

Mr. Engelberg moved that the proposed amendment to Part 1611 be published for notice and comment. The motion passed. On division: Mr. Cramton, Mr. Engelberg, Ms. Esquer, Mr. Kutak, Mr. Ortique, Ms. Rodham, Mr. Smith, Mr. Trudell and Ms. Worthy voted aye; Messrs. Broughton and Stophel voted no.

Mr. Engelberg presented a report to the Board recommending against promulgation of a regulation dealing with the statutory prohibition on organizing. No formal action of the Board was required on this matter.

Mr. Kutak moved that Part 1623 (Attachment D), procedures governing the suspension of financial assistance, be republished to become effective 30 days after publication. Ms. Esquer seconded the motion, which was adopted on unanimous voice vote.

At 12:40 p.m. the meeting recessed for lunch. The meeting reconvened at 2:00 p.m.

Committee on Appropriations and Audit

Mr. Stophel presented the report of the Committee on Appropriations and Audit.

Mr. Stophel moved, and Mr. Engelberg seconded, a motion authorizing the staff to retain the Riggs National Bank as the Corporation's investment advisor and to continue the current investment policy, in accordance with the schedule set forth in the attached staff memorandum (Attachment E). After discussion, the motion was adopted on a unanimous voice vote, Ms. Esquer abstaining.

PART 1623--PROCEDURES GOVERNING SUSPENSION OF FINANCIAL ASSISTANCE

Section 1011 of the Legal Services Corporation Act requires the Corporation to establish procedures to insure the financial assistance to a recipient will not be suspended without an opportunity for the recipient to show cause why the suspension should not occur. The proposed regulation was published for comment on January 3, 1978. The Regulations Committee considered the comments that were received, and concluded that the proposed Regulation should be republished without change, to become effective 30 days after publication.

COMMENT

The suspension power is in many ways the most extreme sanction available to the Corporation in discharging its responsibilities under the Act. Financial assistance is continued during proceedings to deny applications for refunding and to terminate financial assistance, and in most instances the Corporation establishes a new grantee to provide service in the community affected. This is not the case with suspension. That power should, therefore, be used only as a last resort to correct serious deficiencies in a program where the recipient has refused to do so voluntarily.

§1623.1 Purpose.

By providing procedures for prompt review that will ensure informed deliberation by the Corporation when there is reason to believe that financial assistance to a recipient should be suspended, this Part seeks to avoid unnecessary disruption in the delivery of legal assistance to eligible clients.

§1623.2 Definition.

"Suspension" means any action temporarily suspending or curtailing financial assistance to a recipient in whole or in part prior to the expiration of the recipient's current grant from or contract with the Corporation.

§1623.3 Grounds for Suspension.

Financial assistance provided to a recipient may be suspended when:

(a) There has been substantial failure by a recipient to comply with a provision of law, or a rule, regulation, or guideline issued by the Corporation, or a term or condition of the recipient's current grant from or contract with the Corporation; or

(b) There has been substantial failure by a recipient to provide high quality, economical, and effective legal assistance, as measured by generally accepted professional standards, the provisions of the Act, or a rule, regulation, or guideline issued by the Corporation.

(c) The Corporation shall consider any written materials submitted by the recipient in opposition to the proposed suspension and any oral presentation or written materials submitted by the recipient at the informal meeting, if one is requested. If after considering these materials the Corporation concludes that the recipient has failed to show that the suspension should not become effective, it may suspend financial assistance to the recipient in whole or in part and under such terms and conditions as it deems proper.

(d) Written notice of the suspension shall be promptly transmitted to the recipient, and the suspension shall become effective when the notice is received by the recipient or on such later date as is specified in the notice.

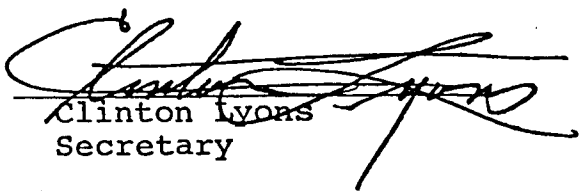
(e) The Corporation employee ordering suspension may at any time rescind or modify the terms of the suspension and, on written notice to the recipient, reinstate the suspension without further proceedings under this Part. In no event shall the total time of suspension exceed thirty days, unless the Corporation and the recipient agree to a continuation of the suspension for an additional period of time and without further proceedings under this Part.

THE BOARD OF DIRECTORS AT ITS October 19, 1978 MEETING ADOPTED
THE FOLLOWING RESOLUTION:

RESOLVED, that funds representing the income from investment of the Corporation's appropriation for fiscal year 1977 shall be invested in obligations issued or fully-insured or guaranteed by the United States or any United States Government agency. The Committee on Appropriations and Audit shall review the portfolio periodically to monitor the investments made and recommend necessary changes in policy.

RESOLVED FURTHER, that the President of the Corporation is authorized to retain the Riggs National Bank to manage the Corporation's investment account.

I certify that this is a true copy
of the Resolution adopted by the
Board of Directors of the Legal
Services Corporation October 19, 1978.


Clinton Lyons
Secretary