

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

MEETING OF THE  
AUDIT COMMITTEE

OPEN SESSION

Sunday, October 4, 2015

2:30 p.m.

Hyatt Regency San Francisco  
5 Embarcadero Center  
San Francisco, California 94111

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairperson  
Harry J.F. Korrell, III  
Gloria Valencia-Weber  
Paul L. Snyder (Non-Director Member, by telephone)  
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Robert J. Grey Jr.  
Charles N.W. Keckler  
Laurie Mikva  
Martha L. Minow  
Father Pius Pietrzyk, O.P.  
Julie A. Reiskin

## STAFF AND PUBLIC PRESENT:

James J. Sandman, President  
 Ronald S. Flagg, Vice President for Legal Affairs,  
     General Counsel, and Corporate Secretary  
 Lynn Jennings, Vice President for Grants Management  
 Rebecca Fertig Cohen, Chief of Staff  
 Mayealie Adams, Special Assistant to the President for  
     the Board  
 David L. Richardson, Comptroller and Treasurer,  
     Office of Financial and Administrative Services  
 Wendy Rhein, Chief Development Officer  
 Carol A. Bergman, Director, Office of Government  
     Relations and Public Affairs  
 Lora M. Rath, Director, Office of Compliance  
     and Enforcement  
 Janet LaBella, Director, Office of Program  
     Performance  
 Jeffrey E. Schanz, Inspector General  
 Laurie Tarantowicz, Assistant Inspector General and  
     Legal Counsel, Office of the Inspector General  
 John Seeba, Assistant Inspector General for Audit,  
     Office of the Inspector General  
 Daniel O'Rourke, Assistant Inspector General for  
     Investigations, Office of the Inspector General  
 David Maddox, Assistant Inspector General for  
     Management and Evaluation, Office of the  
     Inspector General  
 Jeffrey E. Schanz, Inspector General  
 Laurie Tarantowicz, Assistant Inspector General and  
     Legal Counsel, Office of the Inspector General  
 John Seeba, Assistant Inspector General for Audit,  
     Office of the Inspector General  
 Daniel O'Rourke, Assistant Inspector General for  
     Investigations, Office of the Inspector General  
 David Maddox, Assistant Inspector General for  
     Management and Evaluation, Office of the  
     Inspector General  
 Herbert S. Garten, Non-Director Member, Institutional  
     Advancement Committee  
 Allan J. Tanenbaum, Non-Director Member, Finance  
     Committee  
  
 Don Saunders, National Legal Aid and Defenders  
     Association (NLADA)  
 Robin C. Murphy, National Legal Aid and Defender  
     Association (NLADA)

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1 P R O C E E D I N G S

2 (2:30 p.m.)

3 CHAIRMAN MADDOX: I will call the meeting of  
4 the LSC Audit Committee to order. And I notice that we  
5 have a quorum present, and I will ask if David Hoffman  
6 or Paul Snyder are on the phone with us.

7 MR. SNYDER: This is Paul Snyder. I'm on the  
8 phone.

9 CHAIRMAN MADDOX: Welcome. Greetings.

10 MR. SNYDER: Thank you.

11 MR. LEVI: Somebody may need to email David.

12 CHAIRMAN MADDOX: Are we starting early?

13 MR. LEVI: No, but it's --

14 CHAIRMAN MADDOX: Well, I guess we can start  
15 without him. I'm sure he'll join us if he can.

16 So the first item is the approval of our  
17 agenda. Is there a motion?

18 M O T I O N

19 MR. KORRELL: So moved.

20 CHAIRMAN MADDOX: And a second?

21 PROFESSOR VALENCIA-WEBER: Second.

22 CHAIRMAN MADDOX: All in favor?

1 (A chorus of ayes.)

2 CHAIRMAN MADDOX: Opposed, no?

3 (No response.)

4 CHAIRMAN MADDOX: So the agenda is approved.

5 Item number 2 is the approval of our minutes  
6 from our July 16, 2015 meeting. Is there a motion?

7 M O T I O N

8 PROFESSOR VALENCIA-WEBER: I move the  
9 approval.

10 CHAIRMAN MADDOX: And a second?

11 MR. KORRELL: Second.

12 CHAIRMAN MADDOX: All in favor?

13 (A chorus of ayes.)

14 CHAIRMAN MADDOX: And the approval of the  
15 minutes is agreed to.

16 So that brings us to our first substantive  
17 item of business. Did David just join us?

18 (No response.)

19 CHAIRMAN MADDOX: No. Item number 3 on our  
20 agenda is the Committee's review of its charter  
21 responsibilities and development of our work plan. We  
22 had discussed this at our last meeting, and I had

1 thought that it would be a good idea for the Committee  
2 to have some sort of formalized mechanism by which we  
3 could satisfy ourselves and the Board that we had,  
4 through the course of a year, actually accomplished at  
5 least those duties that we are required to accomplish.

6 I had proposed a while back an email in which  
7 I had outlined the various tasks under Section 8 of our  
8 charter, which we adopted a few years ago. I think,  
9 Paul, you have recently improved on that with your  
10 spreadsheet, which I very much appreciate. Has  
11 everybody on the Committee seen Paul's spreadsheet?  
12 Okay.

13 I've looked at it myself. I just saw it  
14 yesterday, and it looks to me like it's a reasonable  
15 approach toward going through our charter through the  
16 course of a year.

17 Does anybody have any suggestions for changes  
18 to Paul's comment or to his spreadsheet? Or Paul, do  
19 you want to address it yourself?

20 MR. SNYDER: No. Again, first I want to  
21 apologize that I got it completed late. It was one of  
22 those things on the to-do list that kept getting

1 overridden. So my apologies for the lateness.

2 But we used it on some other committees, and I  
3 think it's just helpful, as you say, to make sure we  
4 fulfill all of our responsibilities. There are some  
5 things, like I think on the first page, Section  
6 VIII(a)(4) and (a)(5). I think, to a certain degree we  
7 do those in every meeting with the reports that we have  
8 from both the IG and then from OCE as far as their  
9 followup.

10 I think the only one I was struggling a little  
11 bit with, Vic, was on the second page, Section  
12 VIII(c)(6). I couldn't remember the last time we did  
13 one that reviewed LSC's efforts on training to help  
14 ensure employees and grantees act ethically and  
15 safeguard, just to have a training update.

16 But other than that, it seemed like we had  
17 worked our way through these other ones. But if it's  
18 helpful, Vic, it's certainly probably somebody with  
19 some better computer skills can clean it up and make it  
20 look nicer.

21 CHAIRMAN MADDOX: Yes. I'm sure that some of  
22 the staff could do that. It wouldn't be me. But on



1     that line, Paul, I think there are a couple of items on  
2     our charter that maybe we've not actually done. I  
3     wonder if the members have any view on that.

4             For instance, in Section VIII(a)(6), which is  
5     the duty of reviewing and discussing with Management  
6     any internal audit or review activities, including its  
7     audit or review plan, its audit or review reports, and  
8     the performance of those portions of Management that  
9     perform audits or reviews, I don't know that we've ever  
10    addressed that.

11            In fact, I'm not sure. Maybe Management in  
12    the form of Jim Sandman could tell me to what extent  
13    Management actually has an internal audit plan and who  
14    might be responsible for performing such a plan.

15            PRESIDENT SANDMAN: We don't currently have a  
16    regular internal audit plan. We have dealt with things  
17    on an ad hoc basis. A couple of years ago, as I  
18    recall, in December of 2013 -- it might have been  
19    '12 -- I did ask the Inspector General to do a fraud  
20    vulnerability assessment of LSC.

21            CHAIRMAN MADDOX: I remember that, yes.

22            PRESIDENT SANDMAN: So that wasn't something

1     that Management did, but it was something that we  
2     requested. But we don't have within our Office of  
3     Financial and Administrative Services a routine  
4     internal audit function.

5             CHAIRMAN MADDUX: Yes. So I guess that raises  
6     the question, should LSC's Management have such a  
7     function? I'm not sure what the origin of this duty,  
8     this particular task in the charter, is. I think it's  
9     something that was part of the original charter that we  
10    then basically incorporated into our new charter.

11            It may be that to the extent that the  
12    Committee is involved, if Management doesn't do this,  
13    then there's nothing for us to do. But then that  
14    raises the question, should we encourage Management to  
15    do it?

16            Jim, I don't know if you perceive there to be  
17    some need to increase your oversight of that area, if  
18    that's something that we should work with OIG on on an  
19    ad hoc basis as you or others in Management see fit.  
20    I'm certainly not trying to create work for you. I  
21    just don't want to have these highfalutin sounding  
22    tasks for the Committee that we don't ever actually do.

1     So maybe you can give some thought to that and then  
2     let us know.

3             Anybody else from the Committee have any  
4     thoughts on that?  Gloria, do you?

5             PROFESSOR VALENCIA-WEBER:  I think this is  
6     something residual from that original charge.  And we  
7     may have changed the verbs on it, but again, perhaps  
8     the key language is "where appropriate."

9             CHAIRMAN MADDOX:  Right.

10            PROFESSOR VALENCIA-WEBER:  So I would defer to  
11     Jim and Management whether that's really something that  
12     they want to have scheduled, whether it would be  
13     helpful to them.  Is it just more make-work for Jim and  
14     for us?

15            CHAIRMAN MADDOX:  Yes.

16            PROFESSOR VALENCIA-WEBER:  But it's a legacy  
17     that is sort of empty.

18            CHAIRMAN MADDOX:  Right.  Well, right now it's  
19     part of our charter.  We're not going to redo the  
20     charter.  We have it on our list, and I'm going to  
21     propose to the Committee that we adopt this spreadsheet  
22     or some form of it.

1           So we have it on our list for our annual  
2 meeting in April, and I think that we can probably rely  
3 on Management to let us know if they have some internal  
4 audit review activity, such as the fraud awareness that  
5 they did some years ago. Is that fair to say, Jim?

6           PRESIDENT SANDMAN: Yes, it is.

7           CHAIRMAN MADDOX: Okay. The other item that I  
8 wondered if we'd ever done or we ought to talk about is  
9 item VII -- or, excuse me, VIII(b)(1), which is to  
10 review Management representation letters or  
11 certifications and the LSC Finance Committee  
12 chairperson's letters or certifications regarding the  
13 contents, accuracy, or completeness of financial  
14 reports, as appropriate.

15           I don't believe we've ever actually done that,  
16 and I'm not sure that we've ever had any such  
17 certifications, at least from the Finance Committee.  
18 We could probably call on the chairman of the Finance  
19 Committee to help us with that, if need be.

20           But this is probably another item that was  
21 part of our original charter that we've incorporated  
22 and brought forward. It, I guess, is part of the whole

1 budget and annual audit process, although it may be  
2 embedded in that process somehow.

3 I'm just not aware that there's some specific  
4 act that we've ever done or that we do on an ongoing  
5 basis. Could I ask Robert Grey, do you actually do  
6 certifications or letters regarding the contents,  
7 accuracy, and completeness of the financial reports?  
8 That's been part of your report to the Board.

9 MR. GREY: It's done by the Committee, but I'd  
10 defer to the Treasurer just to give us some background  
11 as to the custom and practice of the --

12 CHAIRMAN MADDUX: Right. My impression over  
13 the last five years is that that's what the Committee,  
14 your Committee, has certified or at least reported to  
15 the Board as needed about budgets and reviews and the  
16 like, and that ultimately that's been adopted by the  
17 Board. Maybe David Richardson can address that.

18 MR. LEVI: And the resolution.

19 MR. RICHARDSON: With respect to that, Jim and  
20 I sign a letter each year that we provide all the  
21 financial documents, all the relevant documents, to the  
22 auditors for review, making sure that they get all the

1 minutes and transcripts and all the financial records.

2 We've not presented that to the Finance Committee or  
3 to the Audit Committee.

4 CHAIRMAN MADDOX: Right. And the system seems  
5 to have been working pretty well. Again, we have this  
6 technical duty, I guess, in our charter. I'm not  
7 necessarily proposing that we review the charter at  
8 this point. But to some extent I'm comfortable having  
9 these things that we --

10 MR. LEVI: Well, wouldn't an easy fix to that  
11 be that you just send a copy to the two chairs when you  
12 do that? Not a copy of all the documents, just of the  
13 cover letter.

14 PRESIDENT SANDMAN: Yes. We can do that.

15 CHAIRMAN MADDOX: That's probably a good --

16 MR. LEVI: But then your resolutions that your  
17 Committee adopts ultimately are, in a sense, accuracy  
18 of the records. That's a reporting of the budgets, and  
19 you go through each of the items. Those resolutions  
20 that your committee then presents to the Board, aren't  
21 those in a sense our review of the numbers?

22 MR. RICHARDSON: Actually, they're asking for

1 something more. They're actually asking for this  
2 Management representation that we've provided all of  
3 the auditors.

4 MR. LEVI: I see.

5 MR. RICHARDSON: The check is this. If --

6 MR. SNYDER: David, Paul Snyder. As part of  
7 the year-end audit report from the external auditors,  
8 don't they provide us a copy of the Management  
9 representation letter that you and Jim sign off?

10 MR. RICHARDSON: They do not, sir.

11 MR. SNYDER: I think technically maybe that's  
12 the point going forward because there is an audit rule  
13 about sharing major communications with the audit  
14 committee, at least I know in the public companies.  
15 And that is one of the ones that gets communicated to  
16 the audit committee as part of the year-end wrap-up  
17 with the outside auditors, what management's  
18 representations have been.

19 MR. RICHARDSON: When the IG's office goes to  
20 review the audit records, the schedules we give, the  
21 correspondence, they see all of that information. But  
22 not in my tenure has anybody reported back to the Audit

1 Committee or Finance Committee on this review that the  
2 IG conducts.

3 Basically, the Board has delegated to the IG  
4 this review, and that's where it has been left.

5 CHAIRMAN MADDUX: Yes. I think that's  
6 consistent with my experience on the Board. And it  
7 works fine. It works well. I think the Board's been  
8 perfectly satisfied and well-informed by the process.

9 It might be helpful, though, as Chairman Levi  
10 suggested, or maybe Jim did, that these letters at  
11 least just get presented as a formal proposition to our  
12 Committees, Robert. If not, at some point I would want  
13 to go back and say, we're not going to have this item  
14 in our charter.

15 MR. SNYDER: Yes.

16 CHAIRMAN MADDUX: Does that make sense, Paul?

17 MR. SNYDER: No. That does make sense.

18 CHAIRMAN MADDUX: And then that way we could  
19 take advantage of the certification and at least spend  
20 ten minutes on getting the expertise of people like you  
21 to make sure we're on the straight and narrow.

22 Robert?



1           MR. GREY: Mr. Chairman, we had talked several  
2 times about specific instances where we might have a  
3 joint meeting of Audit and Finance. It seems to me  
4 that it makes an awful lot of sense for us to close out  
5 the year with a joint meeting, whatever the fiscal year  
6 is, saying to ourselves, have we really crossed the T's  
7 and dotted the I's and put the periods in the right  
8 place, and have the IG, have the Treasurer, have the  
9 President, whoever, and the Chairman, available for  
10 that discussion.

11           But usually closing out the year is a process  
12 that the left hand sort of knows what the right hand is  
13 doing. And it might be just a really -- this may solve  
14 all those problems because we're sitting there face to  
15 face sharing information.

16           CHAIRMAN MADDUX: Or at least on the phone  
17 because I suspect --

18           MR. GREY: Yes, yes, yes. Yes.

19           CHAIRMAN MADDUX: The fiscal year ends, what,  
20 September 30th?

21           MR. GREY: Yes. When I say joint meeting,  
22 face to face, I mean, that we are engaged with --

1           CHAIRMAN MADDUX: Right. I think it's a good  
2 idea, Robert. I think it's a good idea.

3           Does anybody think it's not a good idea?

4           MR. TANENBAUM: No, no.

5           CHAIRMAN MADDUX: Allan, you don't know  
6 it's --

7           MR. TANENBAUM: No, no. Something else. Just  
8 a comment.

9           CHAIRMAN MADDUX: Sure. Come on up.

10          MR. TANENBAUM: Thanks. Allan Tanenbaum, a  
11 non-Board member member of the Finance Committee. I  
12 think that you should take a look at this financial  
13 reporting requirement that states that the Finance  
14 Committee chairperson's letters or certifications  
15 regarding the contents, accuracy, or completeness of  
16 the financial reports -- I don't think that's the role  
17 of the Finance Committee.

18          The finance committee relies on management's  
19 representation letters, and then relies on or takes  
20 comfort with the auditor's comments about the  
21 completeness of them. But I've never known of a  
22 finance committee that's been asked to certify the

1 accuracy of an organization's financial statements. So  
2 I would urge you to review that at some point.

3 MR. GREY: It says "or."

4 MR. TANENBAUM: Well, it says a "letter or  
5 certification" regarding it. I don't think that the  
6 Finance Committee chairperson should send a letter  
7 commenting on the accuracy and completeness of  
8 financial statements --

9 MR. GREY: I agree. I agree.

10 MR. TANENBAUM: -- because that's Management's  
11 role.

12 CHAIRMAN MADDOX: So you're suggesting we do  
13 need to review the charter.

14 MR. TANENBAUM: Yes.

15 CHAIRMAN MADDOX: And I think that's probably  
16 a good idea.

17 MR. TANENBAUM: I would suggest it.

18 CHAIRMAN MADDOX: Yes.

19 MR. TANENBAUM: Consistent with practice in  
20 the industry --

21 CHAIRMAN MADDOX: Right.

22 MR. TANENBAUM: -- or in any industry of any

1 business.

2 CHAIRMAN MADDOX: Sure. Okay. Well, I think  
3 that we will probably -- thank you, Allan. That's very  
4 helpful. I'll suggest to the Committee that we do that  
5 in our next -- it would be an easy fix to the charter,  
6 I would think.

7 Harry?

8 MR. KORRELL: Just a reminder to the Committee  
9 and everybody else. When this Audit Committee was  
10 composed, we inherited a charter that had -- it looked  
11 like a lot of things had been appended to it without an  
12 eye towards what could be taken off and how much we  
13 were actually going to.

14 When we made our first attempt to cut it down,  
15 it took a while. It took us six or eight months, I  
16 think --

17 CHAIRMAN MADDOX: Yes, it did.

18 MR. KORRELL: -- to come to a consensus on  
19 that. And that was before we had spent a lot of time  
20 serving as the Audit Committee. Right? And I think  
21 now we've got several years under our belt, and I think  
22 it would make sense at some point, maybe soon, maybe

1   towards the end of our term, to do that again now that  
2   we know something about how the organization works.

3               CHAIRMAN MADDOX:   Yes.   That's a good idea.  
4   In fact, because we are -- and we'll probably make this  
5   change, at a minimum.   Maybe all the Committee members  
6   could take a few minutes before our next meeting.   If  
7   there's any suggestions for things you think we ought  
8   to revise or eliminate, we can work that up into  
9   another pass at it, presumably one that would be a lot  
10  easier to accomplish.

11              Gloria?

12              PROFESSOR VALENCIA-WEBER:   Another one to  
13  reconsider is VIII(c)(6), which says that we review LSC  
14  efforts, including training and education, to ensure  
15  that LSC employees and grantees act ethically and  
16  safeguard LSC funds.

17              Now, that talks about training and education.

18   And we do some of that with what we've been going  
19  through with the IG and Lora Rath.   At the same time, I  
20  wonder whether that's assuming that the Audit Committee  
21  has more ability to -- well, it says to   "help ensure."

22   I don't really know what the content of that activity

1 is supposed to mean in connection with the IG and the  
2 other compliance offices we have at LSC.

3 Training is one of the things, for instance,  
4 in the delivery of services that Julie Reiskin and I  
5 have been concerned about in terms of grantee board  
6 training. And so that's territory that's being  
7 occupied by another standing committee. So I think we  
8 want to reconsider the way that is written and what are  
9 the actions expected.

10 CHAIRMAN MADDOX: Okay. I think that's very  
11 helpful, and we can look at that and maybe get a better  
12 sense for what the Committee's role would be in  
13 reviewing those efforts.

14 MR. SNYDER: Vic, I think that one -- I may be  
15 wrong, but I think that came out of the Task Force  
16 recommendation on recommendations for training from an  
17 ethics standpoint and training both at the LSC level  
18 and at the grantees. But we ought to go back and look  
19 at it.

20 CHAIRMAN MADDOX: That's probably right, Paul.  
21 So we can do that. I think that'll be helpful. I  
22 don't want to spend too much time on the charter today

1     because I do want to keep us on schedule. But I think  
2     this is a good discussion.

3                 Is there any disagreement on the Committee  
4     with the way we've outlined the various tasks for  
5     addressing over the course of the year? I think it  
6     makes sense, and if there's no objection, then we'll  
7     adopt this as some sort of Committee protocol after we  
8     get it put into a better format.

9                 Okay. Let's move on now to item number 4,  
10    which is a briefing by the Office of Inspector General.

11    And I recognize Jeff Schanz and John Seeba. Welcome.

12                MR. SCHANZ: Thank you, Mr. Chairman. As you  
13    mentioned, I do have with me John Seeba, the Assistant  
14    Inspector General for Audit, who knows what I don't  
15    about audit, which might be quite a bit since I've been  
16    out of the business for a little while.

17                But I do want to advise you that the IG has  
18    been very busy not only with Audit Committee activities  
19    or audit activities that we usually do, our high level  
20    of production, et cetera, we're getting ready for the  
21    annual entrance conference.

22                We've had the entrance conference for the

1 annual audit of the LSC Corporation by the internal  
2 auditors, and John will talk a little bit more about  
3 that. His office heads that up. We have a contract  
4 with the same vendor that we used in the years past. I  
5 think this is the second year of the contract.

6 I have been -- and I'll talk about this a  
7 little bit later to the entire Board; I know you're all  
8 in front of me, but that seems to be a falsehood  
9 because I have presentations for the entire Board of  
10 Directors also. And I will talk about many of the  
11 congressionals that we've been doing.

12 It is an election year coming up, and there's  
13 been a sidebar reference to it as far as records  
14 management. And that affects even the little backwater  
15 IGs in Georgetown. So we've been doing quite a bit of  
16 work as it relates to FOIA, as it relates to records  
17 retention, as it relates to just about  
18 everything -- our empowerment, our authorities, our  
19 subpoena authorities. And I'll get into that in a  
20 little more detail and turn it over to John about the  
21 annual audit.

22 MR. SEEBBA: Good afternoon.



1                   CHAIRMAN MADDUX: Before you get started,  
2 John, Paul, can you put your phone on mute if you  
3 haven't?

4                   MR. SNYDER: Vic, I do have my phone on mute.  
5 I'm not sure what that noise is coming from. I  
6 thought it was from your end.

7                   CHAIRMAN MADDUX: Okay. Thanks. Sorry.  
8 All right, John. I'm sorry.

9                   MR. SEEBBA: Good afternoon. I just want to  
10 give you an update on the financial statement audit for  
11 this year. On September 24th, we met telephonically  
12 with WithumSmith+Brown, the Management of LSC as well  
13 as OIG people that are involved with that. We  
14 basically agreed on the same process and timelines  
15 relative to last year, which apparently worked  
16 extremely well. We had very few problems last year.

17                   So it kicked off on September 24th.  
18 WithumSmith+Brown is going to start their work in early  
19 November, which will then culminate in an exit briefing  
20 the middle of December or so, where they'll finish up  
21 all their work in a draft report that will be issued  
22 December 18th.

1                   And then a final report will be issued around  
2   January 12th with the management letter and basically  
3   come into completion then. And then they'll before at  
4   the next Board meeting as well. So basically, we hope  
5   it works as well as last year, and I think it's  
6   starting off on a good foot right now.

7                   CHAIRMAN MADDUX: Excellent. Anything else,  
8   Jeff?

9                   MR. SCHANZ: No, Mr. Chairman. That wraps up  
10   my presentation for the Audit Committee. Thank you  
11   very much.

12                  CHAIRMAN MADDUX: Thank you. We're making  
13   great progress here. I think we're going to bank some  
14   time, actually.

15                  MR. LEVI: That's great. That's very  
16   impressive.

17                  CHAIRMAN MADDUX: Yes. The next item on our  
18   agenda --

19                  MR. LEVI: We can have another technical  
20   interruption.

21                  CHAIRMAN MADDUX: Yes. The next item on our  
22   agenda is the Management update regarding our risk

1 management matrix. And I recognize Ron Flagg, Vice  
2 President of Legal Affairs.

3 MR. FLAGG: Thank you. The matrix appears on  
4 page 97 of your Board books. It's largely  
5 self-explanatory, but there were a number of requests  
6 at the last meeting for reports and updates. And I  
7 just wanted to tell you how we were responding to those  
8 requests in relation to this document.

9 Martha at the Governance and Performance  
10 Committee asked for an update on where we stand with  
11 Board transitions, and at tomorrow's meeting, we will  
12 provide that briefing.

13 On the second page of this -- rather, on the  
14 third page of this document, Charles had asked on  
15 behalf of the Ops and Regs Committee for an update on  
16 our information management work. And that's a timely  
17 question because we have a number of initiatives in  
18 that area.

19 One is our data portal, which has just been  
20 rolled out in the last several months. And the other  
21 is, we're in the process of hiring a new Director of  
22 our Office of Data Governance and Analysis, and our

1 thought on this topic would be to show you the data  
2 portal and demonstrate how it works. And we thought  
3 perhaps the April meeting would be a good time for  
4 that.

5 PRESIDENT SANDMAN: Actually, Peter Campbell  
6 will be presenting on that on Tuesday at the Board  
7 meeting.

8 MR. FLAGG: Okay. So we can amend this, at  
9 least in part, to be 10/15, October of 2015.

10 Acquisitions management: I reported briefly  
11 on several occasions that we have completely revised  
12 our acquisitions management internal procedures. Those  
13 procedures were finalized in the last month and  
14 published internally in our administrative manual.

15 I want to highlight the fact that we worked  
16 very closely with the Inspector General, or we got  
17 quite a few very constructive suggestions in the course  
18 of that work.

19 One of the features of the new system is that  
20 we have an electronic tool that's still in development  
21 which will be used really both to guide the procurement  
22 system -- that is, you won't be able to go forward with

1 a procurement without satisfying certain steps, and  
2 there will be an electronic tool that will guide you to  
3 the next step and won't permit you to go to the  
4 following step until you have documented that you've  
5 finished one step.

6           Again, I think it would be helpful and  
7 illuminating for the Committee to see that in action.  
8 And my hope is to have it either at the January meeting  
9 in South Carolina or back in Washington in April.

10           Again, the new protocols are in place, but I  
11 think actually seeing this tool in action will be of  
12 interest. So I'd like to wait for our report on the  
13 protocols until we have the tool finalized.

14           On page 4, just make a note that obviously the  
15 Committee and the Board are well aware of that because  
16 the Board approved a new conflict of interest policy  
17 about 18 months ago. And we are currently in the  
18 process of doing comprehensive training for all staff  
19 on conflicts of interest. And our whistleblower policy  
20 that the Board revised about a year ago. And these are  
21 mandatory trainings that are being done by our staff,  
22 my staff, and I think is helpful in terms of risk

1 management.

2 Then finally, on page 8, and this may have  
3 been another request from Charles, there was a request  
4 that we address the accuracy of grantee data issue.  
5 And we would like our new, yet to be named Director of  
6 the Office of Data Governance and Analysis to make a  
7 presentation on that topic.

8 Given the fact that that person is not yet in  
9 place, we thought that April of next year is a good  
10 target. That will give you an opportunity to meet that  
11 person and for them to address directly what is  
12 obviously a very important aspect of our work and that  
13 new office's work.

14 With that, I am happy to answer any questions.

15 CHAIRMAN MADDUX: Thank you, Ron.

16 Any questions for Ron Flagg on that?

17 (No response.)

18 CHAIRMAN MADDUX: If not, we will move on to  
19 our next item, which is the briefing about the followup  
20 by the OCE from referrals by the OIG regarding audit  
21 reports and annual IP audits of grantees.

22 Welcome, Lora Rath.

1           MS. RATH: Thank you, Mr. Chairman, and I am  
2 very happy to be here to update you on OCE's progress  
3 in addressing referrals, as the chairman said, from the  
4 audit division of the Inspector General and from the  
5 IPA referrals.

6           In your briefing materials, there is a cover  
7 memo dated September 15th which explains our activities  
8 in the last quarter. Also, Becky handed out the chart  
9 that goes with that memo. It didn't make it into the  
10 Board book. It has been uploaded into the online  
11 version and is now called page 116a. But it's also  
12 been given to you in hard copy.

13           So as you'll see, we were fairly busy this  
14 quarter. We had three referrals open at the beginning  
15 of the quarter, and we want able to close two of them.  
16 The first one was Legal Services of New York City,  
17 which was a referral regarding the proper allocation of  
18 derivative income.

19           The OIG had referred approximately \$200,000 to  
20 LSC Management as being improperly allocated. After  
21 recalculating the numbers, we at OCE and LSNYC agreed  
22 that the amount was closer to \$285,000. They also

1   agreed to go back and look at what they had done in  
2   2014.

3               So just a couple weeks ago, the program  
4   provided OCE with documentation that they have  
5   reallocated approximately \$409,000 back to their LSC  
6   funding lines. We're very happy about that. So we  
7   consider that to be closed.

8               We also closed out the referral regarding  
9   Northeast New Jersey Legal Services. Again, that was  
10   an issue with the proper allocation of derivative  
11   income. It included several different sources, not  
12   just attorneys' fees, some rental income and other  
13   issues.

14              The program, through informal negotiations,  
15   agreed with that amount and provided evidence in late  
16   July. I think I updated the Committee verbally that  
17   they had provided evidence that they had transferred  
18   \$72,000 and change from their non-LSC funds to their  
19   LSC funding line. So that is also closed.

20              The one remaining referral is Legal Aid of  
21   West Virginia. We have a proposal as to what we're  
22   doing. The Vice President of Grants Management has



1   agreed with our proposal as how to go forward. I don't  
2   want to say because it hasn't been shared with the  
3   program yet. But hopefully, that will be moving  
4   forward and will be resolved soon.

5           One thing I did want to note, that the New  
6   York City referral took us approximately -- or not  
7   approximately, but 328 days to resolve. It's a little  
8   outside of our 270 days that we are now using as our  
9   goal, but close. We're getting better. And the  
10  Northeast New Jersey only took 105 days, so that we  
11  really did well on.

12           CHAIRMAN MADDOX: Lora, what explains the  
13  difference in those two? That's a factor of three  
14  times. Is one more complex than the other? Was one  
15  grantee more cooperative than the other?

16           MS. RATH: Both grantees were cooperative.  
17  The reason New York City took a little longer is that  
18  we went back and recalculated because it was attorneys'  
19  fees and it had involved probably 30 to 40 cases.

20           So we asked them to provide the actual hours  
21  and how they allocated it. Then we reallocated it. I  
22  met with the OIG to make sure that OCE had calculated

1 it correctly when we increased the number. So there  
2 was a little bit more back and forth.

3 Then, while both programs agreed that they  
4 were going to make the changes, it just took New York a  
5 little longer to get us the documentation. They agreed  
6 with us all along, but they were waiting for their  
7 auditors to come in and help them do it.

8 CHAIRMAN MADDOX: Okay. Julie?

9 MS. REISKIN: Do you think you're going to be  
10 seeing more of these attorneys' fees things? Because  
11 since they've been allowed to have attorneys' fees, I'm  
12 thinking that they're just -- I know with cases like  
13 Social Security, the timeline would be they would be  
14 starting to come in over the past year.

15 I'm wondering if it's just because it's new,  
16 if we're going to be seeing more, and if there's  
17 something we could do so that they could do it right  
18 the first time.

19 MS. RATH: I think you're exactly right. I  
20 think that's what the reason is. We mentioned it in  
21 the compliance advisory that was issued in August. I  
22 am making a presentation at the NLADA conference in

1 November, so it will be discussed there as well.

2 We'll see. We're looking at it when we're  
3 onsite and doing technical assistance immediately  
4 onsite, and if more needs to be done, we'll figure that  
5 out.

6 Any questions about the memo or the -- yes,  
7 Martha?

8 DEAN MINOW: Good job in closing out those two  
9 and almost the third. Just a question about when  
10 there's a reallocation. If you're not in the same  
11 budget year any more, what happens?

12 MS. RATH: They have to note it in the  
13 financial statement. So there's a separate notation at  
14 the bottom that it referred to a different fiscal year.  
15 Anything else?

16 (No response.)

17 MS. RATH: Then the next chart in the open  
18 session starts on page 117, and it's the status of the  
19 A-50 referrals out of the independent public auditor  
20 reports. You can see that we still have referrals  
21 related to seven grantees.

22 Unfortunately, these five out of the seven are

1 referrals regarding programs that we know have  
2 difficulties, which is why we're leaving them open.  
3 We're providing technical assistance to each of these  
4 programs.

5 AppalReD, both OPP and OCE are in touch with  
6 them very frequently. We just did in OCE a specific  
7 fiscal technical assistance review the last week of  
8 August/first week in September. We are also working  
9 with DNA, Inland Counties, Central Virginia, and Dakota  
10 Plains, all problem programs or programs facing  
11 difficulties.

12 The referrals for Legal Services Alabama and  
13 Rhode Island have been closed in the previous quarter,  
14 so they will drop from the list next reporting. But  
15 these five, we don't want to close anything out until  
16 we know we have helped the program to cure the  
17 deficiencies.

18 Any questions about the chart?

19 CHAIRMAN MADDUX: Gloria?

20 PROFESSOR VALENCIA-WEBER: I appreciate the  
21 thoroughness of what information we've been getting  
22 from you. It's much easier to get a feel for, first,

1    where are the programs that are struggling, and what  
2    kind of assistance they're getting from us.

3                If you could summarize for me, for instance,  
4    on Central Virginia Legal Services, where you have  
5    status of referral, that they're being asked to move on  
6    certain areas. And it says that there will be training  
7    provided to fiscal and executive staff as well as board  
8    finance and audit committee members.

9                Can you just briefly tell me what kind of  
10   training it is? Are you sending people there? Are you  
11   having them do webinars? Are you prescribing  
12   particular kinds of a new, for instance, finance and  
13   auditing process?

14               I just want to get an idea what is the content  
15   when you say that they are getting thing, besides  
16   having been alerted about specific areas to be  
17   remedied.

18               MS. RATH: With Central Virginia, there's two  
19   major ways that we're dealing with Central Virginia.  
20   They've had several special grant conditions imposed on  
21   their funding for the last several years, which  
22   requires the submission of documentation that is then

1 reviewed for sufficiency. And if not, technical  
2 assistance is provided via letter and phone call as to  
3 what is wrong with it.

4           We've also gone -- it's probably coming  
5 up -- almost a year ago, we provided onsite technical  
6 assistance. We sent a team down there that did a  
7 fiscal review as well as a regulatory compliance review  
8 and provided hands-on technical assistance.

9           One thing with Central Virginia. You may  
10 remember for a couple years they weren't able to get  
11 their audited financial statements in in a timely  
12 basis. This year they did get them in in a timely  
13 basis, and they looked much better than they had  
14 previously even though, honestly, they didn't look so  
15 bad other than the timing in the past.

16           So we'll be looking to see what they submit  
17 this year to see whether we need to go back and provide  
18 more hands-on assistance. I'm assuming they're in  
19 competition again this year. The fiscal staff is  
20 reviewing their fiscal application, and will be  
21 recommending whether special grant conditions are  
22 continued or whether new special grant conditions are

1 imposed upon them for their 2016 funding.

2 CHAIRMAN MADDOX: Good question, Gloria. And  
3 thank you for that, Lora.

4 Any other questions? Anything else on that,  
5 Lora?

6 MS. RATH: No. That's it for me.

7 CHAIRMAN MADDOX: John, do you have anything  
8 to add?

9 MR. SEEBA: No.

10 CHAIRMAN MADDOX: Okay. Well, then, thank you  
11 all very much for that presentation.

12 That brings us to the next item on our agenda,  
13 which is public comment. Is there any public comment  
14 on the Audit Committee proceedings?

15 (No response.)

16 CHAIRMAN MADDOX: Going once, going twice,  
17 sold.

18 So then is there a motion to go into closed  
19 session?

20 M O T I O N

21 MR. KORRELL: So move.

22 CHAIRMAN MADDOX: Second?

1           PROFESSOR VALENCIA-WEBER:   Second.

2           CHAIRMAN MADDOX:   Second.   All in favor?

3           (A chorus of ayes.)

4           CHAIRMAN MADDOX:   All right.   So the Committee  
5 will now go into its closed session.

6           (Whereupon, at 3:13 p.m., the Committee was  
7 adjourned to Closed Session.)

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