

1 LEGAL SERVICES CORPORATION
2 BOARD OF DIRECTORS

3 FINANCE COMMITTEE
4 OPEN SESSION

5 Saturday, April 29, 2006
6 10:35 a.m.

7 The Chase Park Plaza Hotel
8 212-232 N. Kingshighway Boulevard
9 St. Louis, Missouri

10 COMMITTEE MEMBERS PRESENT:

11 Michael D. McKay, Chairman
12 Lillian R. BeVier
13 Thomas A. Fuentes (by telephone)
14 Herbert S. Garten
15 Thomas R. Meites
16 Sarah M. Singleton
17 Frank B. Strickland, ex officio

18 OTHER MEMBERS PRESENT:

19 David Hall
20 Bernice Phillips

21 OTHERS PRESENT:

22 Helaine Barnett, President
23 Patricia Batie, Manager of Board Operations, LSC
24 Edward Berg, Mid MO LSC
25 Terry Brooks, Dir., Legal Services, ABA
26 Mattie Cohan Condray, Sr. Asst. Gen. Counsel, LSC
27 Jonann Chiles, Nominee, LSC Board of Directors
28 Joseph Devereux, Jr., LSEM Board
29 Karen Dozier, Exec. Asst. to the President, LSC
30 Victor Fortunato, V.P. Legal Affairs, Gen. Counsel, LSC
31 Dan Glazier, Exec. Dir., Legal Services of Eastern MO
32 Joel S. Gallay, Special Asst. to the IG

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8 OTHERS PRESENT (Cont'd.):

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10 Richard Halliburton, Exec. Dir., Legal Aid Western MO

11 Luis C. Jaramillo, Acting Special Counsel to President

12 Charles N. Jeffress, Chief Admin. Officers, LSC

13 Michael Lenn, House Judiciary Committee

14 David Maddox, Asst. IG for Resource Management

15 Linda Perle, Center for Law & Social Policy

16 Tom Polgar, Dir., GRPA

17 David Richardson, Treasurer and Comptroller, LSC

18 Don Saunders, NLADA

19 Karen J. Sarjeant, V.P. Programs and Compliance, LSC

20 Mickie Subia, LSC

21 Richard "Kirt" West

22 Linda Zazore, Deputy Dir., Land of Lincoln Legal Asst.

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

2 CHAIRMAN McKAY: Good morning. We'll call to
3 order the Finance Committee meeting.

4 CHAIRMAN McKAY: The first item on the agenda
5 is the approval of the agenda and before I ask for a
6 motion, I would ask the Board -- the Committee to give
7 unanimous consent to switching items 4 and 5. That is,
8 that we hear, as item number 4, Consider and act on
9 revisions to the Consolidated Operating Budget, and then
10 hear a presentation to the Board -- the Committee on
11 LSC's financial reports.

12 I ask for this change because the financial
13 reports would include the revisions and so I would ask
14 that we consider the revisions first. And so I would
15 ask that we consider the revisions first.

16 MR. GARTEN: So moved.

17 CHAIRMAN McKAY: So with that amendment to the
18 agenda, I would ask for approval of -- a motion on the
19 approval of the agenda.

20 M O T I O N

21 MS. BeVIER: So moved.

22 MS. SINGLETON: Second.

1 CHAIRMAN McKAY: All those in favor?

2 (Chorus of ayes.)

3 CHAIRMAN McKAY: Opposed?

4 (No response.)

5 CHAIRMAN McKAY: Agenda is approved as
6 amended.

7 The second item --

8 MR. MEITES: Mr. Chair?

9 CHAIRMAN McKAY: Yes, Mr. Meites.

10 MR. MEITES: This is not a question I am proud
11 of. Am I on this committee?

12 CHAIRMAN McKAY: You are. We happily welcome
13 you as a member of this Committee.

14 CHAIRMAN McKAY: The second item on the agenda
15 is approval of the minutes for our January 27, 2006,
16 meeting.

17 M O T I O N

18 MR. FUENTES: Move approval of the minutes.

19 CHAIRMAN McKAY: Do I hear a second?

20 MS. SINGLETON: Second.

21 CHAIRMAN McKAY: Questions or comments?

22 (No response.)

1 CHAIRMAN McKAY: All those in favor, say aye.

2 (Chorus of ayes.)

3 CHAIRMAN McKAY: Opposed?

4 (No response.)

5 CHAIRMAN McKAY: Minutes are approved.

6 The third item is a presentation from our
7 Inspector General on fiscal year 2005 annual financial
8 audit. Mr. West.

9 MR. WEST: Good morning, Mr. Chairman, members
10 of the Committee. The OIG transmitted the fiscal year
11 2005 financial statement audit report prepared by LSC's
12 independent auditor, M.D. Oppenheim, to the Board on
13 March 31, 2006.

14 The report states that LSC's financial
15 statements present fairly, in all material respects, the
16 financial position of LSC. The independent auditor's
17 report on compliance and internal control disclose no
18 instances of non-compliance that are required to be
19 reported under the government auditing standards and
20 also noted no matters involving the internal control
21 over financial reporting and its operation that were
22 considered to be material weaknesses.

1 Getting out of auditor language, that is good
2 news. It is a clean opinion. There were no problems
3 with what the auditors found. I just would note for the
4 record that the report I sent to you, while it was dated
5 December 15th, it was not transmitted until March 31st.

6 And the reason for that is the CPA firm would not
7 release the report until it received the management
8 representation letter. And that was received from
9 the -- on the firm on March 28, 2006.

10 So that was the reason it looks kind of funny.

11 You got a report dated December 15th at the end of
12 March. We will be, for the 2006 audit, opening up
13 competition for the contract on soliciting bids. We may
14 end up -- you know, we may have a new firm or we may
15 have the same firm again. It just sort of depends on
16 the competition process.

17 CHAIRMAN McKAY: Will you remind us who the
18 firm is that did the work?

19 MR. WEST: Yes. M.D. Oppenheim.

20 CHAIRMAN McKAY: Any other questions from the
21 Committee?

22 (No response.)

1 CHAIRMAN McKAY: Thank you.

2 MR. WEST: You are welcome.

3 CHAIRMAN McKAY: The next item on the agenda
4 is considering and acting on revisions to the
5 consolidated operating budget for fiscal year 2006.
6 Mr. Jeffress and Mr. Richardson.

7 MR. JEFFRESS: Thank you, Mr. Chairman. I
8 appreciate your changing the order of the agenda so we
9 could do this first. David Richardson has asked for
10 just an opportunity to comment on the delayed response
11 in the management letter on the audit if he may.

12 MR. RICHARDSON: If I could just add, we did
13 hold the management letter for a number of months
14 waiting for the friends audit. So when that was
15 completed and we got the financial information, we
16 completed the management letter. It could have been
17 done at any time, but we just held it because they could
18 not release the report until they got the friends of
19 Legal Services information. So that was actually the
20 reason for the delay.

21 CHAIRMAN McKAY: Thank you. A question,
22 Mr. Garten?

1 MR. GARTEN: Yes, Mr. Richardson. Did you
2 advice the IG of what was holding up management's
3 report?

4 MR. RICHARDSON: Yes, sir.

5 MR. GARTEN: Thank you.

6 MR. JEFFRESS: If we, then, may proceed on the
7 consolidated operating budget.

8 CHAIRMAN McKAY: And perhaps if you could
9 begin by just making sure that everyone has the latest
10 materials.

11 MR. JEFFRESS: Thank you, Mr. Chairman. We
12 mailed out this week some replacement pages and
13 additional information to what had come to you at the
14 time of the Board book. So beginning on page 62, it
15 should say replacement page 62 and there is a 62-A and
16 62-B, which was not in your book when it was provided at
17 the time. And for the public that has picked up books
18 in the back of the room, those pages are corrected in
19 that book. I have extra copies here if you need to read
20 them. But we were going to start with the revisions to
21 the consolidated operating budget.

22 CHAIRMAN McKAY: And before you go through

1 that --

2 MR. JEFFRESS: Yes.

3 CHAIRMAN McKAY: -- Mr. Jeffress, I would like
4 to report to the Committee what I think every committee
5 member knows is that we all received a memorandum from
6 the OIG's office from Mr. Maddox through Mr. West. That
7 was a memorandum, dated April 25, 2006, which raised
8 some questions about the materials about which the two
9 of you are going to address.

10 I had the opportunity to meet with Mr. Maddox
11 and Mr. West yesterday and after carefully going through
12 that memorandum and comparing it with the revised
13 memorandum, which you have given the Board, Mr. Maddox
14 and Mr. West asked that they be given the opportunity to
15 withdraw their memorandum of April 25, 2006.

16 And I appreciate the spirit in which that was
17 done. It is my understanding that your revised
18 presentation to the Committee was a product of
19 information you received from the IG's office and that
20 you made changes in your memorandum so that it was a
21 more accurate presentation to the Committee.

22 MR. JEFFRESS: That is correct. The original

1 page 62 had an error in it, in terms of where money was
2 being transferred from, so the replacement page 62 that
3 we have provided to you corrects that. What our plan
4 was this morning, I will talk briefly about the two
5 paragraphs on page 62 and ask David Richardson to talk
6 about the more detailed information that is available on
7 62-A and 62-B.

8 CHAIRMAN McKAY: Thank you.

9 MR. JEFFRESS: Essentially, we are proposing
10 to you -- asking you to approve a new consolidated
11 operating budget for the year because we have additional
12 income that we were unaware of at the time that you
13 passed the last consolidated operating budget.

14 The U.S. Court of Veteran Appeals, which
15 provides us funds with which to assist the people in
16 that process, has provided an additional \$12,600 in
17 their grant to Legal Services Corporation. Therefore,
18 we are asking you to approve a consolidated operating
19 budget that increases our income for that line item by
20 \$12,600.

21 In approving the consolidated operating budget
22 with that increase in income, we also have made a number

1 of internal transfers since the -- you approved the last
2 consolidated operating budget. As a result of budget
3 backup materials, they are slightly different than what
4 they were previously and David is going to go into the
5 details on that. But essentially the question before
6 you will be the approval of the Resolution 2006-006,
7 which increases the income for the Corporation by 12,600
8 and provides some revised backup information.

9 CHAIRMAN MCKAY: Thank you. Mr. Richardson.

10 MR. RICHARDSON: Okay. What I will be
11 referring to is the replacement pages, 62-A and B. I
12 have summarized, for the Committee, each of the changes
13 that are over \$5,000. There is a few of them here and I
14 will just sort of walk through the bigger ones. Namely
15 the changes are due to just a revised operating
16 experience that we have been going through.

17 Certainly with the amount of litigation that
18 the Office of Legal Affairs has been going through,
19 their travel has increased more than was originally
20 projected. So we have moved \$20,000 from their
21 consulting line into the travel. The money was
22 available from the consulting line because we are

1 getting some reimbursements from our outside counsel in
2 regards to litigation that we have advanced payment for.

3 Within the government affairs, we needed some
4 video equipment. So, again, there is a small transfer
5 there of \$5,000 for the new video equipment from the
6 personnel compensation and that money is available
7 because of an open position.

8 In the Offices of Human Resources, there is a
9 couple of small changes here to. \$15,000 was needed for
10 a temporary employee. An employee left the Corporation
11 a number of months ago and we were planning to hire a
12 temporary employee for a short time to help us through
13 some projects. So we are moving money from the
14 personnel compensation loan to the temporary employee
15 loan to take care of that.

16 Additionally, we are looking at a new
17 personnel system. So we are also moving \$8,500 from
18 personnel compensation and benefits to the consulting
19 line to help with that project.

20 Within the Office of Financial and
21 Administrative Services, there is some changes there
22 also. A temporary employee, we have also lost an

1 employee, a regular employee. So for a short time, we
2 are going to have a temporary employee while we are
3 doing an employee search and we are also experiencing,
4 because of gas prices and everything, some increased
5 costs are being -- we are experiencing some increased
6 costs for paper and supplies. So we have increased that
7 \$7,800 too. There is other small adjustments, but
8 mainly this money is through personnel compensation and
9 benefits to accommodate those needs.

10 The Office of Technology, we are moving
11 \$50,000 from our capital equipment into a consulting.
12 We have got a technology specialist that we are working
13 with in regards to a document management system and
14 there is a number of offices in the Corporation who are
15 using that on an experimental basis. Basically, they
16 can work on the same document at the same time. It
17 tracks the changes and there was a consultant that is
18 projected to be needed to complete that project.

19 Within Office of Program Performance, there
20 are several internal adjustments there for salaries and
21 so forth. So we needed an additional 15,000 from there
22 and 35,000 for temporary employees. And that money came

1 from the consulting line as we reduced the need for
2 consultants.

3 Again, with the loss of an employee and Office
4 of Information Management, we have money available to
5 help with some consulting needs there. We are doing a
6 review of operations and a consultant has been brought
7 in to help with that study.

8 The last one is the Office of Inspector
9 General. This information was transmitted to me from
10 the Office of Inspector General. There is changes
11 there. There is an addition of \$93,500 for personnel
12 compensation. We reduced temporary employee, paid
13 38,000 in consulting, 53 in capital and that is to
14 adjust for the current operating needs of the Inspector
15 General's office.

16 The practice of the Board has been to review
17 these and, on occasion, vote on their approval. We
18 talked a little bit about the process yesterday and I
19 will defer to the Chairman as to how you would like to
20 proceed at this point.

21 CHAIRMAN MCKAY: The -- I think we will open
22 it up for questions about these items first and we will

1 talk about the larger question, about how to proceed for
2 the future. So I will begin, if I could, and ask about
3 the back to the bottom of the first page, that is
4 page 62-A, Office of Information Technology. And you
5 indicate that the consulting budget needs to be
6 increased by \$50,000 to accommodate the need of an
7 outside technology specialist.

8 And perhaps you know I raised this question a
9 couple of days ago and I know you are not unprepared for
10 the question, but it just seems to me that \$50,000 is a
11 heck of a lot of money to pay an expert to come in and
12 do what I think most servers already perform. And
13 perhaps I just misunderstand what role this specialist
14 would play.

15 MR. JEFFRESS: Mr. Chairman, if I can respond
16 to that. We have acquired the Interwoven Knowledge
17 Management System. It is a piece of software that
18 enables the filing of all of the materials that you have
19 on your computer together in one place in one folder.
20 Currently e-mails, as you know, are filed in one place,
21 documents are filed someplace else, different people
22 file different documents in different folders depending

1 on their particular method of filing.

2 The Interwoven Knowledge Management System
3 allows the integration of all electronic records into a
4 single knowledge management system, single knowledge
5 management storage system. The biggest advantage -- I
6 shouldn't say biggest. A big advantage of this is to --
7 when we have to do record searches, and we have been
8 doing a lot of record searches lately, this enables you
9 to, in fact, go to one spot and get all the records
10 related to that issue.

11 It is, according to various surveys, done
12 in -- by legal technology experts. It is the leading
13 document management system in the legal profession at
14 this moment and I have got all kinds of information on
15 awards it has won.

16 In addition to the storage, it also allows
17 people simultaneously to work on documents at the same
18 time. It is integrated with the Microsoft system. So
19 it works transparently with the Microsoft system and it
20 is an integrated knowledge management and records
21 retrieval system.

22 It is the next generation of what I used to

1 call word processing and is now knowledge management and
2 it has been highly recommended to us. As I say, we have
3 acquired the software. In a trial experiment we have
4 had in two small groups, we found that the biggest
5 difficulty for us in incorporating this into our working
6 is, in fact, transferring the old files into a new
7 system. They have to be done one file at a time.

8 This particular vendor has a product that
9 Interwoven, which is the maker of the software, endorses
10 and recommends, which enables the transfer of -- once we
11 set up the file system, the transfer of all the files as
12 opposed to our having to do it file by file.

13 So it is, as you say, a substantial investment
14 and a different way of doing business. We think it is a
15 much improved way of doing business. We think over the
16 long run it will, in fact, save us time in the future in
17 terms of preparing and searching for documents.

18 CHAIRMAN McKAY: I recognize that a little bit
19 of knowledge is dangerous, but I am the managing partner
20 of my law firm, six or seven lawyers, you know, ten
21 support staff and we have a system that does exactly the
22 same thing, at least as I understand it, but I can

1 guarantee you that I am not paying any outside expert
2 \$50,000 to perform the role which you are discussing.

3 And so I don't think it is our job to micro
4 manage, but it just -- speaking for myself, I am struck
5 that this amount of money is a large amount of money.
6 So I just raise it as a concern and now defer to other
7 members of the Committee to ask their questions.

8 MR. MEITES: What I would suggest, since you
9 nominated yourself, is that you stay in touch with
10 Charles on this and assure yourself that it is
11 consistent with the role that he has described.

12 CHAIRMAN McKAY: Well, if -- as long as others
13 have the same concern, then I would happily follow
14 through on this and maybe suggest that either this
15 expert or, even better, someone in-house talk to the --
16 talk to my office's computer expert to at least have
17 them collectively tell me, and I can report back to the
18 Committee, why what this expert is doing at LSC is
19 costing a heck of a lot more than what our expert is
20 doing in my law firm.

21 MR. JEFFRESS: I welcome that, Mr. Chairman.

22 CHAIRMAN McKAY: Great. Thank you.

1 MR. MEITES: This is going to end up with your
2 firm buying this new system.

3 (Laughter.)

4 MR. JEFFRESS: Maybe we can get you a
5 discount.

6 CHAIRMAN McKAY: Any other questions or
7 comments from the Committee or any other members
8 present?

9 (No response.)

10 CHAIRMAN McKAY: Thank you. Now while you are
11 still here, then, I would like to raise what
12 Mr. Richardson started to touch on and that is the
13 process that this committee goes through to review these
14 kinds of things. We are about to discuss a resolution,
15 which you have in front of you. It is 2006-006.

16 MR. JEFFRESS: Page 63 of your book.

17 CHAIRMAN McKAY: And it -- hopefully, everyone
18 has had a chance to read it. There are two whereas
19 clauses, but if I could simply encapsulate what it calls
20 for here, is that we are simply being called upon to
21 adopt or approve a resolution and recommend to the Board
22 a full approval, a resolution that would show a change

1 in the consolidated operating budget of an increase of
2 \$12,600.

3 There is other discussions about line
4 transfers or what the proper term is, it changes within
5 the budget, but all we are being called upon here is to
6 approve and recognize the additional \$12,600 from the
7 U.S. Court of Veterans Appeals. And so if we could take
8 a step back, though, and talk about what our role is.

9 David make reference to the practice of the
10 Board and previous boards looking at adjustments of
11 \$5,000 and then essentially the Board requiring that it
12 approve any adjustments of \$75,000 or more. And that
13 has been allegedly pursuant to the what we have been
14 calling the COB, which is the Guidelines for Adoption,
15 Review and Modification of the Consolidated Operating
16 Budget.

17 I have carefully reviewed it. It was last
18 approved by the Board on March 15th of 2000. I don't
19 know how many members of the Committee have looked at
20 this recently. I see Mr. Meites says he hasn't. Anyone
21 else had a chance to look at it?

22 (No response.)

1 CHAIRMAN McKAY: I would like to suggest that
2 we take it upon ourselves to review this. There is --
3 with all due respect to whoever wrote this, it is not
4 clear to me what the guidelines are and in any event,
5 since it has been over six years, perhaps we might want
6 to review it and adopt our own guidelines as to what
7 role this committee will play and what role the Board
8 would play on reviewing budget changes throughout the
9 fiscal year. So we actually have two issues in front of
10 us.

11 M O T I O N

12 CHAIRMAN McKAY: The first one would be, I
13 guess I would propose, as a motion, that the Committee
14 ask staff to prepare for us, or send us a copy of the
15 guidelines and all the attachments, as well as
16 recommendations for changes that can be made for our
17 consideration at the next Committee meeting.

18 MR. FUENTES: I will second that and like to
19 speak to that.

20 CHAIRMAN McKAY: Go ahead, Tom. Or excuse
21 me -- there is a second. So please go ahead then.

22 MR. FUENTES: Thank you. I certainly confer

1 with you, Mike, and think there is merit to that action.

2 As much as the specifics of what you are suggesting I
3 think will be beneficial, I am unsatisfied at times when
4 these items come to us just at the time of the Board
5 meeting where then we are to take rather direct action.

6 I have to think that there is an ongoing
7 developmental evolution of some of these matters. Not
8 that I want to get into any micro management and not
9 that I want to be involved in the day to day, it just
10 seems to me that the information flow would be loosened
11 because these changes are evolving, that we could have a
12 memorandum of a little heads up.

13 I am thinking about the, specifically, the
14 Finance Committee. Now the whole board may be copied
15 certainly, but here we are supposed to be overseen as a
16 finance committee budget of magnitude that we have and
17 yet, I feel we are in the dark between meetings. The
18 package comes, perhaps very well prepared and all just
19 at the time, but I think in our earlier days of service
20 some few years ago, there was a greater flow and
21 communication.

22 I never hear from staff. I absolutely never

1 hear from staff between meetings and that would help me
2 just to sort of be alert thinking about it, be better
3 prepared to deal with these things.

4 CHAIRMAN McKAY: Well, I would certainly
5 embrace that observation and indeed, this would be one
6 of the many issues we would address by reviewing these
7 guidelines. Tom, you don't have the benefit of having
8 them in front of you right now, I don't believe, but
9 certainly the guidelines could contemplate a schedule
10 that would include more information coming to the
11 Committee and copying the Board more frequently.

12 MR. FUENTES: And it doesn't have to always be
13 formal. You know, a little -- I mean, how many of us
14 are there on the Finance Committee. A little telephone
15 call and chat. That might even give us the opportunity
16 to, in layman's terms, dialogue and ask and get a feel
17 for things that has not been provided in recent times.

18 CHAIRMAN McKAY: Anything else?

19 (No response.)

20 CHAIRMAN McKAY: Can we have a vote on the
21 motion then? That is, to ask the staff to prepare for
22 us, for consideration at the next Board meeting, a

1 review of the COB. All those in favor say aye.

2 (Chorus of ayes.)

3 CHAIRMAN McKAY: Opposed?

4 (No response.)

5 CHAIRMAN McKAY: It passed. Thank you very
6 much. We now are left, then, with the resolution that I
7 invited the Committee's attention to, and that is
8 Resolution 2006-006. Do I hear a motion?

9 M O T I O N

10 MR. FUENTES: So moved.

11 MS. BeVIER: Second.

12 CHAIRMAN McKAY: Discussion? Comment?

13 (No response.)

14 CHAIRMAN McKAY: All those in favor of
15 recommending this resolution to the Board for approval
16 say aye.

17 (Chorus of ayes.)

18 CHAIRMAN McKAY: Opposed?

19 (No response.)

20 CHAIRMAN McKAY: It passes. Thank you.

21 The next item is the presentation of LSC's
22 financial reports. Gentleman?

1 MR. JEFFRESS: Thank you, Mr. Chairman. I am
2 going to mention a few highlights and, again, ask David
3 Richardson to go over the details in the report. This
4 report begins on page 60 of your book. It is
5 replacement pages, as you will recall, to your last
6 meeting. You asked us to do a six-month report. That
7 information was not available at the time that we
8 prepared the books for you so we had to produce this and
9 send it to you separately. And again, for the people in
10 the back of the room, the corrected pages are in they
11 public book, but it begins on replacement page 60 in
12 your book.

13 MR. FUENTES: May I just say that I did
14 receive those and have those.

15 MR. JEFFRESS: Thank you, Mr. Fuentes.

16 Essentially, the highlight, spending is
17 overall, it is well within budget. So as a mater of
18 fact, there is, at this point, in the management
19 administration accounts, a little over 1.1 million that
20 we have not spent that was projected to have to have
21 been spent.

22 I think perhaps the best way to go over the

1 highlights is to refer you to the charts that begin on
2 page 60-B, also known as Attachment A. The first page
3 has the summary of the major categories of where we
4 stand financially.

5 What you will see on page 60-B, under 1, "The
6 delivery of legal assistance," you see our annual
7 budget, what we have actually spent, and what variance,
8 what remains, what the amount of money that remains.
9 And I would like to speak to just a couple of those
10 where there are significant variances before I turn it
11 over to David.

12 We mentioned to you the Court of Veterans
13 Appeals funds, we got some additional money. The
14 grantee who actually does this work representing
15 veterans before the Court of Appeals and organizes the
16 pro bono attorneys to do this has not yet completed
17 their grant application to us for this year. We have
18 been working with them to try and perfect that. So we
19 have no yet awarded the funds to them, although we tend
20 to be working with the same grantee that we have worked
21 with in the past. So that money has not yet been spent.

22 Number 3, the grants from other funds category

1 that you recall, these are monies that we set aside for
2 emergencies should they arise during the course of the
3 year. No emergency funds have been awarded this year.

4 The technology initiatives grant. You see the
5 budget this year of 2.4 million. That is actually a
6 carryover from last year, which was not spent during the
7 year, plus the funds for this year. The grants from
8 last year were awarded this fiscal year. So where you
9 see having been spent of \$1.3 million, those funds were
10 spent from last year's carryover, the recovery grants
11 that were applied to awarded at the end of last fiscal
12 year.

13 The TIG staff has moved significantly to try
14 to expedite their process so that this year's grants
15 will be awarded during this calendar year. Their
16 current goal is to get the grants awarded late this
17 summer. So it is our hope that the balance of that, the
18 1.1 million balance in TIG grants, will actually be
19 awarded this year and spent this year so we could avoid
20 having to carry it over for next year.

21 So that is why you see a little over half of
22 it having been spent. That is actually last year's

1 monies from grants that were awarded and it is our
2 intention to complete the process for this year within
3 this fiscal year.

4 The management administration accounts, as I
5 mentioned, is 1.1 million at this point, a variance of
6 15.8 percent. We are saving in terms of our
7 expenditures.

8 On the loan repayment assistance program, you
9 see there is no money that has been expensed there. We
10 have actually awarded these -- a number of these loan
11 repayment grants and we have actually written checks;
12 however, those folks still owe us this money. It is not
13 yet expensed to us.

14 We will forgive their loan this year at the
15 end of the year, assuming they stay with the program and
16 complete the requirements of the program, and at that
17 point, it will show up as an expense. But at this
18 point, while we have written a check, it is still owed
19 the Corporation. So we have not expensed that money.
20 And then you see the balance there for the Inspector
21 General's account as well.

22 Now I would like to mention just two other

1 things before I turn it over to David. One, in terms of
2 the management administration account, the 1.1 million
3 balance, the bulk of that comes from positions that are
4 vacant and have been vacant this year.

5 The President has reviewed those positions and
6 a number of the administrative positions that we are
7 finding that we can operate without, we will be
8 transferring that money from administration to program
9 positions establishing new positions in the compliance
10 and enforcement or in the Office of Program Performance
11 and changing this money from administrative positions
12 to, in fact, program positions to better carry out the
13 work of the organization.

14 So we found we can operate without it and we
15 are going to transfer that to where we feel like the
16 money is more needed for positions in the program side
17 of the house.

18 The other issue that I would mention that
19 doesn't really affect these financial reports
20 significantly, but as a heads up to you, in terms of our
21 reimbursement, and I know some of this has been talked
22 about in the halls earlier, our per diem reimbursements

1 to staff and to board members, currently if you have a
2 meal provided to you or staff has a meal provided for
3 them while they are on travel, we simply deduct \$5 from
4 their per diem for the cost of the meal.

5 That is pretty generous. The Inspector
6 General has pointed out it is much more generous than
7 what the federal government provides. So we will be
8 adopting a slightly different version of what is
9 deducted from your per diem should a meal be provided
10 for you.

11 Currently if your dinner is provided, you get
12 \$5 deducted from your per diem and the rest of the per
13 diem is paid to you. In the future, if a dinner is
14 provided, we will set an amount, we are thinking of
15 something like \$5 for breakfast, you know, \$8 for lunch
16 and 15 to \$20 for dinner. So a different amount will be
17 deducted from your per diem than is currently being
18 deducted.

19 That is an administrative issue. It doesn't
20 require board approval. But since you all file expense
21 reports too, I want it to be an advanced heads up that
22 your reimbursements may be different in the future than

1 what you have seen in the past.

2 There is one other issue in that regard that
3 we have been asked to look at, which is the question of
4 board members per diem and whether an additional per
5 diem at the time of board meetings is appropriate. And
6 we will be looking at that and getting back with you on
7 that as well.

8 CHAIRMAN McKAY: Thank you.

9 Mr. Richardson.

10 MR. MEITES: Could I ask --

11 CHAIRMAN McKAY: Yes. Mr. Meites and then --

12 MR. MEITES: Going back -- going to page 60-B,
13 Attachment A.

14 MR. JEFFRESS: Yes.

15 MR. MEITES: I do understand why the loan
16 repayment line is going to remain at a million dollars
17 for the next X years, but I don't find that satisfactory
18 because it really doesn't tell me at all how many
19 dollars have gone out.

20 What essentially you have done is exchanged
21 dollars for notes and promises of repayment. Is there
22 some way you can portray, on Attachment A, the current

1 status so it is just not a meaningless line?

2 MR. JEFFRESS: We can do that.

3 MR. RICHARDSON: We can put a footnote in. We
4 have tried to cover it in the actual memo, but we can
5 actually put a footnote right on the page --

6 MR. MEITES: Very good.

7 MR. RICHARDSON: -- to help that reporting.

8 CHAIRMAN McKAY: Ms. Singleton?

9 MS. SINGLETON: My question actually is about
10 the per diem. Yesterday, as a new board member, I met
11 with the Inspector General and he just made -- asked a
12 question, really, about why is our per diem different
13 than the per diem that generally applies to the
14 government people and I am wondering why is ours
15 different? Why do we have a different amount that is
16 deducted if we go out to dinner or whatever?

17 MR. JEFFRESS: It all started before I got
18 here. I am going to defer to David and let him talk
19 about the history of that.

20 MR. RICHARDSON: There is actually quite a bit
21 of latitude that is given to the Corporation that we
22 have used in the past. We have looked more at the

1 federal travel regulations in the last two weeks, but
2 they are different from travel and entertainment under
3 the IRS regs. So we are going to have to do a little
4 review and sort of determine at what level we are going
5 to manage our own travel. The IG has recommended that
6 we do it at the federal government level since we
7 receive an appropriation. So we are going to look at
8 that very closely.

9 MS. SINGLETON: Well, wouldn't it seem to make
10 some sort of at least public relations sense to try to
11 be as similar to other federal entities as possible?

12 MR. RICHARDSON: And that is the direction we
13 are moving toward.

14 CHAIRMAN MCKAY: And just since we are asking
15 questions about this, I will go ahead and ask my
16 question. With regard to management administration
17 where we are under by 15.8 percent, and I heard you,
18 Mr. Jeffress, say that those unspent funds are going to
19 go to programs.

20 MR. JEFFRESS: Yes.

21 CHAIRMAN MCKAY: That is staffing and the
22 program side of LSC. I guess -- and maybe this question

1 should be going to President Barnett, but why are all
2 those funds going to programs and I didn't hear you say
3 that any money is going over to the compliance side,
4 compliance and enforcement.

5 MR. JEFFRESS: I'm sorry.

6 CHAIRMAN MCKAY: Did I miss -- did I not hear
7 you correctly?

8 MR. JEFFRESS: I meant to include in my
9 message compliance and enforcement and program staff. I
10 perhaps spoke too much of a shorthand, but we -- Karen
11 Sarjeant, the vice president, is evaluating, within
12 compliance and enforcement and within the Office of
13 Program Performance, where is the biggest need. What
14 type of positions. Do we need attorneys, do we need
15 analysts, do we need accountants. So she is evaluating
16 what types of positions we need and in fact we will be
17 making recommendations to the President only.

18 CHAIRMAN MCKAY: And indeed, I don't want my
19 question to be interpreted as all the money should be
20 going to compliance. The programs, of course, are
21 just -- are very, very important, but also is
22 compliance. So I am just assuming that Ms. Sarjeant

1 will conduct that analysis and I am personally very
2 confident she will do it very well.

3 Any other questions before we go onto
4 Mr. Richardson?

5 MS. BeVIER: I do just have one suggestion,
6 with respect to looking at the per diems and so forth,
7 and I think that instead of saying -- and this is just
8 kind of my own view of this. I think instead of saying
9 we should definitely go by the federal government
10 guidelines, if that is -- I think what we should do is
11 identify the way to do this in the least cost way. That
12 is, you know, both administratively and in terms of what
13 gets reimbursed.

14 So that should be our bottom line rather than
15 any set criteria that comes from something to which we
16 are not now necessarily subject. And I think -- I mean,
17 I would be satisfied with being informed that whatever
18 we are advised to do or you decide to do is the
19 cheapest.

20 MR. RICHARDSON: We will take that into
21 consideration. There is actually three full pages of
22 per diem adjustments. So we will look at probably -- my

1 suggestion would be, and we haven't really talked a
2 whole lot, but the ones that is used the most and adopt
3 a middle of the road approach there. And we do have
4 that latitude under the federal travel regulations that
5 would allow us to do that.

6 CHAIRMAN MCKAY: Since we have discussed this
7 subject now, two members have raised it. I just think
8 it is important that we emphasize, and counsel is here
9 to advise us if what I say is incorrect, but certainly
10 what we have been doing, previous administrations and
11 boards have been doing, this has been consistent with
12 the law. It is just that we have some flexibility here,
13 we have some policy questions.

14 Certainly, those of us on the board, if we
15 were here to make money, we wouldn't be here, but we
16 obviously, in addition, we want to be in compliance with
17 the law, which we have been. We also want to take a
18 look at and be sensitive to policy considerations and
19 even appearances, which is what the process we are going
20 through right now.

21 Mr. Richardson.

22 MR. RICHARDSON: Okay. The first thing I did

1 want to note for you that are looking at the financial
2 information is we have experimented with a new format in
3 this particular meeting basically giving you a summary
4 of the full budget on 60, part B, which will give you a
5 quick snapshot as to the grant funds, the Inspector
6 General management and administration, and the loan
7 repayment program.

8 And then what we have done in the following
9 page is sort of break it down. So when you look at
10 page 60-C, which is also labeled Attachment B, page 1 of
11 3, we have -- we are presenting to you the management
12 and administration budget and you see the full annual
13 budget, you see the expenses in column two with the
14 six-month budget, the allocation for this period, and
15 then the variances based on the six-month budget.

16 We then have taken the expenses that are shown
17 in column three and we have given you a further
18 breakdown into budget category on page 60-D. So now not
19 only do you see that -- for instance in the board of
20 directors, in column three, you will see that there --
21 actually, column two, you will see that you have spent
22 \$89,000 for this fiscal year for the two meetings you

1 have had thus far.

2 Then when you go down to 60-D, you will see
3 that there is a breakout there and starting with
4 consulting, that is where you charge your fees, the
5 travel, communications. So we have done that repeatedly
6 through here so you can see how much personnel
7 compensation is being spent for office and see the
8 different breakdown there.

9 We are well within budget. As Mr. Jeffress
10 pointed out, we are 15.8 percent of the six-month
11 budget. Also, we are actually a little bit under where
12 we were spending this time last year. So that is also a
13 point just to note as we go through and that is shown in
14 column six and seven of page 60-C.

15 The key things that I would point out to you,
16 in regards to 60-D in the spending, is the consulting
17 line of the legal affairs. When you come to the report
18 later from legal affairs, so far this year we have shown
19 a net of a hundred and eleven thousand dollars and that
20 is because of the money that we are getting back from
21 the insurance companies where we have advanced attorneys
22 fees in the cases that are ongoing. You will see --

1 otherwise, this figure would be a little bit higher, but
2 we have received that money back thus far.

3 The next key items that I would point out is
4 certainly the occupancy costs is right on target with
5 where it should be for the year and the other key
6 spending that you are going to note is within the
7 program performance, under "Travel," you will see that
8 there is a \$98,000 amount spent there for the different
9 travel events that they have undertaken.

10 And also, in compliance and enforcement, as
11 they continue with their travel, there is a hundred and
12 three thousand dollars spent there. Also, the
13 consulting and the compliance and enforcement is 46,800.

14 All of these are well within budget, well within the
15 planning for the year and there is actually
16 significantly under, at this point, showing the
17 variance, the remaining funds for the year.

18 On page 60-E, we report -- again, you will see
19 the personnel compensation and this is a report you have
20 seen in the past. Of the hundred -- or million one
21 hundred thousand dollars, six hundred and seventy
22 thousand is from personnel compensation and benefits.

1 And I am just going to hit the larger ones.

2 Consulting. The reason that there is a big
3 amount there, of course, is because of the less money
4 that we spent in litigation. And then capital
5 expenditures, we routinely spend in July and August and
6 September as we are wrapping up the year when you
7 normally replace about a third of our servers, about a
8 third of our computers so that we keep rotating them
9 forward and keeping our technology up-to-date.

10 The Inspector General is on page 60-F. There
11 is only one page attributed to the Inspector General
12 with one office, but you will see his annual budget, the
13 spending for the six months and the budget for the six
14 months. The variance there, there is two lines that are
15 shown as being over budget. Of course, we just went
16 through a review and when you come to July and August,
17 these figures will be within budget for the year.

18 There is some plans for temporary employees
19 that we currently have that we will be hiring regular
20 employees in positions at that point. So when you look
21 at it on an annual basis, we are well within budget and
22 that is reflected at the Inspector General's 12.99

1 percent under budget at this point.

2 CHAIRMAN McKAY: So you are saying the IG is
3 going to be under budget because of the adjustments that
4 his office sent to you and we discussed in the previous
5 item.

6 MR. RICHARDSON: That is correct, sir.

7 CHAIRMAN McKAY: All right.

8 Any other questions?

9 Were you finished by the way?

10 MR. RICHARDSON: I am.

11 CHAIRMAN McKAY: Okay. Any other questions
12 from -- Ms. Singleton.

13 MS. SINGLETON: I have a general informational
14 question. What are the encumbrances? What does that
15 mean?

16 CHAIRMAN McKAY: Encumbrances where? I'm
17 sorry.

18 MS. SINGLETON: Well, just in general.

19 What --

20 MR. JEFFRESS: The last column shows --

21 MS. SINGLETON: The last column in the
22 variance.

1 MR. RICHARDSON: When we write a contract for
2 services, that is what those are. The contract -- the
3 services have not been performed yet, but we set the
4 money aside to pay for the contract that we have written
5 and that is also attributed to supplies that we might
6 have purchased that have not come in as yet also.

7 MS. SINGLETON: And so the fact that they show
8 up in the same box with a prior year and variance
9 current to prior year doesn't mean anything?

10 MR. RICHARDSON: No, they are this year's
11 expenses.

12 MS. SINGLETON: Okay. Thank you.

13 CHAIRMAN MCKAY: Any other questions, comments
14 or concerns?

15 (No response.)

16 CHAIRMAN MCKAY: Thank you. Thank you very
17 much for your very informative presentation.

18 CHAIRMAN MCKAY: The next item on the
19 Committee is a report -- on the agenda is the report on
20 fiscal year 2007 appropriations process. Mr. Polgar.

21 MR. POLGAR: Good morning, Mr. Chairman, and
22 everyone else. This will be a rather quick report. As

1 you know, we released our budget request to Congress for
2 FY 2007 nearly three weeks ahead of when we did it last
3 year so we could get a jump on selling it to the U.S.
4 Congress.

5 We have been making the rounds of the
6 appropriations committee and the relevant -- the
7 appropriations subcommittee and other members of the
8 committee very extensively and the budget is getting a
9 fairly warm reception, although a number of people have
10 pointed out it is a little aggressive.

11 The larger backdrop, however, is that the
12 process will probably be delayed. The House is unable
13 to pass a budget resolution, or has been to date. That
14 could change at any time. After May 15th, actually, the
15 House Appropriations Committee can begin markups whether
16 or not the House is active or not on the budget
17 resolution.

18 Whether or not they are going to do that, we
19 don't know yet, but the Board we are hearing informally
20 is that there is a fairly good chance there won't be --
21 most of the appropriations bills won't clear the Senate,
22 in any event, not sent to the House until after the

1 election. So it is hard to exactly to say how long this
2 process is going to go on, but it is not going to be as
3 quick as it was last year. That is my report and I
4 would be happy to take any questions.

5 CHAIRMAN McKAY: So that will mean, if your
6 suspicions are confirmed, that starting October 1, we
7 will be operating under, what do you call it, a
8 temporary operating budget, which will require the Board
9 to be -- considered and approved like we did last year.

10 MR. POLGAR: That is correct, but last year
11 they got the budget done before the -- the
12 appropriations bill done in November and I guess what I
13 am saying is I am not even sure they will get it done
14 that soon this year. Fortunately for us, we usually
15 have some carryover, that gives us some flexibility. We
16 are not in the same situation as a lot of federal
17 agencies are.

18 And then for our grantees, the money
19 appropriated for FY '07 is actually expensed out on a
20 calendar year basis. So it is running three months
21 behind the regular fiscal year anyway. So we have been
22 able to get through these situations in the past without

1 a big problem, but --

2 CHAIRMAN MCKAY: Okay. Thank you. Any other
3 questions? Comments?

4 MR. FUENTES: Mike, Mr. Chairman, I would just
5 like to raise, for consideration and not necessarily for
6 action today because it is not a formulated proposal by
7 any means, but as the finance committee, we review this
8 matter on an ongoing basis and we hand it over to staff
9 and management and then send them to the Hill and our
10 track record over the past four or five years has
11 obviously been less than what was hoped for.

12 And I am wondering if maybe we shouldn't
13 consider in some way is there a more involved role for
14 the Finance Committee in liaison or in contact with
15 Capitol Hill. We can't do worse or, you know, there is
16 only way to go is up and maybe we could have a creative
17 examination of what liaisons or special report or a
18 local representative or what resource that the members
19 of the Board, and in particular the members of the
20 Finance Committee who are charged with the burden of
21 dollar oriented issues might have.

22 I think it is about time to think outside the

1 box a bit. That is something that would have to be
2 agendized downstream, but I would like to say that or
3 think that.

4 MR. POLGAR: If I can respond, it is actually
5 a multi-part question. I have got a couple of things to
6 say on it. First, with respect to help from board
7 members, I will take any and all help from any and all
8 board members who have the time to come to Washington
9 and help me deal with Capitol Hill at any time. So I
10 mean, I would certainly welcome and encourage the
11 involvement, you know, that you can give.

12 MR. FUENTES: Or telephone calls I would
13 suspect.

14 MR. POLGAR: Telephone calls need to be a
15 little closer to the actual when they are marking up,
16 but that is good.

17 On the -- in response to actions, which was
18 the first part of your question, I agree we didn't do so
19 well last year and I have been, you know, reviewing
20 everything that happened last year and trying to figure
21 out what we can do and how we can go about it to avoid a
22 similar outcome this year. So I think the problem you

1 raise is real and I am very much aware of it. And yes,
2 I am happy to have this discussion at the next board
3 meeting if you want.

4 CHAIRMAN McKAY: Well, it seems to me that our
5 chair and vice-chair of the Board have been taking the
6 lead and working with you and President Barnett on
7 communicating with Congress and there have been times
8 when others, and I participated in at least one meeting,
9 have gotten involved, but I think we need you and our
10 chair and vice-chair to let us know because otherwise,
11 we will have an uncoordinated approach.

12 But it seems to me it makes sense,
13 particularly for those members on the Hill that we know
14 that turned out to be playing a pivotal role in this
15 process. And I think Mr. Fuentes' suggestion is a good
16 one, that perhaps you, Mr. Polgar, should be thinking
17 about what roles we as board members can play because we
18 are most anxious to play a role to help invite staff and
19 members' attention on the Hill to certain facts and
20 respond to any questions that they may have.

21 MR. POLGAR: I am also remiss in stating that
22 Chairman Strickland actually was on Capitol Hill earlier

1 this week and is going to be back in Washington the week
2 after next. So certainly he has been there and on the
3 Hill and plugging away on our budget.

4 MR. STRICKLAND: And by way of further comment
5 on that, and I appreciate Tom Fuentes' suggestion on the
6 point of involvement by other board members, I know that
7 Mike McKay just mentioned that he participated in a
8 meeting and Lillian has also participated in some and I
9 know Sarah Singleton was in town when we visited the
10 Office of Senator Dimenici.

11 So it is not that we have not had board
12 involvement, because we have, and I think we just need
13 to be strategic in our thinking on that and do it in a
14 way that makes sense. And certainly if there are board
15 members that can help us in the process who are
16 acquainted with members that are involved in our budget
17 process, that would be most helpful. So we would
18 welcome that.

19 MR. POLGAR: Be careful what you ask for. You
20 might get it.

21 MR. FUENTES: And I might add that, you know,
22 maybe just elevating our consciousness to thinking about

1 when some of these people come to visit in our
2 communities, it doesn't necessarily always have to be in
3 Washington. We tend to get a constant stream of House
4 and Senate members visiting, but, you know, I generally
5 don't have it in mind or any specifics to speak to
6 anyone on an LSC matter, but if -- maybe if there was a
7 little bit of coordination or thought or maybe if it
8 became a pattern of our reporting to Tom Polgar or to
9 management if we know somebody is coming in, is there
10 something that we should be saying. We just need to be
11 thinking about how can we be little more creative.

12 MR. POLGAR: Well, one of the things that you
13 can do is meet with your local members of Congress when
14 they are home on recesses and my experience is meeting
15 with members of Congress when they are in their home
16 state offices or their district offices is a more
17 relaxed and friendlier affair than it is when you do it
18 in the hubbub of Washington.

19 With respect to the other part, I am aware,
20 especially having -- used to having worked for the
21 motion picture industry, that there is a steady stream
22 of Congressmen flowing through the greater Los Angeles

1 area from all over the country for fund-raising and
2 other reasons.

3 MR. FUENTES: And we always know when they are
4 here. We can hear the vacuum cleaners.

5 (Laughter.)

6 MR. POLGAR: But the reality is I don't have
7 that information. So I don't know when they are there.

8 CHAIRMAN McKAY: Ms. Singleton?

9 MS. SINGLETON: I think the suggestion about
10 visiting people at home when they are on recess or back
11 in the districts is a good one, but it would also be
12 helpful if there were talking points that we could get
13 from governmental affairs so that, as the chairman said,
14 we are all on the same points and I think that would be
15 useful.

16 And if we know there is a big recess coming up
17 before important votes, in particular, to send out a
18 reminder that a recess is coming up. People are going
19 to be home and here are some talking points if you can
20 go visit. I think that would be very useful.

21 CHAIRMAN McKAY: I think that is great. Let
22 me just add that if you could prepare that, and perhaps

1 you already have it prepared, I suspect you do, and
2 send it to every member of the Board, but also remind us
3 who the key players are in the appropriations process
4 because particularly if we are in their districts or
5 states, we should be focusing on them.

6 MR. POLGAR: Well, we have what I will call a
7 generic set of talking points prepared and we can
8 certainly circulate that to the Board. What we actually
9 do, if we know there is going to be a meeting with a
10 particular member, we will then go and localize it and
11 sometimes talk to the program and get local information
12 and add to it.

13 So I will get you the generic ones, but then
14 if you are -- if you have a meeting with your local
15 congressman, let us know because then we will narrow the
16 focus of the --

17 CHAIRMAN MCKAY: Mr. Meites is next and then
18 Herb.

19 MR. MEITES: No. I was just going to make the
20 same point that Mike made, that we are not talking about
21 all 435 people in Congress and all senators. If you
22 could just give us not just our states because we do

1 have grantees everywhere. And if could tell us which
2 people are the important people, we can be creative in
3 finding ways to talk with them.

4 MR. POLGAR: I have actually prepared that for
5 Helaine. So we can pull that off the shelf pretty
6 easily.

7 CHAIRMAN MCKAY: Mr. Garten.

8 MR. GARTEN: Yes. I have apprized certain
9 members of the Board about the fact that the American
10 Bar Association Annual ABA Day in Washington is coming
11 up on Wednesday and Thursday and 300 lawyers, more or
12 less, from all over the country signing up to visit with
13 their congressional delegations, Congress -- the
14 senators and congressmen.

15 And we are all delegated people within our
16 particular state to call on and get advanced notice
17 about certain of these players that we have heard about
18 that are very much involved in appropriations and the
19 president and other dignitaries from the ABA are making
20 personal calls on them.

21 The ABA also hands out talking points on the
22 various issues that they take up with the congressional

1 delegation. Always Legal Services is at the primary top
2 spot. And of course I will make those talking points
3 available to you and maybe we can adapt it. But perhaps
4 we could follow up on doing our own LSC day in
5 Washington and having board members, maybe in
6 conjunction with our annual meeting, call on
7 congressional delegations.

8 And the ABA also on Thursday night will be
9 giving awards to the senators. Senator McCulski is one
10 of them. I have been asked to participate because he is
11 from Maryland. And they pick a democrat and they pick a
12 republican each year and give them very prestigious
13 awards at a reception held on the Hill on Thursday
14 night. And there might be something -- a lot of these
15 people have never seen our headquarters and it might be
16 something we ought to think about in the future.

17 CHAIRMAN MCKAY: It is a very good idea.

18 MR. POLGAR: I would just add also one thing.
19 We will get all the information around as requested,
20 but if a member of the board wants to meet with a member
21 of Congress or a senator when they are back home, we
22 are -- my office would be happy to set that up. We will

1 make the calls and the arrangements and all that.

2 MR. GARTEN: Well, I think we have to be
3 advised as to a program they have picked and getting
4 assignments the same way that the ABA handles their ABA
5 Day in Washington.

6 CHAIRMAN McKAY: Tom, I think you have gotten
7 a feel for how the Board feels, that we should be
8 playing a more active role. We need you to help guide
9 us on this. This is a very important subject of course,
10 but we are well behind our schedule. And so this is a
11 discussion that will continue. So unless I hear a
12 screaming objection, I ask that we move onto the next
13 item on the agenda.

14 MR. POLGAR: Okay. Thank you.

15 CHAIRMAN McKAY: Thank you very much.

16 The next item on the agenda is considering and
17 acting on the change of address notification to
18 diversify investment advisors. Who is going to speak on
19 that? Mr. Jeffress, I suspect this will be a short
20 item.

21 MR. JEFFRESS: Yes, Mr. Chairman. The
22 diversified investment advisors operates our 403(b)

1 Thrift Savings Program. In a routine audit, they
2 discovered they had never had official notification from
3 us that we had changed our address, even though we had
4 been communicating with them, and they require a board
5 resolution notifying them that we have changed our
6 address. So this is simply a change of address
7 notification.

8 CHAIRMAN McKAY: In your packet, you will see
9 Resolution 2006-007.

10 M O T I O N

11 MR. FUENTES: Move approval.

12 MS. BeVIER: Second.

13 CHAIRMAN McKAY: All those in -- any other
14 discussion?

15 (No response.)

16 CHAIRMAN McKAY: All those in favor, say aye.

17 (Chorus of ayes.)

18 CHAIRMAN McKAY: Opposed?

19 (No response.)

20 CHAIRMAN McKAY: It passes.

21 Item number 8, consider and act on other
22 business. Is there any other business we wanted to

1 discuss?

2 (No response.)

3 CHAIRMAN McKAY: Thank you. Is there any
4 public comment on anything that has been discussed
5 today?

6 (No response.)

7 CHAIRMAN McKAY: Thank you. The last item is
8 consider acting on an adjournment motion.

9 M O T I O N

10 MS. BeVIER: Move we adjourn.

11 CHAIRMAN McKAY: Second?

12 MR. FUENTES: Second.

13 CHAIRMAN McKAY: All those in favor?

14 (Chorus of ayes.)

15 CHAIRMAN McKAY: Opposed?

16 (No response.)

17 CHAIRMAN McKAY: We are adjourned. Thank you
18 very much.

19 (Whereupon, at 11:36 a.m., the meeting of the
20 Finance Committee was adjourned.)

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