

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE AUDIT COMMITTEE
OPEN SESSION

Friday, January 28, 2011

11:32 a.m.

Legal Services Corporation
3333 K Street, N.W.
Washington, D.C.

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairperson
Harry J.F. Korrell, III
Gloria Valencia-Weber

OTHER BOARD MEMBERS PRESENT:

Laurie Mikva
Martha L. Minow
Julie A. Reiskin

STAFF AND PUBLIC PRESENT AT THE CORPORATION'S OFFICES:

Victor M. Fortuno, Interim President
Patricia D. Batie, Corporate Secretary, Office of
Legal Affairs (OLA)
Stephen Barr, Director, Media Relations
Janet LaBella, Director OPP
Ann Carmichael, American Bar Association
Tom Coogan, Assistant Inspector General for
Investigations
Joel Gallay, Special Assistant to the Inspector General
Dan Sheahan, Program Evaluation Analyst, Office of
Inspector General
David L. Richardson, Treasurer and Comptroller
David Maddox, Assistant Inspector General for
Management and Evaluation
Cynthia Schneider, Deputy Director, OPP
Mark Freedman, Senior Assistant General Counsel,
Office of Legal Affairs (OLA)
Rebecca Weir, Special Counsel to the President
Mattie Cohan, Senior Assistant General Counsel, Office
of Legal Affairs
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel
Jeffrey E. Schanz, Inspector General
Ronald "Dutch" Merryman, Assistant Inspector General
for Audits
John Meyer, Director, Office of Information
Management (OIM)
Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Eric R. Jones, Network/Systems Engineer, OIT
Lavon Smith, Network/Systems Engineer, OIT
Robert E. Henley, Jr. (Non-Director Member Finance
Committee)
Uzma Malik-Dorman, Thompson, Cobb, Bazilio and
Associates
Alice Dickerson, Director, Office of Human Resources

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

2 (11:32 a.m.)

3 CHAIRPERSON MADDOX: All right. I'm going to
4 start the meeting of the Audit Committee of the Legal
5 Services Corporation. And I'm going to note the
6 presence of a quorum. Can all of the members identify
7 themselves for the record.

8 MS. VALENCIA-WEBER: Gloria Valencia-Weber.

9 MR. KORRELL: Harry Korrell.

10 CHAIRPERSON MADDOX: And I'm the chairman of
11 the Committee, Victor Maddox.

12 The first item of business today is the
13 approval of the agenda for the January 28, 2011,
14 meeting. Is there a motion to approve the agenda?

15 M O T I O N

16 MS. VALENCIA-WEBER: I so move.

17 MR. KORRELL: Second.

18 CHAIRPERSON MADDOX: All in favor?

19 (Chorus of ayes.)

20 CHAIRPERSON MADDOX: The motion is approved
21 and the agenda is approved.

22 The second item is the approval of the minutes

1 of the Committee's open session of October 19, 2010.

2 Is there a motion to approve those draft minutes?

3 M O T I O N

4 MR. KORRELL: So moved.

5 MS. VALENCIA-WEBER: I'll second.

6 CHAIRPERSON MADDOX: All in favor?

7 MR. KORRELL: Aye.

8 CHAIRPERSON MADDOX: And Gloria?

9 MS. VALENCIA-WEBER: Yes.

10 CHAIRPERSON MADDOX: And the motion and the
11 draft minutes of October 19, 2010, are agreed to.

12 Item number three on our agenda is the
13 presentation of the fiscal year 2010 annual financial
14 audit. And we have with us today the inspector general
15 and Ronald Merryman of his office, and Uzma
16 Malik-Dorman --

17 MS. MALIK-DORMAN: Very good.

18 CHAIRPERSON MADDOX: -- with Thompson, Cobb,
19 Bazilio and Associates. I think we've met on the
20 phone.

21 MS. MALIK-DORMAN: Yes.

22 CHAIRPERSON MADDOX: And it's nice to meet you

1 in person.

2 MS. MALIK-DORMAN: Nice to meet you too.

3 CHAIRPERSON MADDOX: I guess we're good to go.

4 So I will turn it over to our panel. Mr. Schanz?

5 MR. SCHANZ: I will defer to the auditors who
6 are with me at the table. And you've all received a
7 copy of the audited financial report at the nth minute.
8 I do apologize for that, but you do have the report.

9 CHAIRPERSON MADDOX: Let's just hang on just
10 one second --

11 MR. SCHANZ: Okay.

12 CHAIRPERSON MADDOX: -- to make sure that
13 we're okay here.

14 (Phone hook up.)

15 CHAIRPERSON MADDOX: Thank you, Pat.

16 Mr. Merryman?

17 MR. MERRYMAN: Yes, sir. Thank you very much.
18 Just a few general words. The audit again this year
19 was without a material weakness or significant
20 problems. Uzma will give a more detailed briefing than
21 I will. There is some -- a one letter on control
22 deficiencies that are not considered significant

1 weaknesses, and she will talk about those also.

2 We provide you with four documents. One is
3 the financial statement audit, one is the internal
4 controls over financial reporting in compliance with
5 certain laws and regulations, one is the control
6 deficiency, and one is a communication document that is
7 required by standards with the Board. So again, no
8 material or significant issues were developed or noted
9 during the audit. And I will now turn it over to Uzma.

10 MS. MALIK-DORMAN: Thank you so much. Good
11 morning, everyone. My name is Uzma Malik-Dorman. I
12 was the engagement partner on the audit of the
13 financial statement of the Legal Services Corporation
14 for fiscal year 2010. The first report that you have
15 in your packet is the actual report, or opinion, on the
16 financial statements of the entity for 2010. And we
17 have issued -- I'm pleased to say that we have issued a
18 clean opinion, that's an unqualified opinion, for
19 fiscal year 2010.

20 You'll see in the second paragraph of the
21 report, which is on page 1, independent auditors'
22 report, we also conducted the audit in accordance with

1 government auditing standards. That requires us to
2 issue a separate report also on the organization's
3 internal control over financial reporting, and also on
4 the compliance with laws and regulations and contracts
5 and grant agreements. And that is separate in your
6 packet as, I guess, like --

7 MR. MERRYMAN: Is this the green tab?

8 MS. MALIK-DORMAN: The green tab. We did not
9 identify -- and if you go to the green tab, you'll see
10 our report on internal control over financial reporting
11 and compliance. We did not identify any significant
12 deficiencies and internal control or any material
13 weaknesses, which is a very good thing.

14 We did notice some control deficiencies, which
15 are in the blue tab, I believe, of your package.
16 That's a separate report, separate letter, really, that
17 we issued on certain matters that we, you know, thought
18 we would recommend that controls be improved. One of
19 the areas is performance evaluations not being
20 performed timely. You'll see that in the blue tab,
21 again, on the first page on the bottom.

22 On the second page, we also had an observation

1 relating to long outstanding liabilities and compliance
2 issues relating to TIG grants, which I'm sure you're
3 aware of the report that was issued by the Office of
4 Inspector General.

5 So we -- this was an observation, also, from
6 the last fiscal year. And so it's repeated again here
7 as item number 2 on page 2. And then the last item is
8 on page 4. We are recommending that you improve
9 controls over granting -- revoking logical access to
10 network and applications. So again, these are not
11 considered to be significant deficiencies or material
12 weaknesses. If they were, they would be in the second
13 report that I discussed.

14 During the audit -- and if you could go to the
15 red tab, you'll see these are some of the
16 communications that we are required to make and report
17 to the audit committees, since you're in charge of
18 governance of the financial reporting process of the
19 Legal Services Corporation. We did not have any
20 problems.

21 So starting on page 1 of the red tab, just let
22 me summarize the report. Not in any specific order

1 here, but we did not have any problems obtaining any
2 information. We requested items, I guess in the
3 planning stage, also during field work, and we did not
4 have any problems with management obtaining
5 information.

6 We did not have any disagreements relating to
7 any accounting related matters or financial reporting
8 relating matters. The management judgments and
9 accounting estimates, we consider depreciation to be a
10 significant estimate in the financial statements, and
11 we do annually test the fairness of depreciation, and
12 we consider it reasonable.

13 The disclosures in the report, the first
14 report that we went over, are considered adequate and
15 in accordance with standards. So we didn't have any
16 issues with the disclosure requirements. We also did
17 not have any audit adjustments.

18 Again, we talked about the significant
19 deficiencies and material weaknesses. We did not
20 identify any. And there were no major issues that were
21 discussed with management prior to our retention as
22 auditors.

1 So that concludes my report. I would be happy
2 to answer any questions.

3 CHAIRPERSON MADDOX: Well, let me just start
4 and say thanks, first of all, for the report, and for
5 ultimately the opinion. I have one question, I guess,
6 about the process, and this goes as much to the OIG as
7 well as to you. I mean, I just got the report 10 or 15
8 minutes ago. So I can't give any substantive analysis.
9 I can't even really talk meaningfully about it. So
10 that's a problem I think for myself, as well as for the
11 Committee members.

12 You know, the Committee was created because
13 the GAO found that there was basically a deficiency in
14 the Corporation's corporate governance by the lack of a
15 committee, and while I think all of us have varying
16 degrees of financial expertise, I may have as much as
17 anybody on the Committee, but -- I actually studied
18 accounting in college and worked as an intern for what
19 was then a Big 8 accounting firm. That tells you how
20 long ago it was.

21 But, you know, I'm not an auditor. So I guess
22 given that it looks like the process internally worked

1 well -- there were no disputes; there were no
2 substantive issues -- is there something we can do to
3 improve our process so that we get this report, you
4 know, a week or two in advance of our annual meeting?

5 MR. MERRYMAN: The intent was for the report
6 to be finished by the 15th. That's what we tried to
7 set this up as.

8 CHAIRPERSON MADDOX: Right.

9 MR. MERRYMAN: We did have some discussions, I
10 believe it was on the 13th, and some additional
11 questions, you know, work was done. But the biggest
12 thing that happened this year was a confirmation letter
13 from the bank. Though it was requested in time, the
14 bank's records indicated it was mailed, it was not,
15 evidently, received. And a second request went out for
16 the statement or for the confirmation. That was not
17 received, I believe, until last Friday. And because of
18 that, we couldn't release the report.

19 CHAIRPERSON MADDOX: Right.

20 MR. MERRYMAN: And that was -- that's the only
21 reason why you didn't get it sooner.

22 CHAIRPERSON MADDOX: Right.

1 MR. MERRYMAN: And once that confirmation came
2 in and the final work done on that and we received a
3 copy of the final reports, I believe it was Wednesday
4 evening, via e-mail, we immediately put together the
5 reg with the letter to try to transfer it to people.
6 But unfortunately, the Board was traveling.

7 CHAIRPERSON MADDOX: I guess there -- I mean,
8 there is nothing we can do, any of us can do, to keep
9 that from happening. I hate to be at the mercy of the
10 accounts payable clerk, you know, at the bank who might
11 be on vacation. Is it possible, is there a -- is it
12 possible to prepare us with a draft of those parts of,
13 you know, the audit that are complete?

14 I mean, presumably testing an account is not
15 going to hold up 95 percent of the report. And I just,
16 I mean, internally the members of the Committee might
17 get it in advance so that we, you know, we have a
18 chance to look at it and prepare.

19 MS. MALIK-DORMAN: Absolutely. I mean, I
20 don't have a problem with that at all. And in fact,
21 the draft has been done for some time.

22 CHAIRPERSON MADDOX: Sure.

1 MS. MALIK-DORMAN: So certainly -- and I just
2 wanted you to note that even though this report is
3 dated January 7th, we could not issue until we did
4 receive the confirmation.

5 CHAIRPERSON MADDOX: Right.

6 MS. MALIK-DORMAN: That's why there is a gap.

7 CHAIRPERSON MADDOX: Right.

8 MS. MALIK-DORMAN: I just wanted to point that
9 out.

10 CHAIRPERSON MADDOX: You couldn't complete
11 your opinion until then.

12 MS. MALIK-DORMAN: Right. Correct.

13 MS. VALENCIA-WEBER: And we would not want you
14 to.

15 MS. MALIK-DORMAN: Right. But I don't have a
16 problem with the audit committee, of course, having a
17 draft.

18 CHAIRPERSON MADDOX: I just think, let's think
19 about that next year so that, you know, we have a
20 chance to look at the footnotes, and whatnot, ahead of
21 time. The footnotes are always where the interesting
22 stuff is anyway.

1 MS. MALIK-DORMAN: Right.

2 CHAIRPERSON MADDOX: Any other suggestions or
3 comments?

4 MS. VALENCIA-WEBER: I would join on that
5 because if you had grants or other things where you,
6 again, have to submit reports, generally you see the
7 draft before it's submitted. And there is parts always
8 hanging out, you know, even though you made your best
9 effort to get it timely. But it's not delivered. So
10 you just put in those places to be received or
11 whatever. But as you said, you've done 90 percent of
12 the report. So for us, we can begin to plow through
13 that.

14 MS. MALIK-DORMAN: Right.

15 MS. VALENCIA-WEBER: So then we, you know,
16 just tab and mark where we're going to do the looking
17 when you get all of your documents.

18 CHAIRPERSON MADDOX: I mean, also keep in
19 mind, reading these reports is your bread and butter
20 and for us, at least --

21 MS. VALENCIA-WEBER: We have to shift.

22 CHAIRPERSON MADDOX: -- it's kind of like a

1 different exercise altogether.

2 MS. MALIK-DORMAN: Absolutely. I understand.

3 CHAIRPERSON MADDOX: So we need a little extra
4 help.

5 Let me ask one other question while I've got
6 you. I want to make sure I understand what it is you
7 do on the internal control aspect of it. Your report
8 on internal control over financial reporting and
9 compliance said that you considered the internal
10 controls as a basis for your audit, but you don't
11 express an opinion on the effectiveness of the internal
12 controls. So this is something of a nuance of the
13 accounting profession I know. Can you explain a little
14 more, you know, for a layman, exactly how that
15 distinction falls out.

16 MS. MALIK-DORMAN: Sure. We look at internal
17 controls over key accounting and financial reporting
18 processes and then also key controls over compliance
19 with laws, regulations, and any significant contracts,
20 grant agreements. So we don't look at internal
21 control, all controls. We only -- because we have to
22 rely on controls or else we would have to do a lot more

1 work, substantive work.

2 So we will highlight -- we will focus on, for
3 example, your closing process or your key controls over
4 cash disbursements, cash receipts compliance with laws
5 and regulations. And we will, on a sample basis, we
6 will select transactions for testing. And then based
7 on the results of that testing, if we think we can rely
8 on your controls, we can then reduce the amount of
9 substantive audit procedures that we perform basically
10 testing account balances. You know, we can reduce the
11 amount. But if we find that we cannot rely on the
12 controls, we'll have to do more procedures.

13 Part of the control work is also because a lot
14 of the information is processed through systems, we
15 have to -- we have information technology auditors that
16 review the controls surrounding your systems because,
17 obviously, everything is processed through those
18 systems and we have to rely on those or else we would
19 have issues.

20 But again, we do not -- like this report is
21 saying, we do not express an opinion on your internal
22 controls because there are so many controls around

1 here, but we don't -- we only focus on key controls of
2 that we need to rely on to get our substantive audit
3 procedures done. So that's why we're not expressing an
4 opinion on the operating effectiveness of your controls
5 overall.

6 MR. MERRYMAN: If I may add to that. First of
7 all, in order to give an opinion over internal -- on
8 internal controls, the effectiveness, we call it
9 examination. It's an audit, but it requires a whole
10 different set of requirements of management, a whole
11 different set of requirements of the auditors. And the
12 testing, the type testing, it requires management to
13 document their controls, to test their controls, to
14 accept responsibility for their controls, make
15 representations that they have done these type of
16 things.

17 There is a lot of work that goes into it
18 before you can give an opinion on controls. And this
19 is one of the things that we look at and struggle with,
20 you know, from the grantees' standpoint. We look at
21 the standards that auditors would have to follow, the
22 amount of work that would have to be done, the cost

1 sets involved in order to get that. So there is a lot
2 more work that has to be done to go to that next step.

3 The auditors are required, if they see
4 anything material or significant, to report it,
5 obviously. And then if they see opportunities for
6 improvement, like in the deficiencies, to let
7 management know. But they have not done the amount of
8 work required by standards in order to express an
9 opinion on the system of controls.

10 MS. VALENCIA-WEBER: So to have that kind of
11 opinion, you would have to have at least a different
12 set of protocols as to standards and then you would
13 also have to have possibly a different set of
14 professionals in the audit besides those you presently
15 have?

16 MS. MALIK-DORMAN: No.

17 MR. MERRYMAN: No.

18 MS. MALIK-DORMAN: It would be the same
19 professionals. Yeah.

20 MS. VALENCIA-WEBER: Most of the protocol
21 standards.

22 MR. MERRYMAN: Protocols would be different

1 and there would be different requirements for
2 management too.

3 MR. KORRELL: This is Harry. And I think I
4 may just be -- I mean, I think I'm just restating to
5 make sure I understand it because Vic, I marked the
6 same -- I made the same note to myself to make sure I
7 understood.

8 Is what you're saying that you need to rely on
9 the internal controls that are there in the course of
10 doing your audit of the financial statements and that
11 in doing so, you use them and look at them and did not
12 find them deficient? So you could rely on those
13 internal controls --

14 MS. MALIK-DORMAN: Right.

15 MR. KORRELL: -- to allow you to do the audit
16 of the financial statements.

17 MS. MALIK-DORMAN: Right.

18 MR. KORRELL: But which you have not done any
19 audit of the internal controls, even the financial
20 reporting internal controls.

21 MS. MALIK-DORMAN: We haven't done a separate
22 audit on internal controls.

1 MR. KORRELL: I mean, but what I'm looking at
2 is the sentence at the end of that paragraph that Vic
3 mentioned, "We do not express an opinion on the
4 effectiveness of LSC's internal controls over the
5 financial reporting."

6 MS. MALIK-DORMAN: Right.

7 MR. KORRELL: So there is not an opinion on
8 that.

9 MS. MALIK-DORMAN: Correct.

10 MR. KORRELL: Though you did, you had to use
11 them and did not find them deficient in the process.

12 MS. MALIK-DORMAN: We looked at controls.
13 Right.

14 MR. MERRYMAN: See, there is two things with
15 controls. One, you have got to look at the design to
16 begin with. Is it designed properly. If it's not
17 designed properly, right then and there, you've got to
18 do some testing. And you have to see, once it's
19 designed, it has to be implemented to be useful. So
20 you have to make sure it's implemented.

21 The example that I always try to use in trying
22 to explain this a little bit is accounts receivable.

1 If you're a charity or a non-profit organization, you
2 get people promising to pay you money and you have a
3 significant amount of accounts receivable that people
4 have not paid on a budget yet, you want to make sure
5 that system is good because you wouldn't want it to be
6 inflated to draw, you know, to overstate or misstated
7 the financial statements.

8 So you would look at the design of the
9 controls. If the controls are fine, you would still
10 test the controls for that part of it, but you would
11 not have to go as deep as if you found that there was a
12 design deficiency or that you found, in checking the
13 controls initially, that there was a problem of
14 implementation of those controls.

15 Because what the goal is in this is to be able
16 to express an opinion on the financial information
17 that's in there. And so there is levels of work that
18 you do on internal control, but it does not rise to the
19 level of being able to express an opinion.

20 MR. KORRELL: So how often does an
21 organization typically look at, in-depth and in an
22 audit sense, financial reporting, internal controls.

1 And is that something that we need to think about
2 doing?

3 MR. MERRYMAN: I don't know that for sure. I
4 could tell you some related information, part of
5 Sarbanes-Oxley, you know they put in a requirement to
6 do that for corporations or companies over 75 million,
7 and they delayed implementing for companies from 75 --
8 I believe I read recently in the last two months, they
9 decided not to require companies 75 million and below
10 to have the test of internal controls like on an annual
11 basis like they have for the larger companies. So my
12 guess on that is not very often.

13 MS. MALIK-DORMAN: Right.

14 MR. RICHARDSON: And if I can jump in.

15 CHAIRPERSON GREY: Let me recognize the
16 treasurer, David Richardson.

17 MR. RICHARDSON: The last two meetings, we've
18 provided presentations to you on cash management,
19 grants making, and the different aspects of the
20 financial system. We review those annually because we
21 update this information to provide to our auditors. If
22 we had a change, for instance, in signature authority.

1 If we've had a change in the way we present our
2 financial statements.

3 We go through that process and do that,
4 provide it to the auditors, and that is the basis for
5 some of their testing. If you'll recall last year, we
6 had a note in regards -- we did all of our grant
7 processing, and we do most of them through wires,
8 through direct deposits, and we had, last year, two
9 grantees that received checks. And the auditors
10 checked four of those check processings for the
11 grantees, and two of them were not signed. So that was
12 a breakdown in the internal control that we corrected.

13 We've done that, we've provided the
14 information to the auditors when they came in this year
15 to review so that we make sure that we're on -- we
16 satisfy what occurred last year, show them that we have
17 made progress, corrected the problem and moved forward.
18 And any other changes -- we had changes in personnel
19 this year that we have now reflected in the document.
20 So that annual -- that process is done annually and
21 provided to the auditors.

22 MR. KORRELL: That's an internal LSC staff

1 process.

2 MR. RICHARDSON: Right. That's correct.

3 MR. KORRELL: I'm new to this as well. How
4 often does someone -- do we need to take a look at with
5 an outside auditor looking at our internal controls or
6 is that something that is not --

7 MR. RICHARDSON: Okay. If I can. We do it,
8 we document it, and we provide it to the auditors for
9 them to do -- start the review and look at our
10 processes. And as they do the review within the
11 system, they see the checks and balances we put in
12 place and make sure that everything is documented.

13 MR. KORRELL: But at the end of the day, we
14 still get a sentence that says we're not expressing an
15 opinion on your internal controls and financial
16 reporting. And I just don't know, do we need to do
17 something so that we don't have that sentence, so we
18 have a sentence that says, we did look at it and we
19 think they're fine.

20 MS. MALIK-DORMAN: Well, I think it's standard
21 audit language, and it's not a part -- typically, other
22 organizations don't go beyond this; specifically,

1 non-profit entities. One control that you do have in
2 place is the Office of the Inspector General. So you
3 do have, on an ongoing basis, an independent entity
4 kind of looking at management's controls, and that's
5 ongoing. And I think that's a key control.

6 It's like in a corporate entity, the internal
7 audit department. You're not subject to
8 Sarbanes-Oxley. So you don't have to really take a
9 further step, but you do have, you know, Office of
10 Inspector General performing periodic reviews of
11 controls. And then internally, you have management who
12 is also watching, you know, and kind of self-testing, I
13 don't know if that is the right word, but looking at
14 controls ongoing, and then we come in.

15 So you do have -- I think you have a good
16 control environment, if I may say so myself. You do
17 have a strong control environment. I don't think it
18 would add anymore benefit for you to go a step further.
19 And then, again, you have to look at the cost
20 effectiveness of doing something like that. So those
21 are my comments.

22 MR. KORRELL: Thank you.

1 MS. MALIK-DORMAN: Sure.

2 CHAIRPERSON MADDOX: Gloria?

3 MS. VALENCIA-WEBER: This is kind of connected
4 to Harry's question. And this may be just, again, a
5 special term of art or technical term. On the blue tab
6 part where you're talking about the kinds of what you
7 consider identified deficiencies; for instance, where
8 it says the performance evaluation is not being
9 performed timely and then you have the management
10 response where the situation is because of the
11 formation of the union, the evaluations for personnel
12 have not been conducted subject to the reaching a
13 collective bargaining agreement.

14 And is the term "deficiencies" applicable even
15 when an organization is either under a legal, or other
16 binding mandate, that it cannot, you know, engage in a
17 process you might normally have expected to find?

18 MS. MALIK-DORMAN: Well, I guess control
19 deficiency is a pretty strong word, especially for this
20 particular observation, but again, this is standard
21 language that we have to follow in issuing our report.
22 So and it's also -- you know, I don't see this as a

1 serious matter, especially since this, you know,
2 agreement has not been negotiated. But still, you
3 know, we have it in here because management still
4 expects to complete these evaluations.

5 MS. VALENCIA-WEBER: All right. Okay. So it
6 is a specialized term meaning --

7 MS. MALIK-DORMAN: Mm-hmm. Yes. And it
8 sounds really bad, you know, controlled deficiencies,
9 but, you know, that's the language that we're required
10 to use, and, you know, when it gets worse, it's
11 significant deficiency or material weakness, which you
12 don't want to see. You know, and that would be in the
13 other report.

14 MS. VALENCIA-WEBER: Okay.

15 CHAIRPERSON MADDOX: Thank you. Any other
16 comments from the other board members?

17 (No response.)

18 CHAIRPERSON MADDOX: Mr. Attorney General, did
19 you have anything to add? Mr. Inspector General.

20 MR. SCHANZ: Well, thanks for the raise.

21 (Laughter.)

22 MR. SCHANZ: Victor knows Eric Holder a lot

1 better than I do, but I did work for him.

2 No, I appreciate the support and questions of
3 the audit committee. We are very interested in
4 timeliness and we are very interested, as an OIG, in
5 internal controls. And I'll mention that if you go on
6 our website, a lot of our external grant audits involve
7 a review of selected internal controls. And that's
8 part of our risk assessment discussion as to which
9 grantees are at risk of defalcations or of not spending
10 money properly or of not doing what they're supposed to
11 do with the limited funds they get from the LSC.

12 So our titles of our grant reports, our review
13 of selected internal controls, once again what Uzma
14 says, if we take a look at all of their controls, then
15 you get into a cost benefit analysis.

16 CHAIRPERSON MADDOX: Sure.

17 MR. SCHANZ: So using a risk assessment, we
18 know which areas nationwide, on the work that we've
19 done, that are vulnerable to misuse, fraud, waste and
20 abuse, using IG language.

21 CHAIRPERSON MADDOX: Outstanding. Thank you
22 very much.

1 MS. VALENCIA-WEBER: Thank you.

2 CHAIRPERSON MADDOX: Thank you, Ms.

3 Malik-Dorman.

4 MS. MALIK-DORMAN: Thank you. Thank you so
5 much.

6 CHAIRPERSON MADDOX: Okay. We will move to
7 the next item on our agenda, which is the review of the
8 LSC's IRS Form 990 for fiscal year 2010.

9 And Mr. Richardson, the treasurer and
10 controller. Over to you.

11 MR. RICHARDSON: Okay. Again, I would like to
12 apologize for getting this to you just now. I received
13 this late last week. I did not have a chance to review
14 it because of things going on here in the Corporation.
15 I finally got it completed last night. I've made sure,
16 and I've initialed here -- when you look at the 990 and
17 you look at the financial statements, you'll see that
18 everything is in balance, and I made sure of that last
19 night as we look at this.

20 There is a report that is 50, I think it's 55
21 pages in total. I've only given you the first seven
22 because it lists all the grantees. It gives you all

1 the loan repayment assistance folks and their home
2 addresses. It also gives salaries and time spent on
3 LSC activities for management and for the Board
4 members. Unfortunately, I'm still receiving time
5 reports for Board members. So it's not 100 percent
6 complete. We're getting much, much closer.

7 What I will do is provide you a complete copy
8 of the form. That way you will have a Form 990 when
9 it's complete work. Our goal was, of course, to have
10 it done before this meeting. One of the delays, of
11 course, was with the audit in getting this and then the
12 cross pollination within the 990.

13 But now that we've got this completed,
14 hopefully by next Friday is my goal to be able to get
15 it completed and in your hands. But at least at this
16 point, we know that the financial data does match the
17 audit and that we'll just get the last information in
18 as far as the time records for those that are needed.

19 CHAIRPERSON MADDOX: So it's fair to say that
20 the 990 form is going according to your procedures.
21 There is nothing exceptional or extraordinary about it.
22 You're satisfied that all the information is there and

1 the form is going to be in order?

2 MR. RICHARDSON: That's correct. The deadline
3 to get it filed is February 15th, and we will do that.

4 CHAIRPERSON MADDOX: Yeah.

5 MS. REISKIN: It's February 15th?

6 MR. RICHARDSON: Yes.

7 MS. VALENCIA-WEBER: It's different than the
8 individuals.

9 MS. REISKIN: Oh. You just about gave me a
10 heart attack.

11 MR. RICHARDSON: Because it's fiscal.

12 CHAIRPERSON MADDOX: Did I hear you say that
13 one of the holdups is that the Board members have not
14 gotten reports of their volunteered time to you
15 already?

16 MR. RICHARDSON: Some. We may make a few
17 phone calls early next week.

18 CHAIRPERSON MADDOX: Do we, as a committee,
19 need to admonish the Board?

20 MR. RICHARDSON: No, I don't think so.

21 CHAIRPERSON MADDOX: Anybody here guilty?

22 MS. VALENCIA-WEBER: No. I didn't have to do

1 it, but I'm not guilty.

2 MR. RICHARDSON: No. You two did not have to
3 do it as yet.

4 CHAIRPERSON MADDOX: Oh, that's right.

5 MR. RICHARDSON: You came in October.

6 MS. VALENCIA-WEBER: We didn't have to do
7 2010, but I thought we had to do the first quarter of
8 fiscal year 2011, which is what I sent in.

9 MR. RICHARDSON: That's correct. And that's
10 what we're trying to do is to make sure that people are
11 on top of it by getting it quarterly instead of waiting
12 until the year end and saying oops, I've got to go
13 review 12 months worth of records to see how much time
14 I've spent.

15 CHAIRPERSON MADDOX: Yes. I know exactly what
16 you're talking about. Anything else? If not, we thank
17 you for --

18 MS. MIKVA: Are there some dire consequences
19 of underreporting the hours?

20 MR. RICHARDSON: No, there is not.

21 CHAIRPERSON MADDOX: Okay. Well, thank you
22 very much.

1 We'll move now to item number five, which is
2 the report on the LSC's 403(b) plan performance. Is
3 Ms. Dickerson --

4 MS. VALENCIA-WEBER: I thought I saw her
5 earlier.

6 CHAIRPERSON MADDOX: Yeah, I don't see her.

7 We can move on to the item number six and
8 defer that to the next item. Is the inspector general
9 available? We'll just move on to item number six for
10 now.

11 Item number six is the Inspector General's
12 briefing, and I turn it over to Jeffrey Schanz.

13 MR. SCHANZ: Thank you, Mr. Chairman. I'm
14 going to defer a little bit also because I would like
15 to make our presentation on our work plan to the entire
16 Board on Saturday because this being the audit
17 committee, I can talk to you about our audit
18 activities, but I would prefer to defer to give you a
19 complete snapshot of what we're going to be doing in
20 the next fiscal year.

21 CHAIRPERSON MADDOX: I think that's fine. Any
22 objection?

1 (No response.)

2 CHAIRPERSON MADDOX: Okay.

3 MR. SCHANZ: Okay. Thank you very much.

4 CHAIRPERSON MADDOX: That will be great.

5 Thank you.

6 A PARTICIPANT: Ms. Dickerson is on her way.

7 CHAIRPERSON MADDOX: Okay. Then we'll just

8 wait for Ms. Dickerson, the director of human

9 resources.

10 MR. KORRELL: Mr. Chairman, a question for

11 you.

12 CHAIRPERSON MADDOX: Sure.

13 MR. KORRELL: I've been looking at the agenda

14 and I looked back at our -- when I was looking at the

15 -- and this may be other business, but while we've got

16 a second here, I was looking back at the minutes and we

17 had talked about approaching the idea about getting

18 some input on revising the charter for our committee.

19 Is that a live issue still?

20 CHAIRPERSON MADDOX: It's not a live issue

21 now. That's an issue that really was something that I

22 brought up. And I'll just, if I haven't explained this

1 already, I'll do so again.

2 The -- our charter provides for, in essence,
3 employees of the Corporation to bring complaints about
4 certain matters outlined in the charter to the
5 Committee, and then the Committee is obliged to
6 determine, A) if the matter falls within the
7 Committee's jurisdiction, and B) if so, if it needs
8 investigation and resolution by the Committee.

9 The way the charter presently reads is it
10 gives the chairman certain discretion to decide if A)
11 if it's within the Committee's jurisdiction and B) if
12 it needs further handling by the Committee and then
13 ultimately by the Board itself. And I understand that
14 that language came from sort of best practices and
15 reviewing other federal agencies and whatnot.

16 My own thought was that I'm not particularly
17 happy with the idea that I, as chairman, am A)
18 empowered or B) compelled to exercise discretion to
19 decide if an employee's complaint is something that
20 deems further, you know, deserves further
21 investigation.

22 So my thought was that we would amend the

1 charter to provide that I would determine if it's
2 within the Committee's jurisdiction. And if it is,
3 then the Committee would determine if further action
4 was required.

5 I think I was convinced, either by talking to
6 others or thinking about it further, that we would just
7 wait and see how this played out, since we haven't yet
8 had any complaints. There was an item that came to the
9 Committee's attention last year before you-all were
10 involved that sparked my interest in perhaps revising
11 it. And I think that I'm just prepared to wait and see
12 if we have a problem.

13 MR. KORRELL: My recollection of the issue was
14 a broader one, but we've got Ms. Dickerson here.

15 CHAIRPERSON MADDOX: Okay.

16 MR. KORRELL: So I'm happy to -- if it's okay,
17 I'll just bring that up in the other business as a
18 topic for discussion.

19 CHAIRPERSON MADDOX: Okay. Then we recognize
20 the director of human resources, Alice Dickerson, for
21 report on the LSC's 403(b) plan performance.

22 MS. DICKERSON: Thank you. I apologize,

1 first, for being out of the room, but I started to
2 cough. I've had bronchitis recently and I started to
3 cough right before and I didn't want to interrupt
4 David's presentation or to appear coughing.

5 So basically this is just a brief review of
6 where we were in October when we reported to you on the
7 403(b). We have now made changes of several of the
8 funds, as described in the memo. We have still not
9 made a decision as far as whether to go ahead and enter
10 into an agreement with Mesirow as far as the shared
11 fiduciary responsibility. We are awaiting further
12 clarification from them on a couple of things that Mark
13 Freedman had requested clarification on. And I think
14 once we receive that, then we'll be prepared to go
15 ahead and make that decision.

16 We are also looking into getting fiduciary
17 insurance on the plan. Mr. Meites had requested that
18 before he was no longer on the Board. So we are
19 looking into that. We have an application in process,
20 and we're getting quotes. So we very possibly will be
21 moving in that direction as well.

22 We did go ahead and add the Mesirow

1 recommended funds, and they are doing very well for us
2 in the fourth quarter. The plan made a hundred and
3 fifty thousand dollars. There was -- let me say -- I'm
4 sorry. Let me say this differently. The assets
5 increased by \$850,000. If we subtract the
6 contributions, which total 480,000, the actual gain is
7 370,000. But for one quarter, that was actually very
8 good. And so we're very pleased with that.

9 The new funds have been well received by
10 employees. We added four different categories of funds
11 that were not previously available. And that was a
12 small growth fund, a real estate fund, natural
13 resources, and diversified emerging markets. And so we
14 had the mapping in I think it was October or November
15 of this year. And so all of the assets now are
16 invested in the new funds.

17 And we still have our investment advisor come
18 in on a monthly basis and meet with employees and
19 advise them on how to best invest or how to best
20 capitalize on what they have. And they are also
21 willing to meet with people on a one-on-one basis. And
22 many employees take advantage of that opportunity as

1 well.

2 So we continue to be very well pleased with
3 AUL as our plan administrator. We're very pleased that
4 we made that change, and they have continually
5 impressed us with the way our account is handled. If
6 anyone has any questions, I would be glad to --

7 CHAIRPERSON MADDOX: I guess the only question
8 I have is last year I think you provided us with some
9 comparative data on the fund's performance.

10 MS. DICKERSON: I can send that to you. I do
11 have it.

12 CHAIRPERSON MADDOX: Could you make that
13 available to us?

14 MS. DICKERSON: Certainly. Actually, I can
15 have it copied this afternoon and give it to you
16 before --

17 CHAIRPERSON MADDOX: Yeah, that would be
18 great.

19 MS. DICKERSON: -- before you leave.

20 CHAIRPERSON MADDOX: And then I guess one
21 other question is on the fiduciary issue, it seems like
22 this has been an ongoing issue now for, what, six or

1 nine months?

2 MS. DICKERSON: It has been an ongoing issue
3 since June.

4 CHAIRPERSON MADDOX: Okay.

5 MS. DICKERSON: And is Mark -- Mark is here.

6 CHAIRPERSON MADDOX: I recognize Mr. Freedman
7 of the legal counsel's office.

8 MR. FREEDMAN: It has been an open issue. In
9 some sense, the ball has been in their court. We had
10 an extensive teleconference with some folks at Mesirow
11 itself who originally didn't want to deal directly with
12 any of the employers who were in the plan. They wanted
13 to do everything AUL. But we had sufficient questions
14 for clarification that they came to the table.

15 We've had some correspondence on confirming,
16 okay, here is what we understand you said you
17 understand your agreement to say. Until we've got that
18 nailed down, we're not quite ready to say okay, we can
19 go ahead with this. And right now, we're still covered
20 under the fiduciary coverage agreement directly with
21 AUL. And it's AUL that primarily wanted to have us
22 move over to Mesirow. So we're going to follow up with

1 them to say are we moving forward with this. But right
2 now, we're -- we don't have a gap. We just have kind
3 of a delay.

4 CHAIRPERSON MADDOX: So just for
5 clarification, where do the fiduciary responsibilities
6 lie right now and where do we expect them to be and
7 where will the relationships be once the Mesirow deal
8 is completed?

9 MR. FREEDMAN: And this has to do with, this
10 narrow chunk of the fiduciary having to do with the
11 investment advice services. Now when we signed on with
12 AUL, it was a little convoluted to begin with. In one
13 sense, it will be simpler, but the parties will be
14 different.

15 AUL agreed to provide investment advice
16 services from a place called Ibbotson. Well, Ibbotson
17 was providing the investment advice, which basically
18 boiled down to narrowing the field and saying pick from
19 these. And Ibbotson was backing up the we're telling
20 you to pick from these. And if that's bad advice,
21 that's our bad, if it's insane.

22 They're actually -- we're actually providing

1 that information to AUL. So when AUL provided that
2 information to us, AUL was providing the backing for
3 that saying we think this is good enough, that if that
4 was a bad narrowing, sue us.

5 They restructured it so that instead of
6 Ibbotson providing the advice, a company called Mesirow
7 out of Chicago will be providing the advice. And as
8 part of that restructuring, Mesirow will be offering
9 that fiduciary, if we narrowed it bad, that's our bad.
10 Go after us.

11 The terms of the agreement that Mesirow wanted
12 us to execute were a little different than the terms
13 that AUL had. And also we had some concerns that we
14 were adding yet another party into the mix. And
15 beforehand, we had -- our planned administrator was
16 also offering this fiduciary. So it was kind of part
17 of the big bundle. And part of the complexity here was
18 that while Mesirow was providing this to lots of
19 different employers through the -- it's really a
20 service Mesirow is providing to AUL.

21 And Mesirow only wants to deal with AUL, but
22 the agreement for the fiduciary here is an agreement

1 between us and Mesirow. And AUL isn't actually a party
2 to that agreement. But AUL essentially was negotiating
3 -- not really negotiating, presenting the agreement to
4 us. Those were the complexities that most our
5 understanding from -- with AUL and also our financial
6 advisor is that most employers, fine, whatever,
7 whoever. We noticed some things that just didn't seem
8 right. And then as we pushed on that, they actually
9 changed their form agreement on some matters, and then
10 we had this follow-up on others to get clarification.

11 So in the end, it's also a very small risk
12 area, given the type of work that Mesirow is providing,
13 and the quantity that they're doing is an extremely low
14 risk that there be any liability associated with the
15 narrowing down to the which investments are in the
16 package that we're going to select from. And of course
17 our advantage is, once it's been narrowed down there,
18 we have this almost safe harbor of saying, you know,
19 we've go the best experts to say anyone of these is,
20 you know, well above what would be a reasonable,
21 prudent choice. But it's getting that extra little
22 coverage there.

1 Now as part of this process, we also
2 identified that there is an additional layer of
3 protection of a fiduciary insurance that we can get for
4 essentially the entity, which is kind of like an
5 umbrella policy. And given the layers of protection we
6 already have, the premiums are pretty low. And I think
7 the comptroller is looking into exactly what we do.

8 Additionally, there is -- I think of the code
9 provisions right now, but there is a way we have a
10 planned structure that falls into certain additional
11 safe harbor provisions. So right now I think we have a
12 number of overlapping spheres of protections saying
13 that we are being as careful as possible. And
14 generally, as we've gone over things with David Levine,
15 who is our counsel at the Groom Law Group, which is a
16 benefits boutique firm, they've said that we are --
17 under the prudence level and the care level, we are
18 well above our peers.

19 CHAIRPERSON MADDUX: Okay.

20 MR. FREEDMAN: Does that answer both the
21 structural question and I think the underlying
22 concerns?

1 MS. VALENCIA-WEBER: Is that the, essentially
2 the fill-in for the sentence you have here, that we are
3 in the process of applying for independent fiduciary
4 insurance?

5 MS. DICKERSON: Yes. The comptroller is
6 working with various insurers getting quotes and so on.

7 MS. VALENCIA-WEBER: Okay.

8 CHAIRPERSON MADDOX: Okay. Well, thank you
9 for that report.

10 MS. DICKERSON: Okay.

11 CHAIRPERSON MADDOX: Thank you, Mark.

12 MR. FREEDMAN: My pleasure.

13 MS. REISKIN: May I ask a question?

14 CHAIRPERSON MADDOX: Sure.

15 MS. REISKIN: Do all of our grantees have
16 these kinds of things?

17 CHAIRPERSON MADDOX: Not necessarily.

18 MS. DICKERSON: I think some of them do. I
19 don't think I can say all of them do because I'm not
20 sure that we even know for sure if all of them do. But
21 I know from a time earlier in my career at LSC where I
22 was actually visiting grantees at times, I remember

1 them telling me they did not have. So and I think even
2 the ones who do probably are not able to contribute,
3 for instance, on a level that LSC is able to
4 contribute.

5 And the reason our contribution is so generous
6 is the fact that at -- initially, LSC employees had
7 federal benefits. So our employees were in the CSRs.
8 When the federal government developed FURS, there were
9 technical amendments to FURS. And at the time they did
10 the technical amendments, they excluded agencies like
11 LSC. I shouldn't use agency because we're not an
12 agency.

13 MS. VALENCIA-WEBER: Entities.

14 MS. DICKERSON: Entities like LSC who were not
15 federal, but who were funded by congressional
16 appropriation. And we were all taken out of the
17 federal benefits at that time. So when we worked with
18 the other benefits providers and brokers, we designed
19 the plan to be as much like the federal plan as
20 possible so that we would be able to contribute on the
21 same level and provide, you know, quality for our
22 employees.

1 CHAIRPERSON MADDOX: Does that answer your
2 question?

3 MS. REISKIN: Thank you.

4 CHAIRPERSON MADDOX: Thank you, Alice.

5 MS. DICKERSON: You're very welcome.

6 CHAIRPERSON MADDOX: Item number eight is
7 public comment. Is there any public comment?

8 (No response.)

9 CHAIRPERSON MADDOX: Hearing none, we will
10 move to item number nine.

11 MR. KORRELL: Did we skip seven?

12 MS. VALENCIA-WEBER: Mr. Meyer?

13 CHAIRPERSON MADDOX: Oh, I'm sorry. Always
14 use your glasses when looking at the agenda. Item
15 number seven is a Report on the Accuracy of Grantee
16 Data by John Meyer, the director of Office of
17 Information Management.

18 MR. MEYER: Office actually of, but, you know,
19 that's a typo type correction.

20 CHAIRPERSON MADDOX: Okay.

21 MR. MEYER: And my report, this is on page 101
22 in your book. So you, you know, you can turn to that

1 if you want. And I will -- I have footnotes and so on.
2 I won't read all that. I will give you the gist. I
3 know we're way late.

4 CHAIRPERSON MADDOX: Please don't read the
5 report to us, but I mean, we'll read the report.

6 MR. MEYER: Yeah.

7 CHAIRPERSON GREY: But if you can provide, you
8 know, your summary and refer to it as much as
9 necessary.

10 MR. MEYER: Okay. Okay. Right. Okay. This
11 is about the grantee program data. And what was
12 covered in this is three major categories that are
13 discussed here, are the case service report, the CSR,
14 which are the cases the grantees do; financial
15 information; and grantee staffing. And CSRs come in
16 annually. And they are a detailed report.

17 They cross match the level of service given
18 and the type; that is, whether it was a consumer case
19 or an income maintenance case, or what, and we can pull
20 that information out in considerable detail so you can
21 get down how many consumer cases were bankruptcies done
22 by and what decision.

1 The case types are also, there is 10 broad
2 categories and they're subcategorized into 77. We also
3 have a separate report between the case in general and
4 PAI, which I know is very interesting. And so you can
5 subcategorize the PAI cases and pull them out in the
6 same level of detail.

7 And these reports are subject to extensive
8 guidance. We have worked on this over a long period of
9 time, and the 2008 CSR Handbook is our current
10 guidance, which is backed up by also frequently asked
11 questions, which they're all on the Internet.
12 Actually, pretty much everything here is.

13 In general, this CSR data is pretty solid.
14 What we have is a what we call a self-inspection, which
15 is required to be submitted with the actual cases. And
16 the grantees sample their own, what they're going to
17 submit according to a list of different things they
18 need to check, and they tell us out of these cases,
19 which they pull up and check specifically, did this all
20 check out or was there an error. And we have -- that
21 sample has, in the last six or seven years, been about
22 a 3, 3.5 percent, which I would say is pretty good.

1 Then okay. We also collect number of open
2 cases as of December 31st each year and we have an age,
3 ethnicity and gender report. For all of these, we can
4 do national statistics, and we can also do statistics
5 by grantee and we can slice them out.

6 In addition, there is what we call the other
7 services report. And that deals with assistance given
8 that isn't cases. Things like forms for pro se,
9 community legal education. Most of that is Internet.
10 There is a very large number of those, much larger than
11 the CSR's. And then that, in terms of the accuracy
12 level, we -- you know, these are not reported and
13 checked individually. It is not reported and checked
14 individually. And they are reasonable, but I wouldn't
15 make the same level of claim of accuracy.

16 Grantee financial information -- I think my
17 problem was I was sitting too far back. Grantee
18 financial information is also submitted annually, the
19 unaudited ones that -- and this gives us a picture of
20 everything nationally by grantee, by service area. It
21 sliced the revenues or sliced that LSC and non-LSC in
22 the bias subcategories as laid out here. So we can

1 find out what came out of IOLTA, you know, what the bar
2 association submitted, et cetera.

3 And here I have, which I'll skip over, a
4 coverage of how the trends have been in this over the
5 years. You can read that.

6 Then we have grantee staffing. And that's --
7 actually, we get reports of all grantee staff members,
8 considerable information about them. Now the
9 individualized reports come here, and we have a
10 legitimate use for them, but, you know, we don't give
11 that out because on the individual level, unless -- if
12 there is a FOIA, we would give out what's required, but
13 otherwise, we don't give that out. But we do use it
14 when, you know, an OCE or OPP visit is occurring. At
15 that point, it's legitimate and relevant information to
16 be used.

17 You know, mostly that's good, but we do run a
18 number of checks to make sure, for example, that
19 somebody didn't put in -- you know, if we get a
20 \$600,000 salary, we know it was an error, somebody hit
21 an extra zero. So we check through these things and
22 pull out, and we have some experience as to what tends

1 to be errors. So we can do some improvement with that.

2 Again, I have a listing of historically how
3 the data has varied over recent years, which hasn't
4 been that much. It's been a level of considerable
5 constancy. And that will conclude my summary.

6 CHAIRPERSON MADDOX: So it's fair to say that
7 you're pretty comfortable with the --

8 (Interruption to proceedings.)

9 CHAIRPERSON MADDOX: Excuse me. Is somebody
10 on the phone? Could you mute, please.

11 You're comfortable with the accuracy of the
12 data that you use, and that's the data that goes into
13 presenting, for instance, our fact book for a year?

14 MR. MEYER: Absolutely. Actually, I had --
15 definitely this is the fact book data. That's what
16 I've concentrated on. And I'm very strong on the CSRs;
17 the revenue data I haven't seen any problems with. And
18 yes. I would say, without just repeating everything,
19 yes.

20 CHAIRPERSON MADDOX: Okay. Any other
21 questions from the Committee or other Board members?

22 MS. REISKIN: Is this aggregated on the

1 website, the data?

2 MR. MEYER: Oh, yes. Well, okay. I mean,
3 there is a lot of data on the website. I mean, I'm
4 sort of discussing it broadly. A great deal of that
5 data is in the grantee profile --

6 MS. REISKIN: Okay.

7 MR. MEYER: -- with other data. I mean, I
8 wouldn't say it's all set out exactly as I was
9 discussing in here, but we have all that data, and if
10 you want information, we either can point you to it or
11 we can give it to you.

12 CHAIRPERSON MADDOX: The fact book is
13 available online.

14 MR. MEYER: Oh.

15 MS. REISKIN: Yes. We've been given that.

16 MR. MEYER: Absolutely. The fact book is --
17 again, the fact is available on the website.
18 Absolutely. The grantee profile has a lot of
19 additional data in it and is, you know, very useful if
20 you want to find out what's going on in a grantee. And
21 then we have more specific, even more detailed data if
22 you want it.

1 CHAIRPERSON MADDOX: Gloria?

2 MS. VALENCIA-WEBER: I expect, with what's
3 happened in the recession and the cuts, the loss of
4 IOLTA and other public and private funds for our
5 grantees, we have fewer attorneys, fewer employees,
6 period, across all the grantees, you know, and you will
7 give us a report on that. I notice your footnote six
8 can only give us 2009.

9 In the meantime, where might we get an idea of
10 what those cutbacks have done in terms of number of
11 lawyers, paralegals, and all because just in doing our
12 visits around the country, people told us what they're
13 having to do. How many lawyers, how many paralegals,
14 what kind of staff they're having to layoff, but the
15 aggregate picture isn't really clear in my head.

16 MR. MEYER: Okay. We will be getting -- our
17 data comes in annually in March, and then we've got to
18 check it, but so we will be, fairly soon, having, you
19 know, real data like this for 2010. Meanwhile, I can
20 tell you that -- this is not a projection because, I
21 mean, it's just a comment. I expected the funding
22 totals of non-LSC to go down last year. They actually

1 managed to hold it level. I think they will go down
2 this year.

3 IOLTA went down last year and it's going to go
4 down further. I mean, that's -- everybody believes
5 that. Last year as the data was coming in, they wanted
6 information. I tried to give field some idea of what
7 it was going to look like. And I was wrong even while
8 it was coming in.

9 So I have found, historically, staffing number
10 have had a remarkable -- a considerable level of
11 constancy that I would expect that non-LSC will be down
12 and staffing will probably be down, though we did fund
13 LSC this year. And it might even be, you know, the
14 next report after this one where things really go down
15 depending, of course, on what we get in the LSC
16 appropriations. I don't think non-LSC will probably
17 recover in the next year or so.

18 CHAIRPERSON MADDOX: Thank you very much, Mr.
19 Meyer.

20 MR. MEYER: You're welcome.

21 CHAIRPERSON MADDOX: Thanks for that report.

22 Item number eight on our agenda is public

1 comment. Is there any public comment?

2 (No response.)

3 CHAIRPERSON MADDOX: Hearing and seeing none,
4 we'll move to item number nine. Any other business for
5 the Committee?

6 Yes, Mr. Korrell?

7 MR. KORRELL: Yes, Mr. Chairman, to return to
8 the topic I mentioned during our wait there. My
9 recollection of the discussion from our October
10 committee meeting about the charter, and maybe it's
11 just my recollection and my reaction to reading that
12 charter for the first time because I was new to this
13 committee, along with Gloria, was that there was a lot
14 on that charter.

15 And I wondered aloud and I think -- I thought
16 others did also, whether that charter was sort of a
17 product of some sort of brainstorming best practices,
18 what do other audit committees do, and that many of the
19 sources that we looked to did not have an Office of
20 Inspector General as part of their organizational
21 structure. And I wonder whether that charter is too
22 ambitious and sets for us a bar that we may not

1 realistically be able to clear.

2 CHAIRPERSON MADDOX: We did talk about it.

3 MR. KORRELL: And if that's the case, I'm
4 uncomfortable having a charter that says we will do
5 things that we realistically can't do or shouldn't be
6 trying to do, given that we have an OIG.

7 CHAIRPERSON MADDOX: Precisely. And we did --
8 it does lay out all manner of things that I don't think
9 we can realistically do and yet we're required by our
10 charter to do every year. And so maybe we ought to put
11 on our agenda for an upcoming meeting a review of that
12 charter, perhaps staff recommendations on possible ways
13 to streamline and perhaps consolidate some of those
14 items to more realistically reflect what it is we think
15 we are obliged to do and really can't do.

16 Recognize the Inspector General.

17 MR. SCHANZ: I would report also that we have
18 audit committee bibliography that we put together when
19 the audit committee was first formatted in the last
20 Board. We worked closely with the audit committee, and
21 I would offer our services to do that again.

22 CHAIRPERSON MADDOX: We appreciate that. And

1 I think we talked last quarter or so about the
2 possibility of trying to have just a sort of informal
3 briefing with the Committee. It didn't happen because
4 of schedules and whatnot, but perhaps we can get that
5 in the next quarter or two.

6 MR. KORRELL: Yeah. Rather than waiting for
7 our next Board meeting, it might not be a bad idea if
8 we had a telephone conference with maybe the OIG or
9 appropriate staff. Just kind of talk about how that
10 document came to be.

11 CHAIRPERSON MADDOX: Or maybe a video
12 conference.

13 MR. KORRELL: Maybe a video conference.

14 MS. REISKIN: That would be okay.

15 CHAIRPERSON MADDOX: That would be great.

16 MR. KORRELL: I think it would be all right.
17 Okay. So I leave that to the chairman to think about
18 if that's okay.

19 CHAIRPERSON MADDOX: We'll consider that for
20 our next agenda.

21 MR. KORRELL: Okay. Thanks.

22 CHAIRPERSON MADDOX: Thank you very much.

1 Thank you, Inspector General.

2 I think that concludes the open session of the
3 meeting today. And we'll now proceed to our closed
4 session. So those who are not involved, and otherwise,
5 authorized can leave the room.

6 (Whereupon, at 12:36 p.m., the open session of
7 the committee was adjourned.)

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