Implementation of specific quality or efficiency processes;
        - Suggested changes in staffing or program focus; or
        - As a last resort, and only after repeated failure to improve, removal as LSC grantee.
    - ▷ Rewards for grantees exceeding a standard (the top x%, for example) might include:
        - LSC certification as top-performing organization;
        - Invitation (access) to special LSC recognition programs;
        - Reduced oversight requirements; or
        - Increased private financial support.

Initiative Three:

Provide legal practice and operational support to improve measurably the quality of civil legal services

Our congressionally mandated oversight responsibilities enable and obligate LSC to help our grantees maximize their performance through support for their practices and operations. Oversight henceforth will be coupled with assistance.

Assistance to grantee programs can include the following:

- **Grantee training.** LSC should supplement and extend training efforts to reflect the growing expertise in best practices and to improve and increase collaboration across grantees and other providers. LSC should aim to offer training programs using its own Management and Grants Oversight budget, at little or no cost to its grantees. LSC will review the possibilities of training efforts in at least these areas:
    - ▷ Compliance Training: training to enable grantees to meet LSC's regulatory and reporting requirements as efficiently as possible, and to minimize the need for enforcement actions.
    - ▷ Best Practice Training: training programs to share information and discussion about best practices both to deepen peer review and to promote the adoption of best practices.
    - ▷ State-of-the-Art Training from Other Organizations: timely, high-quality training programs offered by other organizations should be identified and, where possible, made available to grantees as cost-effectively as possible. In addition, LSC could work to stimulate the creation of training programs by other organizations where indicated by the expertise, capacity, and leverage that could be achieved.
- **Peer support and collaboration programs.** Interaction among LSC grantees is often the result of grantees' initiatives. The experience and advice of colleagues is a potent resource for grantee staff and management. LSC could develop peer support and collaboration programs, including the following:
    - ▷ Online collaboration tools for LSC grantee staff to discuss relevant issues among each other, such as technical advice, pro bono practices, partnerships with law schools and other organizations, identification of other resources, management expertise, and fundraising.
    - ▷ National in-person conferences for leadership of grantee organizations. These would identify prospects for collaboration and allow the sharing of expertise. They would also permit LSC to learn from the on-the-ground experience of grantee leaders and to improve its support of programs as a result.
- **Management support.** Grantee organizations face many common issues, including succession planning, fundraising, hiring and retention, financial management, practice management, case management, and operations. LSC could develop:

- ▷ An Executive Director mentoring program -- a "matchmaking" service available to EDs who want to tap the experience of a longer-tenured peer at another organization.
- ▷ A management tool library, including sample materials for human resources, requests for proposals, contracting documents, and fundraising letters and materials.
- ▷ Training programs for grantee boards of directors, focused on LSC-specific issues and avoiding duplication of training programs already available from others.

- **Innovative technology** for delivering professional development programs. Online technology tools are increasingly effective for professional development activities, and LSC could develop a repertoire of online, on-demand tools and make online the default method of delivery. Many of these tools are available as low- to mid- cost open-source or software-as-a-service models. LSC should explore these alternatives. .

2. Become the Leading Voice for Access to Justice and Quality Legal Assistance in the United States.

Access to justice falls so far short of the ideal that the nation needs greater and more focused leadership, especially in addressing the civil legal needs of the poor. As the largest single funder of civil legal services in the United States, and with its detailed knowledge of the activities of 135 legal services programs serving the entire nation, LSC has both the opportunity and the obligation to lead in advocating and securing access for the poor to justice in civil matters. Promoting public understanding of the role and value of civil legal services is essential to expanding the private support necessary to sustain LSC's grantees.

Initiative One:

Provide a comprehensive communications program around a compelling message

Developing a commonly understood, consistently delivered, well-articulated, and compelling message about access to justice is critical for maintaining and expanding both public and private funding for civil legal services. And without expansion of resources – whether from public or private sources -- access to justice is not achievable.

The creation of a messaging framework would give grantees a narrative that they will be able to use to recruit board members, explain their work to their communities, and cultivate other potential funders. Components of the communications programs will include:

- **The establishment of a compelling narrative** that is adopted by all LSC staff and board members for communicating LSC's mission, activities, and value.
- **The creation of a short message** and other potential communications that could appear on brochures, booklets, online, and other materials.
- **The development of supporting materials** to support the common narrative.

Initiative Two:

Build a business case for funding civil legal services

In addition to a better narrative message, we must build a better business case for funding civil legal services. Civil legal services programs save government and society money. They are a good investment. Some studies at the state level have already quantified the economic benefits of civil legal services.

Averted foreclosures and evictions, for example, avoid homelessness with all its attendant costs and collateral consequences. And civil restraining orders in domestic violence cases can avoid future hospitalizations and unemployment.

There are three primary courses of action to build this case (and make them part of the narrative message):

- **Gather and analyze broad, nationwide data** on the results achieved in civil legal services cases (the starting point for a strong economic analysis);
- **Conduct research** on the best methods for quantifying the cost savings realized by the outcomes achieved; and
- **Create a research-backed case** for the investment in civil legal services.

Initiative Three:

Recruit and enlist new messengers to increase private support for civil legal services

The legal services community needs to enlist new messengers to make the case for legal aid to new audiences. We need to find those who already have embraced the case for civil legal services and made it their own, and use these exemplars to recruit others who would approach the issue from a different angle to reach different audiences. Members of the LSC Board can model the role of community leaders as spokespersons for civil legal assistance.

People who are not part of the civil legal services community are heard very differently from the traditional advocates within. We need to expand the base of private financial support for civil legal services. There are at least three steps:

- **Use the legal services network** to help identify those outside the community who are making the case on a local, regional and national basis;
- **Engage potential messengers** to see how best to take advantage of their natural inclinations on a broader or more targeted basis;
- **Expand the network** through these messengers to see whom they know.

Initiative Four:

Provide grantee development support

LSC will combine knowledge and insights from all of the communication efforts with those from the work of LSC's Institutional Advancement Committee to create materials and support training for grantees in their development efforts.

LSC staff and LSC Board members will work with LSC grantees to develop and share common communications strategies and materials.

Additionally, the recent start of the Institutional Advancement project will provide direction on how and when to deliver compelling messaging, on how to identify alternative sources, and on how to cultivate long-term relationships with donors. This information should be shared with grantees.

Supporting grantees in their development efforts would provide them with:

(1) An understanding that LSC is focused on their most critical issue;
(2) New strategies for developing private-sector resources.

Providing grantees with development support could include:

- **Delivering** the LSC narrative, the business case, and information on how best to use non-traditional messengers so that they have the tools needed to make their own cases;
- **Training** on the various tools, so that grantees fully understand their messages, their potential uses, and how they should be used.
- **Sharing development strategies** through online and in-person seminars, so that grantees can be introduced to new concepts, ask questions, and begin to use the concepts with local potential donors.

3. Ensure Superior Fiscal Management

The American taxpayer is the ultimate source of the funds that LSC distributes to its grantees. At a time when Americans are tightening their belts, it is incumbent upon us to make sure that our grantees are managing and spending their LSC funds prudently .

In accordance with the recommendations of LSC's Fiscal Oversight Task Force, we will strengthen our fiscal oversight processes by conducting a thorough review of current processes, by implementing improved and streamlined processes, and by adopting new organizational structures to reduce redundancies and improve effectiveness. We will aim to give Congress and the American people confidence that money appropriated to LSC is managed and expended prudently.

The recommendations of the Fiscal Oversight Task Force, adopted by LSC's Board of Directors in January of 2012, encompass the initiatives necessary to achieve this goal. Following is a summary of those initiatives:

Organizational Identity and Mission

- Clarify and affirm the Corporation's responsibilities related to grantee fiscal oversight.
- Establish a consistent "tone at the top," define and promulgate a strong organizational culture, and continue to keep the Board active and engaged in its oversight of LSC's grant-making operations.

Communication and Coordination among the Board, Management, and OIG

- Consolidate management's oversight responsibilities, currently dispersed among OPP, OCE, and OIM, into one office (called the Office of Grantee Assessment (OGA) for purposes of this report), instituting a "cradle-to-grave" approach to grants management and fiscal oversight. 1
- Appoint a Vice President-level individual to lead OGA whose background includes grants management and internal controls.
- Document and memorialize the roles, expectations, and operating practices of LSC's Board, management and the OIG to ensure that all necessary fiscal oversight activities are undertaken and to enable progress to be maintained during periods of leadership transition.
- Formalize, and maintain or increase, the flow of fiscal oversight-related information and communication to the Board from management and the OIG.

Grantee Fiscal Oversight Process

- Conduct a unified, comprehensive LSC risk assessment process (incorporating input from the OIG and IPAs) that includes identifying financial risks and incorporating current methods and best practices for addressing such risks through fiscal oversight.
- Structure management's grantee reviews to comprehensively address financial risks, both prior to grant award and post-award.
- Create systems to support timely and efficient sharing within LSC of appropriate information about grantees and monitoring of the status of grantee corrective actions.
- Identify, monitor, and disclose conflicts of interest related to staff and grantees.

Knowledge, Skills, and Experience

- Encourage the sequencing of Board appointments so as to stagger the terms of Board members as permitted by the LSC Act.
- Continue the practice of utilizing non-Board members with experience in accounting, finance, and internal controls to serve on key financial-related committees and urge the Boards of grantee organizations to adopt a similar practice.
- Ensure that employees filling fiscal oversight roles within the new OGA structure have the necessary knowledge and skills.
- Provide directed training to staff, grantees, grantee Board members, and IPAs.

Part Three: Achieving Our Goals

[This section will identify the timelines and challenges to be identified for each of the three priorities/goals and perhaps the sub-goals and can reflect public comments as well.]"

Conclusion

Access to justice is a founding principle of this nation and the commitment of the statute creating LSC. At this challenging time, LSC commits to improving access to justice for the poor by improving the quantity and quality of civil legal assistance, promoting innovation that accomplishes more with fewer resources, and demonstrates the highest standards of fiscal responsibility through our own work and the work we support. The American people's trust in us demands no less.

Appendices

Appendix I: The Strategic Planning Process

The strategic plan has been informed by research, interviews, and surveys conducted over a six-month period. It has been facilitated by a consultant, VShift.

A variety of documents were reviewed during the course of the process. They included past Strategic Directions documents for LSC, statutes and regulations, and literature measurement methodologies and metrics.

Additional primary research involved such sources as financial reports from LSC-funded organizations, staffing plans, program overviews, news reports, materials from civil legal services advocacy organizations, and best practices in similar organizations.

Most of these documents were reviewed prior to the start of the in-depth interviews, but some of them were identified by interview subjects and were reviewed as they were suggested.

Perspectives from stakeholders were collected via a combination of in-depth interviews and online surveys.

In-Depth Interviews

During the first three months of the project, over 75 in-depth interviews were conducted by a combination of VShift, LSC board members, and LSC senior staff.

Discussion guides were prepared for different interview groups (see Appendix III for sample interview guide), and the interviews lasted an average of 45 minutes each, with the shortest being about 30 minutes and the longest going well over 90 minutes.

The interview subjects consisted of five primary groups:

- LSC Board of Directors
- LSC Staff
- LSC Grantee Executive Directors
- External stakeholders
- Members of Congress and congressional staff

The goal of the interviews was twofold: (1) to gain insight into the views of the different audiences and (2) to seek innovative ideas from members of different constituencies.

Surveys

Four different audiences were surveyed tool during this process:

- LSC Grantee Executive Directors
- LSC Grantee Board Chairs

- LSC Grantee Client-Eligible Board Members
- LSC Staff

These were administered both via an online service (Survey Monkey) and through offline methodologies for the client-eligible board members.

All grantee Executive Directors and board chairs and all LSC staff members were invited to complete the online survey. Client-eligible board members were invited to participate by grantee Executive Directors and Board Chairs.

The survey was designed (1) to gather qualitative information as a baseline that can be used for comparison in the future, (2) to ensure that current views are understood and taken into account in the planning process, and (3) to have the widest possible participation in the planning process.

The survey questions covered three main areas: basic demographic information, the respondents' perceptions of LSC effectiveness, and respondents' reactions to potential LSC activities going forward.

Our consultant, VShift, prepared reports from these data collection activities and briefed the board on the findings.

Board Briefings

VShift conducted two briefings for the LSC Board of Directors. These included:

- Key insights from VShift analysis done to date;
- A range of initial hypotheses on structuring the strategic plan;
- Potential marketing and communications approaches to address funding challenges;
- Key opportunities for achieving quick results; and
- Legislative priorities, challenges, and options.

These were primarily one-way briefings focused on providing the Board with essential information, but they also included clarifying questions, initial reactions, and some feedback from individual board members.

Committee Meeting Minutes

DRAFT v1

Legal Services Corporation
Meeting of the Board of Directors
Open Session
Saturday, January 21, 2012

DRAFT MINUTES

Chairman John G. Levi convened an *open session* meeting of the Legal Services Corporation's ("LSC") Board of Directors ("Board") on Saturday, January 21, 2012 at 9:12 a.m. The meeting was held at the Westgate Hotel, 1055 Second Avenue, San Diego, California.

The following Board members were in attendance:

John G. Levi, Chairman
Martha L. Minow, Vice Chair
Sharon L. Browne
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

Also in attendance were:

James J. Sandman, President
Richard Sloane, Special Assistant to the President
Kathleen McNamara, Executive Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel and Corporate Secretary
Mattie Cohan, Senior Assistant General Counsel,
Office of Legal Affairs
Katherine Ward, Executive Assistant, Office of
Legal Affairs

David L. Richardson, Comptroller and Treasurer, Office of Financial and Administrative Services
John Constance, Director, Office of Government Relations and Public Affairs
Stephen Barr, Communications Director, Office of Government Relations and Public Affairs
Jeffrey E. Schanz, Inspector General
Joel Gallay, Special Counsel to the Inspector General, Office of the Inspector General
Ronald "Dutch" Merryman, Assistant Inspector General for Audit, Office of the Inspector General
Thomas Coogan, Assistant Inspector General for Investigations, Office of the Inspector General
David Maddox, Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Don Saunders, National Legal Aid and Defenders Association (NLADA)
Charles "Chuck" Greenfield, NLADA
Justice Earl Johnson, Jr., American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID)

The following summarizes actions taken by and presentations made to the Board:

MOTION

Ms. Reiskin moved that item 33 on the agenda not be considered in closed session but instead be considered as the last item in open session.

Dean Minow seconded the motion to approve the agenda as amended.

VOTE

The motion passed by a voice vote and the agenda was approved as amended.

MOTION

Mr. Maddox moved and Ms. Browne seconded approval of minutes of the Board's open session meetings held on the following dates:

- October 21, 2011;
- November 18, 2011; and
- December 21, 2011.

VOTE

The minutes were approved as presented by a voice vote.

NOMINATION

Mr. Maddox nominated Mr. Levi to continue his service as Board Chairman. Professor Valencia-Weber seconded the nomination.

VOTE

The motion passed by a voice vote.

NOMINATION

Ms. Reiskin nominated Dean Minow to continue her service as Board Vice Chair. Mr. Keckler seconded the nomination.

VOTE

The motion passed by a voice vote.

MOTION

Dean Minow moved that authority be delegated to the Chairman to make committee appointments, including appointment of committee chairmen. Ms. Browne seconded the motion.

VOTE

The motion passed by a voice vote.

The Chairman's Report was given by Chaiman Levi. Members' Reports were given by Ms. Reiskin, Ms. Mikva, Ms. Browne, Professor Valencia-Weber and Father Pius. Reports of the President and Inspector General were given by James Sandman and Jeffrey Schanz, respectively.

The report of the Audit Committee was given by Mr. Maddox, after which Chairman Levi made the following statement.

> The Fiscal Oversight Task Force report was presented to the Board in late July last year, and the Board opened the report to comments in the Federal Register notice on August 30th of 2011.
>
> The Board published the report in the Federal Register last August, sought public comment on the report and the task force's recommendations. Comments were submitted by the ABA, the NLADA, LSC union, current LSC staff members by a former LSC staff member. The comments,

summaries of the comments, and a summary of the reaction of Task Force Members were posted on the LSC website.

We held a public hearing on December 12 to take testimony. We very much appreciate the thoughtful input we have received. As you know, Robert and Vic served as co-chairs of the task force. Father Pius and I participated in the task force as members.

Chairman Levi read into the record the names of the Fiscal Oversight Task Force members, as follows.

- Chris Campbell, Senior Vice President, General Counsel, Secretary and Chief Franchise Policy Officer for Yum! Brands;
- Jane Curran, Executive Director of the Florida Bar Association and a leading expert on IOLTA;
- Christine DeVita, who served as President of the Wallace Foundation and is an expert on innovative philanthropic practices;
- Terry Fraser, CPA, of LarsonAllen and advisor to more than 100 nonprofits across the country;
- Robert Henley, former managing partner of Ernst & Young's Central Virginia practice, and who possesses long experience in assessing internal controls with auditing and report on internal controls;
- David Hoffman, former Inspector General of the City of Chicago, former federal prosecutor, and currently a partner at Sidley Austin;
- Alan Jenkins, Executive Director of The Opportunity Agenda, who possesses an extensive background in grant-making;
- Ron Shaich, co-founder of the Panera Bread Company, and who has served for more than 25 years as the Chief Executive Officer of major companies with franchise operations;
- Paul Snyder, a widely recognized expert on internal financial controls who serves on a host of audit committees for public companies, and who is a retired Midwest Area managing partner at KPMG;
- Allan Tanenbaum, General Counsel, managing partner of Equicorp Partners, and who has deep experience in corporate governance;
- Nikki Tinsley, former Inspector General at the EPA who oversaw complex nationwide audits, and who is largely regarded as one of the deans of the Inspector General profession;

- Doug Varley, a lawyer with Caplin & Drysdale who administered grant-making programs at the National Endowment for the Humanities; and
- Michele Warman, General Counsel and Secretary of the Andrew Melon Foundation.

Chairman Levi also thanked Baker Tilly and Office of Legal Affairs for supporting the Fiscal Oversight Task Force. President Sandman then gave his views on the recommendations made by the Task Force.

MOTION

Ms. Reiskin moved adoption of recommendations made by the Fiscal Oversight Task Force. Dean Minow seconded the motion.

VOTE

The motion passed by a voice vote and the recommendations of the task force were adopted.

MOTION

Father Pius moved approval of resolution thanking the Fiscal Oversight Task Force members for their service. Ms. Reiskin seconded the motion.

VOTE

The motion passed by a voice vote.

An interim report on activities of the Pro Bono Task Force was given by Mr. Korrell, Dean Minow and Chairman Levi. Mr. Grey gave the report of the Finance Committee and offered the following motions.

MOTION

Mr. Grey moved the Board's approval of a revised Consolidated Operating Budget for Fiscal Year 2011.

VOTE

The motion passed by a voice vote.

MOTION

Mr. Grey moved the Board's approval of a Consolidated Operating Budget for Fiscal Year 2012.

VOTE

The motion passed by a voice vote.

MOTION

Mr. Grey moved the Board's adoption of a resolution that assists staff in the selection of accounts and deposits for LSC funds. Ms. Browne seconded the motion.

VOTE

The motion passed by a voice vote.

Ms. Mikva gave the report of the Promotion and Provision for the Delivery of Legal Services Committee, and she was followed by Mr. Keckler who presented the report of the Operations and Regulations Committee and made the following motion.

MOTION

Mr. Keckler moved that the Board approve publication in the Federal Register of a Notice of Proposed Rulemaking on lesser sanctions authority for the Corporation. Father Pius seconded the motion.

VOTE

The motion passed by a voice vote, with Ms. Reiskin and Ms. Mikva voting "No" and Professor Valencia-Weber abstaining.

Dean Minow gave the report of the Governance and Performance Review Committee, and Chairman Levi gave the report of the Institutional Advancement Committee.

MOTION

Ms. Reiskin moved that the Board adopt a resolution expressing appreciation to Alice Dickerson, former Director of the Office of Human Resources, for her service to the Corporation. Father Pius seconded the motion.

VOTE

The motion passed by a voice vote and the resolution was adopted.

MOTION

Dean Minow moved the Board's adoption of a resolution expressing appreciation to John Constance for his service as Director of the Office of Government Relations and Public Affairs. Father Pius seconded the motion.

VOTE

The motion passed by a voice vote and the resolution was adopted.

Public comments were offered by Don Saunders of the National Legal Aid and Defenders Association and Justice Earl Johnson of the American Bar Association Standing Committee on Legal Aid and Indigent Defendants.

The Board next considered and acted on the request of the Corporation's Treasurer & Comptroller, David Richardson, to receive compensation for services from a source other than the Corporation.

MOTION

Father Pius recommended the Board's adoption of the resolution authorizing the Treasurer & Comptroller to receive compensation from a source other than the Corporation with the proviso that the resolution be amended to change the language from "the Board and President have in informed" to "have been informed." Ms. Reiskin seconded the motion.

VOTE

The motion passed by a voice vote and the resolution was adopted as amended.

Chairman Levi made the following motion after determining that there was no further business to come before the Board.

MOTION

Chairman Levi moved that the meeting close for executive session and Dean Minow seconded the motion.

VOTE

The motion passed by a voice vote and the meeting was closed for executive session at 11:52 a.m.

Resolution Regarding New Ethics Officer

RESOLUTION
REGARDING
NEW ETHICS OFFICER DESIGNATION

WHEREAS, by Resolution # 2008-017, the Legal Services Corporation ("LSC" or "Corporation") Board of Directors ("Board") designated John Meyer, Director of LSC's Office of Information Management, to serve as Ethics Officer for the Corporation, but not for the OIG; and

WHEREAS, the Board has determined to designate a new Ethics Officer for the Corporation, but not for the OIG;

NOW, THEREFORE, BE IT RESOLVED THAT, effective immediately, Richard Sloane, Chief of Staff and Special Assistant to the President, shall serve as Ethics Officer for the Corporation, but not for the OIG, in substitution for Mr. Meyer; and

BE IT FURTHER RESOLVED that the Board expresses its appreciation to Mr. Meyer for his service as Ethics Officer.

Adopted by the Board of Directors
On April 16, 2012

_____
John G. Levi
Chairman

_____
Victor M. Fortuno
General Counsel & Corporate Secretary