

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
BOARD OF DIRECTORS

OPEN SESSION

Saturday, April 26, 2008

1:30 p.m.

The Marriott Hotel
3233 Northwest Expressway
Oklahoma City, Oklahoma

BOARD MEMBERS PRESENT:

Frank B. Strickland, Chairman
Lillian R. BeVier, Vice Chairman
Thomas A. Fuentes (by telephone)
Sarah M. Singleton
Herbert S. Garten
David Hall
Michael D. McKay
Thomas R. Meites
Jonann C. Chiles
Bernice Phillips
Helaine M. Barnett, ex officio

STAFF AND PUBLIC PRESENT:

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

David L. Richardson, Treasurer and Comptroller

Patricia D. Batie, Manager of Board Operations

Mattie Cohan, Senior Assistant General Counsel

Charles Jeffress, Chief Administrative Officer

Karen Sarjeant, Vice President for Programs and
Compliance

John Constance, Director, Office of Government
Relations and Public Affairs

Jeffrey Schanz, Inspector General

Ronald "Dutch" Merryman, Assistant IG for Audits

Joel Gallay, Special Assistant to the Inspector General

David Maddox, Assistant Inspector General for
Management and Evaluation

Linda Perle, Center for Law & Social Policy (CLASP)

Don Saunders, National Legal Aid and Defenders
Association (NLADA)

Gary A. Taylor, Executive Director, Legal Aid Services
of Oklahoma

David Ponder, Eagle Strategies

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OPEN SESSION

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- a. Develop a plan for providing a regular training program for Board members that includes providing updates on changes in LSC's operating environment and relevant governance and accountability practices
 - b. Implement a periodic self-assessment of the Board's, the committees', and each individual member's performance for purposes of evaluating whether improvements can be made to the Board's structure and processes
 - c. Develop and implement procedures to periodically evaluate key management processes, I couldn't, at a minimum, processes for risk assessment and mitigation, internal control, and financial reporting
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P R O C E E D I N G S

(1:30 p.m.)

CHAIRMAN STRICKLAND: Let me call to order the meeting of the Legal Services Corporation board of directors of April 26, 2008, called pursuant to notice published in the Federal Register.

The first item on the agenda is the approval of the agenda. Is there a motion to approve the agenda?

MS. BeVIER: Mr. Chairman?

CHAIRMAN STRICKLAND: Yes?

MS. BeVIER: I have a motion to make with respect to the agenda.

CHAIRMAN STRICKLAND: Go right ahead.

M O T I O N

MS. BeVIER: I move that we advance item 14 on the agenda and take that report of the board's 2008 ad hoc committee and move it to item 6.

CHAIRMAN STRICKLAND: Immediately before item 6?

MS. BeVIER: Yes.

CHAIRMAN STRICKLAND: All right. With that amendment to the agenda, is there a motion to adopt the agenda as amended?

M O T I O N

MS. BeVIER: So moved.

CHAIRMAN STRICKLAND: All right. Second?

MS. CHILES: Second.

CHAIRMAN STRICKLAND: Any discussion?

(No response.)

CHAIRMAN STRICKLAND: All those in favor, please
say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Any opposed?

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and the
agenda is adopted as amended.

Let's see if we can approve these minutes
collectively. These minutes, I believe, are in your
materials. If you had a chance to review those, I would
entertain a motion then to approve items 2, 3, and 4, which
for the record are the minutes of the board's open session
meeting of January 26, 2008; a telephonic meeting of February
20, 2008; and the board's open session telephonic meeting of
March 24, 2008.

Is there such a motion?

MS. SINGLETON: So moved.

CHAIRMAN STRICKLAND: Is there a second?

MS. CHILES: Second.

CHAIRMAN STRICKLAND: Any discussion?

(No response.)

CHAIRMAN STRICKLAND: All those in favor, please
say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and the
minutes are approved.

MS. BeVIER: Mr. Chairman, can we just stop a
minute and find out if mutual fund is on the line?

CHAIRMAN STRICKLAND: Oh, I'm sorry.

MS. BeVIER: Tom?

CHAIRMAN STRICKLAND: Do we need to call?

Let's take up item 5 on the agenda -- I'm sorry.
Did Tom answer?

MS. SINGLETON: No. She'S going to call him.

CHAIRMAN STRICKLAND: Okay. We'll take up item 5
on the agenda, which we intended to take up at our January

meeting. And we normally do that in connection with the reelection of the chairman and vice chairman. But we also do on an annual basis a delegation to the chairman of authority to assign directors to committees and appoint those chairpersons of the committees.

I would entertain a motion to adopt that item.

M O T I O N

MS. SINGLETON: So move.

CHAIRMAN STRICKLAND: Is there a second?

MR. HALL: Second.

CHAIRMAN STRICKLAND: Any discussion?

(No response.)

CHAIRMAN STRICKLAND: All those in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it.

Now let's move to item 14, which appears at a new place on the agenda. And that's to consider and act on the report of the Board's 2008 ad hoc liaison. So I would ask Sarah Singleton to take the lead on that, please.

MS. SINGLETON: Thank you, Mr. Chairman. Could I ask if Charles and Karen and Jeff would come up to help me out?

Mr. Chairman, you will recollect that the ad hoc committee was appointed to be a way for the board to work with management and the Office of the Inspector General to respond primarily to the second GAO report. However, we were also given the assignment of deleting with the audit committee recommendation of GAO-1. That's been taken care of now; I don't intend to address that any further.

So what the committee has been focusing on and will continue to focus on is the response to GAO-2. That report deals primarily with LSC's responsibility vis-à-vis fiscal oversight of our grantees. And the history of fiscal oversight by LSC of the grantees is a checkered one, I think you could say, or that's what we've learned, having looked into this history.

In the early '90s, early to mid '90s, there was a discussion by the then-powers that be that the fiscal personnel who were within OCE should be asked to leave the Corporation. Some of them -- at least one of them -- went over to the Office of the Inspector General, but the rest,

with the exception of maybe two people, were just -- are not at LSC any more. Some of them may be in Congress, but they're not at LSC any more.

And then we had the 1996 actions by Congress, particularly Section 509 of the LSC Act, which does establish some rules regarding fiscal oversight. And particularly it sets up the IPA system, not only to look at what I would call fairly straightforward or traditional financial statements of our grantees, but also to certify compliance with the regulations.

This is something of a new phenomenon. And as part of that, certain things were given to the Office of the Inspector General to oversee. Now, frankly, how much you think was given to the Office of the Inspector General may depend on whether or not you are an auditor because auditors read that language in a way that is different than other people.

But however you read the language, it's clear that LSC, as an organization, has an obligation to perform fiscal oversight of our grantees. And what I believe is the bottom line of the GAO report was that we needed to make sure that we were doing a good job in that fiscal oversight

responsibility.

And I think you might be able to posit the position that for a while, the fiscal side of oversight was downplayed in favor of the compliance side of oversight, but that GAO is suggesting we should also be paying attention to the fiscal oversight.

As was mentioned earlier today, the GAO report is couched in the language of COSO. So part of what the ad hoc committee did is also to discuss COSO and to try to look at how we were going to respond in terms of a COSO-like review.

One of the first things that COSO talks about is looking at roles and responsibilities. And that was one of the things that we tried to undertake. We had two day-long meetings at which that topic was discussed. And in particular, in one meeting what we did was to -- and by "we," I'm talking about representatives from the Office of the Inspector General, OCE, Compliance and Enforcement, and PPE -- what is it --

(Laughter.)

MR. JEFFRESS: OPP.

MS. SINGLETON: Yes, OPP. Thanks. You know, those guys. Yes. It's even written down here, and I still blew

it.

In any event, plus the management team at LSC, and me, and Jonann. And so what we did was to go from top to bottom, from the beginning through the end of the process, everywhere where fiscal oversight might come into play.

And this dealt with things that start at the very beginning, before a program even gets a dollar, such as things like -- well, we have an accounting manual that tells people how they should be setting up their accounts. And it works its way all the way through to the end.

And I think that was probably helpful because I'm not sure that all of the participants had ever tried to lay it out like that. And I'm not sure everybody was familiar with what the other participants were doing, at least entirely. So I think that was a useful exercise.

And as a result of that, the various people who were involved in the exercise were given certain assignments.

And I'm going to ask if Charles and Karen now would tell us at least what management did in response to the idea that we should both define the roles and responsibilities, and we should also look to ways of improving our fiscal oversight at each step along the chain. Charles?

MR. JEFFRESS: Thank you. Charles Jeffress, chief administrative officer.

In following the first of the meetings that Sarah facilitated -- kind of a strong-arm facilitation, but facilitated at our offices -- a subcommittee was asked to meet to talk about the roles and responsibilities of OPP, OCE, OIG, OLA. Because when GAO had come to do the review of our activities and asked for a written statement of who does what, we could tell them who did what, but we really did not have written down anywhere a clear statement of the different roles that the different offices played.

They searched our website. We searched our files. But we didn't have a clear statement to give them, and our description to them wasn't sufficient. So they recommended to the board that you all make sure that a clear definition of roles and responsibilities get adopted.

So that subcommittee included a couple folks from the IG's office. Jeff and Joel and Dutch were regulars. Tom Coogan occasionally. It included Vic and Karen and I. And we met numerous times to try to make sure that we agreed on what the roles and responsibilities were, and reduced that to writing. And we e-mailed a copy of that to you all just

before this board meeting, and I hope you received a copy of that in the e-mail, that is, the definition of roles and responsibilities.

And we tried to lay out clearly what OCE does, what OPP does, what OLA does -- the Office of Legal Affairs -- in support of the Office of Compliance and Enforcement and the Office of Program Performance. And then the Office of the IG provided -- and we kibitzed a little -- but provided a clear statement of what the OIG area of responsibilities are.

So we believe that this presents a clear statement of roles and responsibilities that the board should view, and if appropriate, endorse such that we can respond to the GAO that we now have a clear statement of roles and responsibilities.

In addition to that activity, then, and Karen really is going to talk about this, but the OCE and OPP convened a day-long meeting, or Karen convened a day-long meeting of OCE and OPP, to look at all of the procedures of those two offices, to look at their manuals; to look at the ways referrals were done; the way information was provided; and substantial work has been done to rewrite the OCE manual, to collect all of the OPP procedures memoranda that were in

various places into a manual to be clear about when referrals get made back and forth; also, and clarify and expand what OCE does during the course of the fiscal review when they go out to a program on a program visit.

In the course of that, we also have developed a list of internal control reviews that we think IPAs should do during the course of a grantee audit. That's still in draft form. We have not yet shared that with the OIG.

We need to sit down and talk with them about does this make sense, how much of an impact is this on an audit, before we come up with a final set of the kinds of internal control reviews that we think should be clearly part of the IPA audits. Since the IPAs visit every program every year, they're going to see more than we see, and we feel like they're an important cog in the clarification and review of internal controls that GAO said that we should do.

And then the final piece that we are working on is on sharing of information. There is, at least between OCE and OIG, some words on paper about when meetings will occur, what information will be shared. But we also are trying to develop a database that would have appropriate controls but appropriate access as well so that things will be linked and

information will be easier to store, to obtain, and to share.

That's an ongoing process that will take a while.

But all this was initiated following the GAO report following the meeting that Sarah convened, and continues to be ongoing work.

MS. SINGLETON: Karen, do you want to add anything?

MS. SARJEANT: Just a couple of things. We actually went beyond the recommendations from GAO and in our meeting that we had with OPP and OCE. We also invited the Office of Information Management and the Office of Legal Affairs.

And the real purpose was to identify those points in the work that we do where there needed to be improved coordination. We did that session. Then we did another large staff training session on the case service reports handbook, which again is a very important document for our oversight.

And then we had individual meetings with OCE and OPP to discuss their particular oversight because each office is -- we pulled them off doing visits for two months so that they could work on, in OPP, pulling all of the different procedures memos together into a manual.

OCE updated their manual, and they have also changed and updated their report format and process so that we can get reports out timely. We're gathering information in different ways, and there are new procedures in place for all of that with set time frames.

MS. SINGLETON: And those reports are now up to date. Is that correct?

MS. SARJEANT: Every report through 2007 is out.

MS. SINGLETON: Anything else that you want to mention?

MS. SARJEANT: Well, in the president's board report on pages 2 and 3, there is quite a long and detailed discussion of all that we have done. And additionally, we are going to be working jointly within the Corporation with the different offices to take a look at some of the issues that have come up with particular programs to try to identify where we could have coordinated better and identified issues earlier.

MS. SINGLETON: Okay. That sort of leads into another part of the GAO report, which was the specific referrals or the issues with particular programs that GAO identified. Eight of those out of the nine were referred to

the Office of the Inspector General.

Jeff, maybe you would like at this time to let us know where your office stands on those referrals, and to the extent that you can without compromising anything ongoing, let us know in general what your findings have been so far.

MR. SCHANZ: I'd be happy to. Jeff Schanz, Inspector General.

This was my greeting to becoming the IG of LSC, was the GAO report and the findings that were directed to the Corporation. I took two of them on pretty much immediately and personally, which was GAO recommendation No. 2, which was improving information sharing and coordination amongst LSC oversight organizations, and Mr. Jeffress has talked about our efforts on that behalf.

And I do want to mention for the record something that I instituted. I call it a management information memo.

I provided it to the Corporation on April 21st. It's not waiting for -- and I want the board to be familiar with this concept -- it's not waiting for the audit report to be issued and suggesting that management take certain action based on our recommendations.

But it was something that we found that ran afoul

of the LSC guidelines, specifically 1627. And I wanted to surface that to management as quickly as possible without all the elements of an audit finding. It was an issue that we found that may be systematic. So I took the opportunity, under the notion of improving information sharing and coordination, and I wanted to get that into the hands of LSC management in a very prompt manner.

So that's going to be the start of my processes of notifying management on an early warning basis that there may be some systematic issues that they could address with OPP and OCE visits. And I'm going to continue to do that as --

MS. SINGLETON: This is at a particular program, a particular grantee, you noticed this issue?

MR. SCHANZ: Correct. And it may be endemic throughout all the grantees. I don't have information yet on that. I'll plead my six weeks on the job on that. But it was something that surfaced right away, and management needed to know.

So that's something I'm doing on the recommendation No. 2, which is improving information sharing and coordination. I take that very seriously because what good is it if management doesn't know about it in a timely manner?

In answer to your direct question, yes. GAO recommendation No. 5, which we took on, the IG, following on each of the improper or potentially improper uses of grant funds that we identified. That's GAO language. We've already completed six visits, six of the eight. The Corporation reserved Nevada; you heard about that a little bit earlier. They were doing work on the Nevada grantee.

We visited Philadelphia, Washington, D.C., Laurel, Pennsylvania, Wyoming, Chicago, and Detroit. So we have sit of the eight visits that were allocated to us. We have two to complete, and will complete those in May, which is New York and California Indian. Those are scheduled. Since I'm on record, I do want to say that I believe in the concept of an audit team, so we have teams going out to each of these locations. And I'm going to continue to do that as resources allow.

Right now the grantees are not stupid, so they have been following up on the actions that have been specified in the GAO report. We've found compliance. Where there was no policy, policy now exists. Where there were issues, they've tried to mitigate those issues by issuing updated guidance and policy to their staff.

We have identified some things which validate what GAO found. They don't go much beyond what GAO found because GAO drilled down to find things. We did find improper dues payment, and that's the basis of the management information memo that I submitted. So management is aware of that, and that's something that we were concerned with --

MS. SINGLETON: Can you tell us anything more? Do you feel at liberty to tell us anything more about what kind of dues we're talking about here?

MR. SCHANZ: No. I'd like the memo to speak for itself. And I can make that available to you.

MS. SINGLETON: Okay. Thank you.

MR. SCHANZ: I do believe that we're going to send that around to the board also, but I was hoping for some sort of management feedback, if this is something that's beneficial to them as an early warning.

We have found some fund allocation procedure problems, which just means -- and we heard some discussion on that a little bit earlier -- that the funds are commingled and you can't really identify whether it's LSC money or non-LSC money. We're following up on those.

And of course, everybody's favorite subject matter,

and we heard it earlier today with the COSO, internal control processes were not in place. And if you have -- I'll get on the soapbox for a minute, but if you have a strong internal control structure, then some of the issues, the singular issues that occurred, should not have happened because there's some controls in there that would preclude spending money on alcohol or spending money on lobbying fees, some of the \$50 issues that GAO discovered.

And to management's credit, and I did have an opportunity to work with Helaine on that and I'm very appreciative of that, management sent out an advisory on salary advances and the prohibition on alcohol purchases. So I think between management's increased scrutiny of some of these areas and then the OIG's objective and independent look, we'll be well on our way to mitigating most of the GAO recommendations.

I preface that, and I say we haven't yet been to Chicago and New York, which are two pretty large programs. So based on the six that we have seen, that's what we've uncovered.

MS. SINGLETON: I thought it was California Indian and Long Island -- New York, I mean.

MR. SCHANZ: Yes. New York. Yes, I'm sorry. Did I misspeak?

MS. SINGLETON: I thought you said Chicago.

MR. SCHANZ: Oh, okay. No, we've already completed Chicago. Thank you for correcting me. I had coffee and I'm rolling here.

(Laughter.)

MR. SCHANZ: We should have, one of the things I am bringing to the IG, is timely reporting. I don't want to see reports being backlogged, which is why I instituted the MIM process. And we should be getting out each of these reports by early June on each of the eight sites that we have visited.

And in addition to that, we've got an additional workload from Congress, but I'll talk about that in the proper forum.

MS. SINGLETON: In terms of these referrals, members of the board, one thing that we want to do, and people have referred to it, is after the IG has done his investigation, we want to come back and do a kind of a lessons to be learned review of those. People have been calling it a case study.

And we want to again go back through our roles and responsibilities, our risk assessment analysis, and our communication analysis to see where something maybe could have been done better that would have either prevented this from happening, or it would have been caught sooner, or anything that we can learn out of these.

In addition, there is another program that once -- well, I guess there are two programs -- that once OCE is done looking at them, we're going to want to do the same case study with. One is Native Hawaiian program, a relatively small program in Hawaii, and another is Nevada, which is under compliance review, as you know.

So that's what we're going to do with those case studies. I think there were four things, apart from the individual programs, that had problems that GAO noted in its executive summary, at least. Roles and responsibilities: In that regard, you all had what Charles referenced, which was the roles and responsibilities statements dated April 22, 2008. This was sent to you prior to the meeting.

What I would like to suggest to the board, or the ad hoc committee wants to suggest to the board, is we have a proposed resolution, which is No. 2008-006, which basically

recognizes that this statement of roles and responsibilities has been prepared. It recognizes that it is a dynamic document, it's not a static document, but it has been done in the spirit of cooperation and information sharing between the OIG and the management of LSC, in particular OPP, OCE, and OLA.

M O T I O N

MS. SINGLETON: And I would like to ask that the board consider adopting Resolution 2008-006, which would effectively adopt as board policy the statement of roles and responsibilities, without casting it in concrete, so that it can grow. That's a motion.

CHAIRMAN STRICKLAND: That's a motion? Does each member have a copy of that motion, or resolution, I mean?

(A chorus of noes.)

MS. SINGLETON: Charles sent it out to everybody. I don't know if you brought extra or not.

MR. JEFFRESS: I have a copy.

MS. SARJEANT: I have a couple.

CHAIRMAN STRICKLAND: Maybe we could share whatever you've got there.

MS. SARJEANT: Here's another one.

MS. SINGLETON: It came with the roles and responsibilities.

CHAIRMAN STRICKLAND: Sarah, if I may ask a question about the resolution, I've got a second paper here that says draft. And it outlines -- is that a part of the resolution?

MS. SINGLETON: Well, the thing that is marked draft is what has been prepared by management and the Office of the Inspector General. And it is what is referred to in the resolution as Statement of Roles and Responsibilities.

CHAIRMAN STRICKLAND: All right. But is it or is it not an actual part of the resolution?

MS. SINGLETON: Well, I don't know technically the answer to the question. The resolution recognizes it.

CHAIRMAN STRICKLAND: Okay. I see.

MS. SINGLETON: It's not listed as an attachment to it, but it is recognized in the resolution.

CHAIRMAN STRICKLAND: Well, it does say, now that I've looked at it, "The attached joint statement describing their responsive roles and responsibilities."

MS. SINGLETON: So it is attached. I'm sorry.

CHAIRMAN STRICKLAND: That is the draft. Is that

right?

MS. SINGLETON: Yes.

CHAIRMAN STRICKLAND: The paper called draft?

MS. SINGLETON: Yes.

CHAIRMAN STRICKLAND: All right. Is there a second to Sarah's motion?

MR. GARTEN: Second.

CHAIRMAN STRICKLAND: Any discussion? Questions?

(No response.)

CHAIRMAN STRICKLAND: Hearing none, let's proceed to a vote. All those in favor of the adoption of Resolution 2008-006, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and the resolution is adopted.

MS. SINGLETON: Just to wrap on the GAO report, the other thing they noted was that there should be a better understanding of communications. And I believe that a document is being prepared or is under development that will accomplish that.

I suspect it will be in much the same form as the -- not the resolution, but the roles and responsibilities document that we just had. And whether or not we will need a board resolution, I'm not certain. But it too will be a dynamic document, not a static document.

The risk criteria for grantee review, which was also mentioned by GAO, I think a lot of that has been done in the revision or the compilation of the manuals.

MS. SARJEANT: That's correct.

MS. SINGLETON: And I think that we are still talking about some particulars that might help; for example, updating the OIG checklist for the auditors. There's some specific things we want to look at that management will bring back to the board if we determine it's a good thing.

The one thing I did want to mention, though, is we have to be somewhat careful because we cannot be having the IPAs in particular be drilling down to every \$5 that our grantee spends, or even asking them to certify that all of the internal controls that are necessary are in place, because our grantees will be spending a significant portion of their grants on their auditor instead of providing legal services to low income people.

So we have to be conscious of that because, as you mentioned, Mr. Chairman, oversight costs. And we can't allow oversight to overtake the mission. But we are trying to do the best we can, given our circumstances. Thank you.

CHAIRMAN STRICKLAND: Does that conclude your report?

MS. SINGLETON: That concludes my report.

CHAIRMAN STRICKLAND: Any questions for Sarah?

(No response.)

CHAIRMAN STRICKLAND: Any other comments from our presenters here?

MR. SCHANZ: I'd like to commend Sarah for her -- what did you call it, Charles? -- but for her leadership -- or strong arm.

(Laughter.)

MS. SINGLETON: Sarah called it being a benevolent dictator. But they may wish to leave out benevolent.

CHAIRMAN STRICKLAND: In case the record is not clear, the other members of the board's ad hoc committee are Jonann Chiles and Herb Garten. So we also commend them for their able assistance to Sarah in the work she just reported on.

MS. SINGLETON: You know, the task we assigned to Herb was to deal with the audit committee function. And you'll notice now that the audit committee is running the entire Corporation.

(Laughter.)

CHAIRMAN STRICKLAND: Well, Herb, we just won't make any more comments about that.

MR. GARTEN: Thank you.

CHAIRMAN STRICKLAND: All right. Now we'll resume the agenda with its regular numbered sequence, beginning with the chairman's report. And thanks to an early report or briefing this morning by John Constance, he's covered at least part of what I was going to say.

But I will be brief with the rest of the chairman's report and just talk to you a little bit about ABA Day on April 16 and 17 in Washington. As you may know, the American Bar Association invites lawyers from all 50 states, and maybe some territories and possessions, to come to Washington on two days in the spring to call on their responsive congressional delegations to advocate increased funding for LSC.

And this year there were approximately 400 lawyers

in attendance at ABA Day. And the process involves a briefing to those in attendance how to do a Hill visit correctly. And there was also a demonstration on how not to do it.

And after the briefing, people went out on their own and called on their respective congressional delegations.

And one of the things we said, and John, I think you mentioned this in your briefing, was that the state bars of all 50 states signed a letter supporting funding for LSC of at least 400 million, which is a little short of the budget that this board recommended, but nevertheless it indicates very broad support throughout the country for increased funding for legal services at the federal level.

Helaine and I both participated in ABA Day. I don't know that Helaine went out and made any calls because of our lobbying restriction on members of our staff.

The other thing that Helaine and I were involved in in April earlier in the month was testimony on our budget before the House Appropriations Subcommittee. And that was a cordial hearing. Chairman Alan Mollohan and Ranking Member Rodney Frelinghuysen, and together with Congressman Chaka Fattah of Philadelphia, there were numerous questions about

what the board and management -- what steps have been taken to respond to the two GAO reports. We met that head-on in our testimony, and I think I would describe it as a cordial hearing.

And that concludes the chairman's report, so let's -- one moment.

(Pause)

CHAIRMAN STRICKLAND: Something that I would ordinarily take care of at the end of our meeting right before adjournment, but I'd like to do it now because Gary Taylor's in the room. I want to thank you, Gary, and the members of your staff, and also Colline Meek, the executive director of Oklahoma Indian Legal Services, for the warm hospitality you've extended to our board and staff while we're here in Oklahoma City.

And I would invite you to come forward, if you'd care to make any comments, so that we can get it on the record.

MR. TAYLOR: Well, this was a little unexpected, but we certainly enjoyed the board's visit and were glad to offer you our hospitality, and hope we showed you the best side of Oklahoma and both programs. We're proud of the work

we have done and we hope that came through. We're proud of our staff. And hopefully you saw a little bit from both the provider side as well as the folks who receive services that gave you at least a little, although whirlwind, cross-section of what we do day in and day out.

CHAIRMAN STRICKLAND: We certainly did see that, and your enthusiasm for what you're doing was loud and clear. And same thing for the clients you're serving. They had some very interesting and compelling stories, and I think all of us enjoyed that very much. So we thank you again.

MR. TAYLOR: Certainly. Well, thank you. And the visit was very nice. I think all the staff, both the folks that worked in preparation of our offices -- and by the way, our offices are always that clean.

(Laughter.)

MR. TAYLOR: Contrary to what might be a popular perception. I'm just disappointed -- just one small thing. I understand that you did not take up our recommendation on the first night's dinner, those of the board who arrived early and LSC staff. We had recommended Cattlemen's Restaurant. I understand that Italian was chosen instead.

But Cattlemen's is the one place, by the way, that

is recognized for Oklahoma in the 1,000 places you need to see before you die. It's the only Oklahoma reference there, so that must say something. They do have some exotic meals, though, and that was what we were recommending.

But we enjoyed the visit thoroughly, and thank you very much for your visit.

CHAIRMAN STRICKLAND: We were delighted to be here.

MR. GARTEN: May I comment?

CHAIRMAN STRICKLAND: Yes, Herb.

MR. GARTEN: We'll be certain to go visit that restaurant the next time we're in town. But we did have a wonderful Italian dinner the first night.

But I wanted to make note of the fact that I was very impressed with the lawyers, judges, the attorney general, lieutenant governor, among other notables who were present last night. And this gives a very good indication how healthy your program is in this state.

They were wonderful people and very attentive to us, and really exhibited the warmth that you don't find in too many cities around this country. So thank you very much.

MR. TAYLOR: Well, thank you for those comments.

CHAIRMAN STRICKLAND: All right. Next we'll move

to members' reports. Let's start over here on the right with Herb Garten. Do you have a report?

MR. GARTEN: Yes. You neglected a very important part of the president's (sic) report, and that was that our chair was on a very prestigious panel that spoke on the first day of ABA Day in Washington. And maybe you ought to tell them a little bit about what you said, if you remember.

CHAIRMAN STRICKLAND: Well, I think what I told the group was to stay focused in your visits with your respective congressional delegations. Was there anything else notable that I'm overlooking?

(Laughter.)

MR. GARTEN: I didn't take notes.

CHAIRMAN STRICKLAND: That was the primary point I wanted to make to the group. And we were only given a certain amount of time, so people couldn't be long-winded. But that was the main point I made to those assembled.

MR. GARTEN: I've been to all 11 of them, and this is the first time I think anybody has been on the panel from Legal Services Corporation. I may be incorrect on that, but it was very impressive.

I've been to the ABA Day, and I was to this one

also, part of the Maryland delegation. And we called on our Senators in both cases. Sometimes you just run into staff, as we did with Barbara Mikulski. Her chief of staff was present. Senator Cardin spent a whole hour with our delegation.

And I thought I'd distribute to each of you -- the ABA prepares a position paper -- in this case, it's two pages -- that we give to staff or to the congressman or Senator that we're appearing before. And it's a summary of what legal services is doing. The second page is a breakdown, state by state, of the funds that are coming to each of the states from our funds.

It's very, very effective because it's short, and staff and the congressmen or Senators in each case are very pleased to receive it. I think the ABA does a great job with it.

I have a final item, and this involves Sarah Singleton. And Sarah, can I -- if you want to talk about it, then I don't have to.

MS. SINGLETON: I have no idea what you're talking about.

CHAIRMAN STRICKLAND: Herb, could you address the

microphone there so Tom Fuentes can hear us?

MR. GARTEN: Well, among the multitude of mail I get every day, a day or two before I left here was a journal from Management Information Exchange. And lo and behold, there's a picture and article about Sarah. And Sarah, did you know you're in here? And Sarah, this photo is so great, I'm going to pass it around. I'd like to have --

MS. SINGLETON: It's on the LSC website, Herb. You can get it off of there.

MR. GARTEN: The title of the article is, "A State Bar Leader's Perspective," by Sarah M. Singleton, co-chair, New Mexico Commission on Access to Justice. And I'll pass this around because I know everybody is going to want to see that photo.

MS. SINGLETON: Well, I have to tell you, I told the photographer I didn't care what he did to me as long as it ended up not looking like me. So Herb has proven that I gave the photographer the right instructions.

CHAIRMAN STRICKLAND: Anything else, Herb?

MR. GARTEN: That ends my report.

CHAIRMAN STRICKLAND: All right. Lillian, do you have a report?

MS. BeVIER: No.

CHAIRMAN STRICKLAND: Tom?

MR. MEITES: No.

CHAIRMAN STRICKLAND: Sarah, other than your photograph?

MS. SINGLETON: Yeah, other than my photograph. In part, in response to the work that our provisions committee did on pro bono and the resolutions, or maybe I should say armed with our resolution, which has been adopted by our local programs, and in part based on our Access to Justice Commission's ten-step program for pro bono, I have been traveling around New Mexico giving speeches to local bar associations encouraging lawyers to commit to doing their 50 hours of work helping out legal services programs.

And this has been a very good experience. At least I've gone mostly to our rural areas where it's not always easy to get pro bono assistance. But it's given us an opportunity to introduce the local legal aid lawyers, the main legal aid programs' pro bono coordinator to the local bar associations around the state, and we are actually getting people to sign up and agree to take a case on referral from our legal aid programs.

One rural county we have -- you may have heard of Taos, New Mexico; it's got a pretty good ski area there, but it's not a very big bar -- we got 40 lawyers to volunteer, and they each agreed to take a case at a time on a kind of rolling basis from the local LSC-funded legal aid provider.

So with a partnership between the organized bar, the Access to Justice Commission, the local judges, and the local providers, we are trying to work to turn our resolution into concrete delivery of services to low income New Mexicans.

CHAIRMAN STRICKLAND: Bernice, do you have a report?

MS. PHILLIPS: No. No, thank you.

CHAIRMAN STRICKLAND: David?

MR. HALL: Just briefly. I've been asked to serve on an ABA committee that grows out of something that happened in the provisions committee, which was this notion of having a national celebration for pro bono.

That committee is working. One of the things it's done so far is to survey law schools, the pro bono community, and law firms to get their input about what type of celebration they think would be appropriate and what form it

should take. Those surveys are not completed, and there is some preliminary discussion going on about having some type of coordinated national celebration in regards to pro bono.

The committee has not reached a point yet where it's ready to put forth a proposal. I think some input is going to be received from the broader community before something is finally proposed. But I am optimistic, at least based on the work that's been done so far, that the idea that I think Herb first put out that there be some national celebration of pro bono, working with the ABA, is something that will happen. And I am representing LSC on that committee.

That's my report.

CHAIRMAN STRICKLAND: Thank you, David.

Jonann?

MS. CHILES: I have no individual report at this time. Thank you.

CHAIRMAN STRICKLAND: Mike McKay?

MR. MCKAY: In a moment of weakness, the Legal Foundation of Washington awarded my brother John and me the 2008 Charles A. Goldmark Distinguished Service Award. And we had a luncheon on February 29th. Six hundred people

attended. The entire supreme court was there, almost our entire federal bench.

And it was a very nice event to honor my brother John primarily -- I got along on his coattails -- for our support of pro bono services. And we both gave a -- we were required to give a speech, which we're finalizing to put on their webpage. And if you go to their webpage, you'll see the speeches that go back 22 years of the different honorees. And we're finalizing that.

And so that's the first time two people have received it. And so we got up and we had two podiums side by side. We just spoke intermittently, and I spent a substantial portion of my time making fun of my brother John.

But the rest of it I did focus on something that our chairman just discussed, and that is the subject of lobbying the legislative branch.

And of course, all of us have been involved both on the Capitol Hill and in our own state legislatures. And I spent some time gently reminding everyone that we don't write off the Republican Party. And I highlighted from the executive branch here in Washington, D.C. to the state legislature in Washington state those Republicans who played

leadership roles.

And some of them were in the audience, and I was able to invite everyone's attention to them and thank them for their support because, as we all know, this is a bipartisan effort. This is not a partisan issue.

But it was well received, and it was a fun event. And as I say, it was a moment of weakness on their part to award it, but it was a real pleasure to be there and to be a recipient. That's all I have to report.

CHAIRMAN STRICKLAND: Well, I'd like to see if the staff, with your approval, would get some information about that occasion and put on the LSC Updates. Is that okay with you?

MR. MCKAY: Absolutely. Thank you.

CHAIRMAN STRICKLAND: I don't know who the appropriate person is, but --

MS. SINGLETON: I believe it's already been there.

CHAIRMAN STRICKLAND: Is it already there? Sorry.

MS. SINGLETON: Well, I've read about it, so I'm not sure where else I would have read it, with all respect, Mike.

(Laughter.)

MS. SINGLETON: You've not been involved in Santa Fe, New Mexico.

MR. MCKAY: I rest my case.

CHAIRMAN STRICKLAND: I apologize for overlooking that on the LSC Updates.

The next item is consider and act on the report of the provision for the delivery of legal services committee. Sorry, I jumped ahead. Next is -- I've overlooked two reports. First is the president's report.

MS. BARNETT: Thank you, Mr. Chairman. I will be brief because I have asked the reporter to please include my entire report in the record of the meeting. And much of the report has already been referred to at other stages of this meeting.

I just would quickly want to point out that I hope it is evident and clear that management has made the implementation of the GAO recommendations the priority for our staff work.

In addition, I wanted to point out that we have revised our request for proposals to conform to our recently revised performance criteria. It was published on April 11th. Those are for the grants for 2009. The notice of

intent to apply is May 16, and the deadline for the final proposals is June 2nd.

I also wanted to just point out some statistics. We have gotten the programs' reported data to us and we're working on our factbook for 2007. And there are two significant statistics. Our total cases increased by more than 11,000, from 895,000 in 2006 to 906,000 in 2007, reversing a decline in cases over the years before. And of this amount, PAI has substantially more than increased its proportionate share, increasing to 95,531 in 2007.

Also, non-LSC grantee revenue for 2007 increased by 8 percent to 451.2 million. Non-LSC sources provide approximately 57.9 percent of total program support, but that is a percentage nearly identical to the non-LSC share in 2006.

However, we are aware, just reading the newspapers, that the outlook for increased non-LSC sources will be less likely to increase because IOLTA is expected to decline sharply as a result of the reduction in short-term interest rates, and many state budgets are facing deficits.

And finally, I'd just like to remind the board that we are having a meeting of all our executive directors. All

but four programs are being represented by the executive director. The other four are having the deputy come. We cordially invite the members of the board that are able to join us to do so in June in Washington.

Otherwise, I invite you to read the report in its entirety, and if you have any questions, I'd be happy to follow up with them afterwards.

CHAIRMAN STRICKLAND: Any questions for Helaine?

(No response.)

CHAIRMAN STRICKLAND: Thank you. Jeff Schanz, we'd be delighted to receive the Inspector General's report.

MR. SCHANZ: Thank you, Mr. Chairman. The Inspector General's report has changed significantly because of events of April 21st, when I received a fax from the Hill requesting significant follow-up activities on GAO report No. 1 and GAO report No. 2. So a lot of our focus is -- and I believe you've all received copies of that?

CHAIRMAN STRICKLAND: Correct.

MR. SCHANZ: Good. Thank you. We're going to have to be responsive to the Hill on the issues that they raised, and some of them are quite significant.

I won't go through it since you all have copies of

what the request is. But I am going to make this a priority to try to satisfy our appropriators and our constituents on the Hill, and also make the Corporation much more efficient and effective as it can be.

In addition to that and before I received this facsimile -- and I haven't gotten the hard copy yet because I've been here -- I'm trying something new to involve our stakeholders in our annual work plan. Now, Mr. Garten and I have already talked about that. I want to work closely with the audit committee on generating our work.

We will use a risk-based vulnerability assessment on our work planning. And to that end, I sent a recent call, a memo, by a formal memo, to the Corporation and to the board of directors and to our stakeholders asking them if they have any issue areas so our limited resources are maximized in risk-based areas of efficiency, and some of the things that we've heard during these past two days, of issues that should not have occurred.

And I'd welcome input from every person, including all the individuals from the Corporation, who actually have the knowledge of being out at the grantees and have some experience and maybe see some issues that are risky, by their

definition or by their nature or the way internal controls are being abridged.

So I welcome any input. I've asked people from the Corporation and from the board to contact me directly so we can maximize our resources to the riskiest areas of corporate governance, following up on the GAO notions.

And that's all I have, Mr. Chairman.

CHAIRMAN STRICKLAND: All right. Any questions for Jeff?

(No response.)

CHAIRMAN STRICKLAND: Thank you very much.

MR. SCHANZ: Thank you.

CHAIRMAN STRICKLAND: The next item on the agenda is to consider and act on the report of the provision for the delivery of legal services committee. I call on chairman David Hall.

MR. HALL: Thank you, Chairman Strickland. We had a very good meeting. I won't go in great detail since many of you were there. Just to highlight a few of the items, and we do have one action item that we have to report out.

We had an update on the private attorney involvement effort, that the provisions committee has been

promoting, by Karen Sarjeant. She made us aware that the number of program boards that have adopted the resolution is up to 87, and that they are continuing to monitor and push this idea.

One of the new ideas that she shared with us that is still in the development stage is the notion of a national pro bono honor roll. This idea wasn't fully developed at the time it was presented, but it was shared with us to see if it was the sort of idea that the provisions committee would support.

And we did support it, and encouraged her and the staff to continue to work on that and to bring back to us a full-blown proposal. But this is very consistent with our notion of promoting private attorney involvement and pro bono in general.

We next had a report from Charles Jeffress on technology. There has been a document developed that talks about the capacity in the technology area that every organization -- that is, every legal services organization -- should have in order to operate effectively. That document is in your manuals.

But what was important about this report is that

there is a survey that has been developed that will be sent around to all of our grantees so that they can indicate where they stand in regards to that capacities document.

The hope is that after getting that information, the Corporation will be in a better position to try to assist our grantees to get up to speed, if they are not, in regards to the various areas of technology.

It was made very clear that this would not be used in any punitive ways or as a way to stop the grantees from going forward in any way, but as a way of trying to work with them to get up to capacity. And we also talked about the possibilities of fundraising efforts to help them address the needs that might exist.

We then had a very interesting presentation from representatives who are engaged in Native American Legal Services, Levon Henry, who is the executive director of DNA, Colline Meek, who is the executive director of the Oklahoma Indian Legal Services organization, and Steve Hager, who is the litigation director from that same organization.

In general, and I will not attempt to capture everything that was shared, but in general they were here to kind of remind us of the unique challenges that face the

Native American population that is served by some of our grantees.

One of the sobering points that was made by Mr. Henry was his belief that not much has changed, or nothing has changed, in 30 years in serving this population; that the economy for individuals in this group has not improved, and that there are serious needs and serious problems that are still facing the population; and that some of the organizations that service them are facing critical issues of just being able to sustain the level of support and service that the groups that they are serving need.

We were made aware of a 1998 report that was done that talked about the legal needs of the Native American population. NAILS, which is an organization of Native American legal services advocates, is in the process of trying to update that '98 report which talks about needs and talks about ways to address those needs. And I think this group is working with management to try to see if some funding or support can be provided so that this report can be updated.

Some of the challenges that they made us aware of in serving this population is the lack of economic

development that is occurring, at least across the board; language barriers and geographical barriers; and just the increasing amount of needs that exist for this population. One of the statements was, this is the poorest of the poor, and therefore, the needs are very, very great.

There was a before presentation about gaming issues and whether the new development in regards to gaming on the Native American reservations is addressing some of the needs that the population has, especially in being able to support legal services.

I think the takeaway point from that part of the presentation was that the gaming dollars are not, based on their analysis, providing the type of economic development across the board as one might imagine. That was clearly the case for the various tribes in Oklahoma. But I think there is a sense that even groups outside of Oklahoma are not necessarily benefitting from the gaming initiative, though certainly there were some groups who might.

Also, there were conflict of interest issues that were raised about the tribes using gaming money to directly support legal services organizations. And the presenters were concerned about that as being the answer to addressing

the needs of this particular population.

Though not dealt with in the correct order, we next moved to talking about the agenda for the provisions committee going forward, and committee members shared a list of different topics that we will try to look at in 2008. And some of these might flow over into the next year.

One is that we are continuing to look at issues of recruitment, retention, salary concerns, diversity concerns in regards to legal services lawyers. The Native American issue we want to continue to stay on the agenda. The mortgage foreclosure issue, which is a new one.

And there are some issues going on in Congress in regards to this, but we also felt it's something that provisions should continue to look at; and other legislation like the Harkin bill in regards to providing support to lawyers who are doing this type of work. And we also agreed that there might be some other issues that board members might -- board members, meaning members of the provisions committee, might identify and we would add to this list.

The last item and the item that we do need some action on is that there is a charter for our committee that is in your materials. I think it's on page 56.

CHAIRMAN STRICKLAND: Correct.

MR. HALL: That charter was approved, with a couple of amendments. The first is that the word "shall" as you -- let me get to my section of that -- under Section VI, Core Responsibilities or duties and responsibilities in general, it was proposed and approved at our meeting that instead of the word "shall," it would be "shall consider." And therefore that change was made.

The other condition under which this charter was passed was that we would try to harmonize or reconcile our charter with the other charters of the various committees so that they would at least not be in conflict in any major ways.

M O T I O N

MR. HALL: So this charter was approved with those two conditions. And it is now being put forth to the board for approval.

CHAIRMAN STRICKLAND: So you're making a motion to that effect?

MR. HALL: Yes.

CHAIRMAN STRICKLAND: All right. I'm not clear as to whether the "shall consider" fits in. Is that --

MR. HALL: Yes. For example, starting with VI.(1), instead of "shall address policy questions," it "shall consider addressing policy questions." No. (2), "shall oversee," it would be "shall consider overseeing the implementation and enforcement." So it was approved with the amendment that "shall consider" would be inserted under all of the items that were -- I'm sorry. I have the wrong -- yes, I'm looking at the wrong one. Just a minute.

Yes. I was looking at the wrong charter. But on page 57, Section VI, Duties and Responsibilities, "The committee" -- the core responsibilities, it would read, "The committee shall consider assisting the board in implementing Section 107." And then all of the other sections from (1) through (9) would have the "shall consider."

Now, there was some discussion that I had with one of the members of the board, and we didn't get a chance to discuss this at the committee level, that No. (9) here, which says, "shall periodically assess the committee's performance under the charter," might be one where you wouldn't want to put "shall consider" because that seems to be something that we should do all the time.

But that was not the state it was in when it was

approved, so that is probably something that I would imagine could be discussed at this time as a way of trying again to harmonize our charter with the other charters that are going to be approved.

CHAIRMAN STRICKLAND: All right. Is there a second to David's motion?

MS. SINGLETON: Second.

MR. JEFFRESS: I just thought, when it came from the committee --

MS. BeVIER: It doesn't need a second.

CHAIRMAN STRICKLAND: It doesn't need a second. All right. I think that's a point well taken.

All right. Any discussion on the motion from the provisions committee? Yes?

MS. BeVIER: Mr. Chairman, it seems to me that with respect to Other Responsibilities, that the "shall" is a good word for both (7) and (8) as well as (9). So I'd be inclined to say put the "consider" in between "shall" and the other verbs with VI.(1) through VI.(6), and just leave it at that.

MR. HALL: I don't have any objections to that. There are other provision committee members who are here who voted on this.

MS. SINGLETON: I don't object to that.

CHAIRMAN STRICKLAND: All right. Any other questions about that?

MR. HALL: Mike has --

CHAIRMAN STRICKLAND: Yes, sir?

MR. MCKAY: Mr. Chairman, I just want to emphasize No. 9. I of course agree with what Lillian has just stated.

But I think the "shall consider" for another reason shouldn't be there because "periodically" gives the committee the flexibility.

My concern about putting "shall consider periodically" makes it just too wishy-washy when all of us, each committee, should be assessing our performance periodically. So I agree with Lillian's suggestion based on her argument as well as my observation.

CHAIRMAN STRICKLAND: All right. Then the motion, as amended, would be to use the word "consider" in items VI.(1) through (6), but (7), (8), and (9). Is that correct?

MR. HALL: That's correct.

CHAIRMAN STRICKLAND: Okay. Any further discussion on that motion?

(No response.)

CHAIRMAN STRICKLAND: All right. Hearing none, let's proceed to a vote. All those in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and that motion is adopted.

MR. HALL: That ends our report.

CHAIRMAN STRICKLAND: Thank you, David.

Next is consider and act on the report of the finance committee. We'll call on Chairman Mike McKay.

MR. MCKAY: Thank you, Mr. Chairman. We had a very busy two hours. Everyone was present, but I will recap what took place.

After several discussions about our September meeting, we agreed upon October 14th as the date that we would meet to prepare our proposed budget for OMB and for Congress. And I do appreciate the -- I'm grateful to the committee for changing the date to accommodate my trial schedule.

We spent some time also discussing the -- by the way, does that require a board approval or is that just the

committee --

CHAIRMAN STRICKLAND: You mean that date?

MR. MCKAY: The date. I believe the committee can set its own, but I just want to make sure I'm not --

CHAIRMAN STRICKLAND: Yes. I think we can do that without formal board action.

MR. MCKAY: Thank you. We did spend some time discussing adjustments to the consolidated operating budget for fiscal year 2008. Mr. Richardson gave us a very good written report, which we had ahead of time, and we did have some discussion with him and focused some time talking about the additional \$145,000 worth of outside counsel fees that needed to be addressed.

And it was proposed that \$90,000 come from OPP and \$55,000 come from OCE to address that shortfall. And we did spend some time discussing -- at least I did -- expressing concern about the money coming from OCE. And we received assurances that this was money that was freed up because travel did not take place for two months so that the OCE staff could get back current on the reports that they were working on.

And we also received an assurance that if at any

time OCE needs additional funds, the need for which are unanticipated now, that management would take the appropriate steps to make those funds available, and we'd address them at our next committee meeting.

So having discussed those items as well as -- and I just think it's really important that we recognize once again the gift of \$25,000 to LSC made by friends of our president, in honor of our president.

M O T I O N

MR. MCKAY: And that is addressed in the resolution that is before you, Resolution 2008-004 at page 142 of the board book, that the committee had approved, and recommend to the board its adoption. And I so move.

MR. FUENTES: Second.

CHAIRMAN STRICKLAND: Give me that number again.

MR. MCKAY: 2008-004, at page 142 of the board book.

CHAIRMAN STRICKLAND: Got it. All right. Is there a second to that motion?

MR. MCKAY: It has been seconded.

CHAIRMAN STRICKLAND: I'm sorry, I didn't hear that. Tom, thank you. Any discussion on that, the adoption

of the resolution?

(No response.)

CHAIRMAN STRICKLAND: Hearing none, let's proceed to a vote on the adoption of Resolution 2008-004. All those in favor please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and the resolution is adopted.

MR. MCKAY: Thank you. We then -- and I should indicate that on this subject that we just addressed, Mr. Jeffress, of course, ably commented on the subject after Mr. Richardson did. Same thing on the next subject.

We then addressed the financial reports for the first six months of fiscal year 2008, which included the adjustments which have just been approved by the board. We heard from Mr. Richardson and Mr. Jeffress. We are, with the adjustments, within budget, and no significant issues or questions were raised by the committee.

We then heard from Mr. Constance, who gave us a report on the fiscal year 2009 appropriations process. He

reported that for a series of reasons, not the least of which this is a presidential year, that a final budget will likely not be approved till June -- or January or February of next year, and that we'll have a series of continuing resolutions.

And we were grateful for his report and for his good work.

We then considered and acted upon a charter for the committee. And we considered it, had some discussion but not a great deal because we had a chance to look at it ahead of time. It was approved as drafted, and that is the one that is in our board book beginning at page 145.

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M O T I O N

MR. MCKAY: And I move the adoption of the charter that has been approved by the finance committee. I move its approval now.

CHAIRMAN STRICKLAND: Is there a second?

MS. BeVIER: Second.

CHAIRMAN STRICKLAND: Or do we --

MS. BeVIER: We don't need a second.

CHAIRMAN STRICKLAND: We don't need a second on a report coming out of a committee. Is that correct?

MS. BeVIER: Mr. Chairman?

CHAIRMAN STRICKLAND: Yes?

MS. BeVIER: There's just one minor adjustment to the motion, I think, which is subject to the harmonization of this charter with the other charters, and in particular, the -- well, I'm sure that when harmonization takes place, all of the issues will be addressed.

MR. McKAY: Thank you very much, and that's correct.

CHAIRMAN STRICKLAND: All right. Any discussion on the motion?

(No response.)

CHAIRMAN STRICKLAND: All those in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and that motion is adopted.

MR. McKAY: Thank you. We then went into closed session and considered and acted on a recommendation to the board for a new plan administrator for our 403(b) thrift plan for the employees.

We received a presentation from staff in closed session. We then received a presentation from two candidates. After listening to those presentations, we had a discussion amongst ourselves, and then decided and agreed upon recommending to the board that upon the receipt by the General Counsel of an independent legal opinion that the process that the Corporation has followed, both staff and the board, meets all legal requirements, that the board appoint American United Life, a One America company, as the administrator for the plan.

And in light of the comments made by staff, Mr. Jeffress and Mr. Fortuno worked on the resolution, made some changes consistent with those comments, and that copy should be in front of you. It's Resolution 2008-005, which was handed out early this afternoon. Does everyone have a copy of that in front of them?

CHAIRMAN STRICKLAND: Yes. It's been distributed.

M O T I O N

MR. MCKAY: I move the adoption of that resolution.

CHAIRMAN STRICKLAND: All right. Any further discussion on the adoption of the Resolution 2008-005?

(No response.)

CHAIRMAN STRICKLAND: Hearing none, let's proceed to a vote. All those in favor of the adoption of the resolution, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and the resolution is adopted.

MR. MCKAY: We had some additional briefings in closed session, ended our closed session and opened it up, had nothing else to do, so we adjourned. And that's the end of my report.

CHAIRMAN STRICKLAND: Thank you very much.

All right. The next item is to consider and act on the report of the operations and regulations committee. Chairman Tom Meites.

MR. MEITES: Thank you, Mr. Chairman. My report will be brief.

Our committee only had time to consider two substantive items. The first was a proposal that the board direct the initiation of a rulemaking leading to the adoption of what the agenda calls "lesser sanctions," but more

accurately would be "alternative and additional sanctions."

We heard a staff report. Reviewed a proposed draft rule or rulemaking notice. We entertained public comment of very, very, very strong opposition to the proposed rulemaking. It was suggested in the course of that opposition that the Corporation would profit from an alternative procedure, a workshop, which we have done before.

And the sense of our committee was that in fact, the workshop procedure may well be beneficial to more fully develop the views of the field and the public generally on the proposal, and so help to educate not only management but also the board as to the issues involved.

M O T I O N

MR. MCKAY: Our committee therefore approved a motion to -- and I so move -- that this board authorize the initiation of a rulemaking to adopt alternative and additional sanctions, which rulemaking is to begin with a workshop.

CHAIRMAN STRICKLAND: All right. Is there a second to the motion?

MS. CHILES: Second.

CHAIRMAN STRICKLAND: Any discussion on the motion?

(No response.)

CHAIRMAN STRICKLAND: Hearing none, let's proceed to a vote. All those in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and the motion is adopted.

MR. MEITES: The next item that our committee considered was a draft charter. It was the sense of our committee that a substantial portion of the draft, entitled Governance, would be better performed by the performance reviews committee. And that was our recommendation.

Since we did not have a draft or direction from the board as to that course of action, we took no formal action on the proposed charter, but instead deferred further action until we learn the board's pleasure as to where these responsibilities should alight. So there's no action required on that item as far as our committee is concerned.

We did not have time to consider the next three items, the staff report on development of LSC's in-house compliance program, staff report on LSC's continuation of

operations plan, and staff report on LSC risk management plan. We therefore directed the staff to prepare these reports and submit them in writing for consideration at the next meeting of the committee.

That completes our report.

CHAIRMAN STRICKLAND: Thank you very much.

Next is consider and act on the report of the audit committee. Chairman Herb Garten.

MR. GARTEN: We have no action to seek approval of.

I will be brief, especially in view of the fact that within the last two hours, I think most if not all of the people present were present at the time of the audit committee. But I will summarize it.

We confirmed the appointments by the president to the audit committee of Jonann Chiles and Tom, together with me, consisting of a committee of three. We summarized the audit committee's charter that had been previously adopted by the board on March 24th during a telephonic board meeting.

We heard from Jeff Schanz, the Inspector General, and his report indicates that cooperation between his office and the board will continue. And I have complete faith that the audit committee will be working, and it will be

complimented by the work of the finance committee, and that this bodes well for the future relationship between the board and the OIG.

We heard at length from Nancy Davis, the independent public accountant for LSC, regarding her perspective on the audit committee mission. She referred to a mass of material, booklets, and rulings that I hope the depth and scope of which will not scare the other members of the committee, and we'll do the best we can.

The first thing we're going to do is come up with a checklist modeled after one published by the Defense Department, and a timetable, and hopefully get to work on that immediately. In addition, I will endeavor to put together the material. It's so massive that I will supply the members of the committee and also the chair of the finance committee, and give summaries to the rest of the board. And if any of the board members want the full material, we'll arrange to get it to them upon request.

The Inspector General agreed to supply each member of the board with a copy of the COSO, which are the internal control provisions and process, and also a copy of what's known as the Yellow Book, which contains the government

accounting standards.

I can sum this all up with I think we have gotten off to a good start. I think that the work of Sarah Singleton and the committee will be a great benefit to the Corporation, the IG, and especially to this committee. And we look forward to hearing and learning of the further results of it.

Mr. Chair, I have no further things to report with regard to our committee.

CHAIRMAN STRICKLAND: All right, Herb. Thank you very much.

The next item is No. 15, consider and act on recommendations made to the board in the Government Accountability Office report on LSC governance. I think if you look at those, (a) through (e), we've taken some action on (e) with the adoption of some committee charters today. And the charters that were not adopted today are not necessarily in final form, but they're pretty well down the pike so that most likely between now and our next meeting, we can put those in a form for adoption.

The performance reviews committee, I take it you don't have a report to bring today, do you, Lillian?

MS. BeVIER: Well, I think we're not on the agenda,
so --

CHAIRMAN STRICKLAND: That's right. You're not on
the agenda. But I'll note then that no draft charter has
been prepared for that committee. Isn't that correct?

MS. BeVIER: That's right. And we are prepared, if
it's the board wish, to be assigned the several tasks that
ops and regs thought was appropriately within our new
bailiwick. And we're also prepared to be renamed.

M O T I O N

MS. SINGLETON: So move as to assigning them the
tasks. I'll leave the naming up to somebody else.

MS. BeVIER: Well, audit should not be required to
do all the work.

MR. McKAY: But he wants all the power.

MS. BeVIER: He can have the power.

MR. GARTEN: I'll gladly abdicate in your favor.

CHAIRMAN STRICKLAND: I think between now and our
next meeting, that the respective -- I would suggest that the
respective committees take a look at these remaining items
(a) through (d). And I might even send out a memorandum
suggesting which committee should take a look at which one of

these. And if you disagree, you can speak up.

But we want to try to incorporate -- these are things taken directly from the GAO report on governance. And to the extent possible, we want to incorporate these in our committee charters as we go forward. So between now and the next meeting, let's agree to undertake that, a review of these things, and determine which committee can best undertake these items in the respective charters of those committees.

Any objection to that process?

(No response.)

CHAIRMAN STRICKLAND: Okay. I don't think we could necessarily take any specific action on these items anyway today.

Item 16 is consider and act on proposed protocol for board member access to Corporation records. I think there's a tab about that. Yes.

MS. PHILLIPS: Mr. Strickland?

CHAIRMAN STRICKLAND: Yes?

MS. PHILLIPS: I apologize again. I am unprepared. Rushing to catch a plane, I left my notes on my couch. And I don't see the OIG's memo in here. So I'm unprepared to

deal with this item.

CHAIRMAN STRICKLAND: Is there supposed to be an
OIG memo associated with this?

MS. PHILLIPS: It was before.

CHAIRMAN STRICKLAND: Oh, it was? I didn't realize
that.

MS. PHILLIPS: Yes.

CHAIRMAN STRICKLAND: I had understood that this
was ready to go. But if it's not, we won't take it up.

MS. PHILLIPS: Thank you.

CHAIRMAN STRICKLAND: All right. That item we will
not deal with today. Let's see what else we've got.

MR. MEITES: 2:56.

CHAIRMAN STRICKLAND: 256 is where the board --

MR. MEITES: No. It's the time.

(Laughter.)

CHAIRMAN STRICKLAND: There's always someone to
remind me to remain on schedule. Thank you very much.

All right. We're at the point in the meeting where
we seek public comment. Is there any public comment to come
before today's meeting?

(No response.)

CHAIRMAN STRICKLAND: The next item is consider and act on other business. Is there any other business to come before the meeting, that is, the open session?

(No response.)

CHAIRMAN STRICKLAND: All right. Then we now need to consider and act on whether to authorize an executive session of the board to address items listed below under Closed Session.

Is there such a motion?

M O T I O N

MR. MCKAY: So move.

CHAIRMAN STRICKLAND: A second?

MR. GARTEN: Second.

CHAIRMAN STRICKLAND: All those in favor, please say aye.

(A chorus of ayes.)

CHAIRMAN STRICKLAND: Opposed, nay.

(No response.)

CHAIRMAN STRICKLAND: The ayes have it and we are now in closed session. As I understand it we're going to lose a few people who have travel schedules that requires their departure at this time. I hope that will leave us with

a quorum.

(Whereupon, at 2:59 p.m., the meeting adjourned to executive session.)

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