

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
AUDIT COMMITTEE

OPEN SESSION

Monday, April 7, 2014

9:05 a.m.

Legal Services Corporation
3333 K Street, N.W., 3rd Floor
F. William McCalpin Conference Center
Washington, D.C. 20007

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairperson
Gloria Valencia-Weber
David Hoffman (Non-Director Member)(by telephone)
Paul L. Snyder (Non-Director Member)(by telephone)
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

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

STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Lynn Jennings, Vice President for Grants Management

Wendy Rhein, Chief Development Officer

Richard L. Sloane, Special Assistant to the President

Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

Katherine Ward, Executive Assistant, Office of Legal
Affairs

David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services

Marcos Navarro, Office of Government Relations and
Public Affairs

Wendy Long, Office of Government Relations and Public
Affairs

Jeffrey E. Schanz, Inspector General

Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General

John Seeba, Assistant Inspector General for Audit,
Office of the Inspector General

Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector General

Roxanne Caruso, Office of the Inspector General

Grace Nyakoe, Office of the Inspector General

Lora M. Rath, Deputy Director, Office of Compliance
and Enforcement

STAFF AND PUBLIC PRESENT (Cont'd):

Reginald J. Haley, Program Analyst, Office of Program
Performance

LaVon Smith, Office of Information Technology

Herbert S. Garten, Non-Director Member, Institutional
Advancement Committee

Thomas Smegal, Non-Director Member, Institutional
Advancement Committee

Frank B. Strickland, Non-Director Member,
Institutional Advancement Committee

Robert E. Henley, Jr., Non-Director Member, Finance
Committee

Allan J. Tanenbaum, Non-Director Member, Finance
Committee (General Counsel, Equicorp Partners)

Ed Marks, Executive Director, New Mexico Legal Aid

Lisa Schatz Vance, Development Director, New Mexico
Legal Aid

Calvin Harris, Jr., CPA, President-Change Management,
Harvin Consulting, LLC

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

Robin C. Murphy, NLADA

Terry Brooks, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)

Dominique Martin, Law99.com

C O N T E N T S

OPEN SESSION	PAGE
1. Approval of agenda	6
2. Approval of minutes of the Committee's Open Session meeting of January 23, 2014	6
3. Quarterly review of 403(b) plan performance 2014	7
4. Briefing by Office of the Inspector General Jeffrey Schanz, Inspector General	8
5. Management update regarding risk management Ron Flagg, General Counsel	19
6. Briefing by Office of Compliance and Enforcement about following up from referrals by the Office of Inspector General regarding audit reports, and annual Independent Public Accountants' audits of grantees Lora M. Rath, Director, Office of Compliance and Enforcement John Seeba, Acting Assistant Inspector General for Audits	36
7. Public comment	64
8. Consider and act on other business	64

Motions: 6, 6, 64

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

2 (9:05 a.m.)

3 CHAIRMAN MADDOX: We're going to get started
4 with the Audit Committee meeting, and I'll call the
5 meeting of the LSC Audit Committee to order. And I
6 guess I'll note that Gloria and I are here, and I'll
7 ask if we have any members on the phone.

8 MR. HOFFMAN: Yes. David Hoffman's here.

9 MR. SNYDER: And Vic, Paul Snyder's here.

10 CHAIRMAN MADDOX: Greetings, David and Paul.

11 MR. SNYDER: And I don't know, David if -- Vic
12 is very faint on my phone.

13 CHAIRMAN MADDOX: Yes. And you're very faint
14 as well, Paul.

15 (Pause)

16 CHAIRMAN MADDOX: Is that you, Paul?

17 MR. SNYDER: Yes. Oh, good. I can hear you
18 now. Thank you.

19 CHAIRMAN MADDOX: Okay. So I'll note the
20 presence of a quorum, with Gloria, David Hoffman, Paul
21 Snyder, and myself. I'm assuming Harry Korrell is not
22 on the line.

1 With that, I'll call the meeting to order
2 again and raise the first item on our agenda, which is
3 the approval of the agenda. Is there a motion?

4 M O T I O N

5 MR. HOFFMAN: So moved.

6 CHAIRMAN MADDOX: And a second?

7 MR. SNYDER: Second.

8 CHAIRMAN MADDOX: All in favor?

9 (A chorus of ayes.)

10 CHAIRMAN MADDOX: And the agenda is approved.

11 The second item is the approval of the minutes
12 of the Committee's open session meeting on January 23,
13 2014. Is there a motion?

14 M O T I O N

15 PROFESSOR VALENCIA-WEBER: I'll move.

16 CHAIRMAN MADDOX: And a second?

17 MR. HOFFMAN: second.

18 CHAIRMAN MADDOX: All in favor?

19 (A chorus of ayes.)

20 CHAIRMAN MADDOX: And the minutes of January
21 23, 2014 are approved.

22 So the first substantive item on our agenda is

1 the quarterly review of the Corporation's 403(b) plan
2 performance. And I know we have -- Traci, are you
3 going to address that? We have a memo in the record,
4 but since this is the first meeting we've had in the
5 year where you've attended in person, maybe you can
6 just bring us up to date real quick.

7 MS. HIGGINS: If you want me to, I will. Good
8 morning. As the memo outlines, our funds are
9 performing reasonably well. We have regular contact
10 with the fund advisor, Dave Ponder, and he actively is
11 monitoring our funds, and we have not identified any
12 issues.

13 (Pause)

14 MS. HIGGINS: Take two?

15 CHAIRMAN MADDOX: So, Traci, nothing other
16 than the memo? There's nothing noteworthy to mention?

17 MS. HIGGINS: Nothing noteworthy or of
18 significant.

19 CHAIRMAN MADDOX: Today's future action
20 doesn't mean we should all go and sell?

21 MS. HIGGINS: No. Stay the course.

22 CHAIRMAN MADDOX: That's good. Okay. Well,

1 thank you very much for that.

2 If there are any questions, Traci's still
3 here. If not, we'll move on t item number 4, which is
4 the briefing by our Inspector General and the Office of
5 the Inspector General. I see Jeffrey Schanz
6 approaching. And I will recognize the Inspector
7 General.

8 MR. SCHANZ: Thank you, Mr. Chairman. In the
9 recent past I've occasionally deferred my presentation
10 to the full Board. I think there's an awful lot that
11 the Committee needs to know about right up front.

12 First of all, thank you for your time and
13 interest in our work. We recently sent out a posting
14 of a couple audit reports that we've recently issued.
15 The bigger news, though, and I sent this out in March,
16 is Mr. GAO, Dutch Merryman, has retired.

17 So not letting any grass grow under our feet
18 waiting to fill that position, I advertised I'd very
19 quickly and got very good candidates. But the best
20 candidate was already working for me, which is John
21 Seeba, and you'll hear from him in a little bit.

22 Mr. Seeba has more initials after his name

1 than Doan's has pills, for those of you who are as old
2 as me. But I've also been --

3 CHAIRMAN MADDUX: What about Carter?

4 MR. SCHANZ: It's Carter's pills?

5 CHAIRMAN MADDUX: No. I just said, what about
6 Carter?

7 (Laughter.)

8 MR. SCHANZ: Anyway, we'll be discussing our
9 interrelationships with OCE and some of the feedback we
10 get back and forth. So that's something I'm very proud
11 of, that we have a former IG replacing Dutch Merryman.

12 I'll also recognize that several new staff
13 persons from the OIG are in attendance, which is one of
14 the big advantages of having the Board meeting in D.C.
15 So I hope the veneer is not off my rose when they hear
16 me talk. So stay the course, if you would. I'll be
17 back.

18 A couple of things that we've done. I would
19 like to commend OHR in helping us staff some vacant
20 positions. We have over 60 vacancies on our entry
21 level announcement. So something has happened in the
22 IG world, where -- not 60 vacancies, 60 respondents to

1 our announcement. Yes. I've been accused of
2 empire-building, John, but not to that extent.

3 (Laughter.)

4 MR. SCHANZ: We did -- and this is for the
5 Audit Committee -- we have the RFP out for next year's
6 audited financial statement. The staff worked very
7 diligently on that, and we're going to have at least, I
8 think, twelve vendors who are going to bid for the
9 annual audit financial statement.

10 Just so you know, I don't skate along very
11 often without any sort of oversight. Peer review is
12 upcoming for the OIG LSC in this year. In fact, the
13 entrance conference is on Easter Monday. I mistakenly
14 agreed, said, oh, yes, well, work drives my schedule.
15 And then I looked at my schedule, so work is still
16 going to drive my schedule.

17 So we're going to have an entrance conference
18 where, by GAO standards and by the law, the IG Act,
19 we're required to get a peer review. This year it's
20 going to be the Federal Housing Finance Agency.
21 They're going to be reviewing our audit work and our
22 policies and procedures for the last two semiannual

1 reporting periods.

2 We will likewise do the Railroad Retirement
3 Board, but they're not scheduled to have a peer review
4 until 2015. So that'll give us a chance to settle our
5 staff in, get more production out of what we're doing
6 with the new staff and the new leadership in audit, and
7 then we'll have an opportunity in 2015 to see how
8 another federal OIG is operating.

9 These are huge discussions within -- I still
10 attend the CIGIE, Council of IGs for Integrity and
11 Efficiency, audit committee. And just as an aside,
12 there have been some discussions in putting together
13 the peer review schedule that some IGs, the real
14 smaller IGs -- some of them are truly only one or two
15 people -- won't do a GAGAS audit, so they don't have to
16 be peer-reviewed on their audit work against standards.

17 They usually mainly do contracting work.

18 I was embarrassed to hear that from my peers.

19 I can't believe that somebody would try to game the
20 system like that. But I can assure you that I'm not
21 one of them, and our records are open for scrutiny by
22 GAO, by Congress, and most importantly, by the Federal

1 Housing Finance Agency.

2 Okay. I can give you a little bit of GAO
3 update because I know you really love the GAO updates.

4 This year, for the first year -- they didn't do it the
5 last two years -- but GAO had a coordination with all
6 the federal inspectors general over at GAO. And it's
7 very fruitful to hear what the "big guys" are doing and
8 cross-cutting government agencies and programs they
9 engage in.

10 Just as an aside, when I first got to
11 Washington, D.C. in 1984, one of my jobs was to develop
12 a planning process, director of policy and planning.
13 So I met with GAO thinking, oh, boy. I can just
14 piggyback on what they do. And they said, well, we'd
15 like to help you, but about 85 percent of our work is
16 congressionally driven. So they have 15 percent of
17 their free time that they can work plan.

18 So when I hear things like that, it makes me
19 realize that I'm not swinging at windmills, and that
20 GAO is the preeminent audit organization in this, I
21 would say, world because they also bring in
22 international speakers when we have some of these

1 meetings.

2 And they're trying to gear up -- what do you
3 mean by accountability? What do you mean by
4 transparency? What do you mean by objectivity? What
5 do you mean, you can report directly to your governing
6 body? They don't have those opportunities.

7 So it's always fruitful to talk with GAO and
8 hear what they do. Plus, the Elmer Staats briefing
9 room is a very impressive room, where numerous hearings
10 have been held through the years. So it's always fun
11 to deal with GAO on the global side, not on the
12 receiving end of things. We're still closing our
13 recommendations; I understand that.

14 That's what I have coming up. We will have --
15 and I'll mention this a little bit more at the Board
16 meeting -- we will have our SAR, semiannual report,
17 coming out very quickly. And then the Board will have
18 to discuss a time or identify a date where they can
19 apply the transmittal memo and send it to Congress.

20 The semiannual report period ended March 31st
21 of this year. So that's what we have done. It will be
22 from October 1, 2013 to March 31, 2014, a six-year

1 (sic) period, hence the name semiannual report. And
2 then we'll have that for you shortly, and you'll be
3 able to ask questions if you would like. But I don't
4 have it for you now because it's not due yet. We have
5 till the end of April.

6 That's what I have. We will talk a little bit
7 later about the audit grantee followup process, and
8 that's when John will show you how intelligent and
9 smart and how vetted he very much is and invested in
10 GAO and audit operations.

11 I'm very pleased to have him as the -- it was
12 the acting, but for this Board meeting I took off the
13 acting. And when I went through six applicants for
14 that position, John was clearly superior. So I'm
15 looking very forward to the future. I have new
16 auditors in the back of the room who are very skilled.

17 At one point, IGs were identified as change agents.
18 So I'm changing my own office before I can change
19 anything else.

20 I'll be happy to answer any questions.

21 CHAIRMAN MADDOX: Julie?

22 MS. REISKIN: You said at the meeting with all

1 of the IGs and the GAO, there was discussion of what do
2 we mean by accountability and what do we mean by
3 transparency. Is there any documents that came out of
4 that or any better understandings or definitions or
5 standards?

6 MR. SCHANZ: No. This is more a collegial
7 meeting. It's a very robust agenda, and when you're
8 talking about standards, a lot of time when GAO talks
9 about standards, they're talking about international
10 accounting standards and some of the things they've
11 done with particularly Indonesia after the tsunami.

12 After you deal with the criticality of the
13 event, then -- we did the same thing in this country
14 with Katrina. We had to see where the money was with
15 Katrina, and then of course there's always somebody out
16 there -- if there's money, there's a way to try to get
17 it, whether they're appropriately justified or not.

18 So in answer to your question, no. But the
19 Yellow Book is in draft. You can look at that if you'd
20 like. It's a three-volume Yellow Book now. I offered
21 the Board the last time, for the 40th; I'm still
22 waiting for a volunteer to discuss with all the

1 attendees at the 40th the GAO Green Book on internal
2 controls.

3 No one has stepped up to the plate on that,
4 but those are the core of what GAO does and what GAO
5 requires. And those are all online on GAO's website.
6 I can direct you to them if you would like --

7 MS. REISKIN: No. You sent that and I've
8 reviewed that.

9 MR. SCHANZ: Oh, good. So that's the
10 volunteer to educate all the executive directors at the
11 40th as to what internal controls mean? No, I'm
12 kidding.

13 Any other questions? I'd be happy to answer.

14 CHAIRMAN MADDOX: Questions? Paul? David?

15 MR. SNYDER: No. Not from my end. Thank you.

16 MR. HOFFMAN: Mine, either. Thanks.

17 CHAIRMAN MADDOX: Thanks very much, Jeff.

18 MR. SCHANZ: Okay. Thank you.

19 CHAIRMAN MADDOX: I'll note just in passing
20 that -- I was talking to John about this last night,
21 that University of Louisville had a former executive
22 director of the university's department of family and

1 geriatric medicine.

2 Last week he was indicted for stealing \$2.8
3 million in patient payments over a period of six years.

4 The guy's only 36 years old, so he started this when
5 he was 30. And the university's response was that the
6 university has a strong system of internal controls in
7 place, which I thought was noteworthy.

8 And they said, but ultimately it depends on
9 the people putting those policies into place, which
10 seems somehow to suggest that the controls aren't as
11 strong as they might think. So it's a tough job you
12 guys have got to ferret this sort of stuff out, and I
13 just thought that was an interesting example of how
14 much money can disappear pretty quickly.

15 MR. SCHANZ: Well, thank you for recognizing
16 that. You may not have recognized that until your
17 tenure on the Board, but the State Department Inspector
18 General just had a hearing on many of the problems that
19 happened with --

20 CHAIRMAN MADDOX: Six billion?

21 MR. SCHANZ: Yes. Yes, with State Department.

22 And they didn't have an IG for six years. It was

1 always somebody who was acting.

2 CHAIRMAN MADDOX: Right.

3 MR. SCHANZ: Now Steve Linick is over there,
4 who was trained, as I was, at DOJ.

5 CHAIRMAN MADDOX: You know, Jeff, that's
6 interesting. I was also talking last night about this
7 Treasury OIG report from I think October, finding that
8 IRS has failed to put into place standards and criteria
9 for evaluating improper earned income tax credit
10 payments. And for the last ten years, they've been
11 making about \$12 billion a year in improper payments.

12 Since 2009, they've been under an executive
13 order to put those standards into place, and the OIG
14 has, every year, issued a finding that they've failed
15 to respond, to do this.

16 MR. SCHANZ: Right.

17 CHAIRMAN MADDOX: How does it happen that an
18 OIG's report like that just goes ignored year after
19 year?

20 MR. SCHANZ: Well, that's where we had the
21 breakfast briefing this morning. It's good to have
22 some ears on the Hill; for one thing, they could call a

1 hearing on something like that. The other part is I'll
2 use the analogy of a pyramid, and at the top, it's the
3 tone at the top, which we all get. We understand. I
4 think the Board understands the purpose of internal
5 controls.

6 The implementation thereof is often left to
7 the agency. IGs don't give out the money; they track
8 the money. So therefore, no matter what system you
9 have in place, there's always a way -- in your
10 Louisville example, always a way around the system if
11 there aren't checks and balances and if there aren't
12 people who are really interested in protecting the
13 federal fisc. Thankfully, that's why you have IGs,
14 because we're very responsible for overseeing the
15 federal fisc.

16 CHAIRMAN MADDOX: Okay. Thank you.

17 Item 5 on our agenda is the management update
18 regarding risk management. And I recognize Ron Flagg,
19 the Corporation's General Counsel.

20 MR. FLAGG: Thank you and good morning. You
21 should have before you at page 81 of your written
22 materials what has now become probably a familiar

1 document, which is this risk matrix.

2 Just again to orient you, the material
3 highlighted in red are those areas and strategies which
4 Management views as the highest risk areas, and the
5 items highlighted in yellow are things where we have
6 changes, for the most part recent updates to the Board,
7 either coming up this meeting or the next meeting.

8 Just a couple of comments and then I'll be
9 happy to answer any questions. One, I think this is a
10 useful tool for Management to think about the areas of
11 risk in the organization and how we're addressing
12 those. But this is really just a scorecard and a tool.
13 It is not the sum and substance of risk management
14 antitrust LSC.

15 We do many things that don't fall neatly in
16 these boxes and in this spreadsheet. For example, I
17 think you will hear tomorrow from Jim in his
18 President's report about a number of initiatives that
19 fall squarely within the risk management rubric and
20 which may or may not fall neatly on this chart.

21 Second, as we thought about our Board meetings
22 in general, I think it's the case that on an ongoing

1 basis we address many of these issues, and I'll mention
2 two.

3 As a result of this Committee's agendas, we on
4 a routine basis now have reports on Management/IG
5 relations in the form of the reports that OCE and the
6 IG's office give about the referrals and the interplay
7 between the IG and OCE.

8 Likewise, obviously, one of if not the most
9 substantial risk we face is the funding risk. And
10 every meeting we have, we have abundant information
11 about our budget and whether it's adequate, both at the
12 moment and going forward. We hear from OFAS on that,
13 and then obviously we get briefings as we had yesterday
14 and today from Carol about what our prospects are and
15 what our strategies are in trying to maintain our
16 credibility with Capitol Hill.

17 So that's our report. If there are questions,
18 I'm happy to hear them.

19 CHAIRMAN MADDUX: Martha?

20 DEAN MINOW: This is a very useful chart. I
21 was curious about the rating of the integrity of
22 electronic data as a risk because every organization I

1 know says that's a high risk. Now, maybe people don't
2 think our data are that valuable, but I guess I do
3 think that it's an important risk.

4 CHAIRMAN MADDOX: What page is that on,
5 Martha?

6 DEAN MINOW: Six.

7 MR. FLAGG: I think it is highlighted in red,
8 so we agree it's --

9 DEAN MINOW: It's just L. Doesn't L mean low?

10 MR. FLAGG: We'll give that more thought.

11 CHAIRMAN MADDOX: Charles?

12 MR. KECKLER: Thank you, Mr. Chairman.

13 I noted on the next page, page 7, "Accuracy of
14 Grantee Data." And that's assigned probability H,
15 severity M. And it goes to Ops & Regs. So it's not
16 highlighted. And I wondered if there's a reason why
17 not, or how that might be related to the data project
18 from Public Welfare. And is there a sense of when we
19 might have a review on that item?

20 MR. FLAGG: Well, I think that's a good
21 question. It probably should be highlighted in red,
22 consistent with the probability and severity ratings

1 that are there. I think the grantee data issue is
2 something that we're working on every day, and Jim
3 addressed it some yesterday in terms of our ongoing
4 work.

5 Jim, do you want to comment on that?

6 PRESIDENT SANDMAN: Yes. I regard this item
7 as being related to the accuracy of what we collect,
8 not what we collect, if the difference is clear. And
9 there are two potential risks here. One is that what
10 grantees are giving us is not accurate, the second is
11 that what we report out about what grantees are giving
12 us is not accurate, the first being a problem with
13 grantees, the second being a potential problem with LSC
14 itself.

15 And we're on both of these, the first,
16 probably most significantly, with the program visits
17 that we do, where we review significant samples of
18 grantee data to be sure that their internal practices
19 are consistent with accurate reporting. And we're also
20 making strides to address the second risk in terms of
21 what LSC reports out.

22 And Patrick Malloy, who works with Lynn very

1 closely, is now involved regularly in doing validation
2 work of all data that we get from grantees before we
3 issue reports like the one that I'm going to give you
4 tomorrow on grantee activity in 2013, our Fact Book,
5 our annual report, things of that nature.

6 But I regard this as different from Public
7 Welfare Foundation project. That really goes to what
8 data should we be collecting from grantees.

9 MR. KECKLER: Let me just add, they're
10 connected, though, in certain ways in that it goes a
11 little beyond risk management, I agree. The idea that
12 there are things that we want to know from grantees or
13 that we think that we know, is the data that we're
14 getting from them actually measuring what we think we
15 know or what we expect to know about our grantees?

16 And so that's a sense of the -- it's actually
17 the validity of the data for the conclusions and ideas
18 that we have about the grantees.

19 PRESIDENT SANDMAN: Yes. If I understand the
20 distinction you're drawing, we might be getting
21 information that's accurate and meaningless.

22 (Laughter.)

1 MR. KECKLER: Right. Right. And moreover,
2 then again a slightly different point that combines
3 both of these is we're asking them to collect certain
4 data, and are we making actual use of that data?

5 So there's a couple of issues that I think
6 meld from the data project and our other management
7 initiatives with the issues of risk because it's a
8 sense that those are both risks, that we're collecting
9 data that's not valid for what we're thinking about and
10 that we're demanding and mandating collection of data
11 that's not actually being used, or used effectively.

12 CHAIRMAN MADDUX: Julie? I'm sorry.

13 MS. REISKIN: I just wanted to go back to the
14 adequacy of funding issue on page 4. I understand the
15 high probability for field funding. But why is there a
16 concern that we're not going to -- why is it a high
17 probability that we're not going to get adequate
18 funding for oversight?

19 Because as long as I've been here, we haven't
20 even used what we've been given, and I don't think that
21 piece hasn't been cut, or the IG piece hasn't been cut.

22 It's always the field that gets cut. So is there a

1 risk, or is that just --

2 MR. FLAGG: I think we would say we would
3 never take anything for granted.

4 CHAIRMAN MADDOX: Gloria?

5 PROFESSOR VALENCIA-WEBER: I just want to
6 connect points of information, on page 1 and on the top
7 of page 2 where you have a Presidential Transition Plan
8 and then Transition Plan. Is this part of what Jim
9 gives us in his presidential report, or is this some
10 other kind of information?

11 MR. FLAGG: No. It's a great segue because --
12 and it is something different. I think for both Jim
13 and myself -- Jim obviously is not a newcomer; he's now
14 been here over three years. I've just been here a
15 year. But we both had to make a transition.

16 And I think Jim in particular was struck by
17 the need to make these sorts of transitions easier by
18 institutionalizing the practices within the
19 organization and memorializing what those practices
20 are.

21 And we have a number of initiatives which I'm
22 not sure we really have even talked to the Board about

1 to advance those goals of making these transitions more
2 rational in terms of what's available to somebody who's
3 coming in as a new President or somebody else who's
4 coming in to senior Management.

5 We do have a number of steps we're taking
6 right now to accomplish that, and I suspect Jim will
7 talk about one or more of those tomorrow. And we will
8 certainly be happy to share with you what we're doing
9 in the future.

10 PRESIDENT SANDMAN: Yes. Gloria, from my own
11 experience, I think this is a significant risk. LSC
12 has had 25 presidents in 39 years. That is not a good
13 dynamic for strong, stable management of an
14 organization.

15 When I got here, my orientation materials
16 consisted of what we call the source book. It consists
17 of the LSC Act, our regulations, our appropriations
18 legislation. It was just sort of the legal essentials
19 of the Corporation. That was it.

20 And I still to this day have experiences where
21 I say to myself, what else don't I know? So what we're
22 trying to do is to institutionalize and document

1 processes so that whoever comes in here after me, and
2 his or her successors, has a handbook that is very
3 practical and can allow them to hit the ground running
4 and reduce the risk of institutional transitions of
5 leadership.

6 MR. LEVI: I hope there'll be a Board section
7 to that.

8 FATHER PIUS: I think you've got more than
9 the Board to --

10 MR. FLAGG: Yes. Actually, there was a -- and
11 I wasn't here, obviously, for the transition for this
12 Board. But there are board transition materials that
13 are on the shelf. I will look at them again.

14 MR. LEVI: I think you're going to find that
15 they're very similar to -- they're a compilation of the
16 statutes, and then they were the GAO reports. I got a
17 box of GAO reports -- I mean, literally, a box -- and
18 all of the very charming letters that Frank had written
19 to members of Congress and their love letters back to
20 him.

21 (Laughter.)

22 MR. FLAGG: We'll see if we can supplement

1 that.

2 MR. LEVI: So can I just ask, are you going to
3 change the accuracy of Grantee Data from black to red?

4 MR. FLAGG: Yes.

5 MR. LEVI: Okay. Good.

6 MR. FLAGG: And we're also going to move
7 Integrity of Electronic Data Information from L to M.

8 MR. LEVI: But seriously, on the leadership
9 transition, I do think a Board handbook-type thing
10 would be so helpful. I think we all felt that coming
11 in. And Tom Smegal's sitting here; I think he's the
12 longest serving Board member. He ought to be
13 debriefed. He served in the full tenure of the Reagan
14 era, and then the Clinton era, and I think 21 years?
15 Is that --

16 MR. SMEGAL: Well, pretty close. Twenty.
17 Only 20.

18 MR. HOFFMAN: Hello? Are we still on?

19 MR. SNYDER: Hello?

20 MR. LEVI: Yes. So I just think we've got to
21 collect some of this.

22 CHAIRMAN MADDUX: Hang on. Paul and David,

1 can you hear us?

2 MR. SNYDER: Now we can.

3 MR. HOFFMAN: We can hear you now. I think we
4 just missed about 20 seconds.

5 CHAIRMAN MADDOX: Okay. Well, you can read
6 the transcript.

7 (Laughter.)

8 MR. HOFFMAN: Yes. We're fine.

9 MR. FLAGG: I think the upshot is the Board
10 and Management have agreed that we should have a more
11 robust set of orientation materials for new Board
12 members, and we will make sure that that happens.

13 PRESIDENT SANDMAN: We have made some progress
14 on the Board materials in the last couple of years. In
15 2012, after we updated our charitable solicitation
16 policy, we did compile a book for the Board that
17 included not only statutory and regulatory requirements
18 but prior Board policies, resolutions that one Board
19 may have no knowledge of if they were adopted years ago
20 by a prior Board.

21 But we need to make sure that we're making
22 tools like that accessible to Board members in a

1 meaningful way, that everybody knows that they exist
2 and that they're easy to use.

3 CHAIRMAN MADDOX: Ron, just on the matrix,
4 what's the process for filing in the dates of the next
5 review? A lot of these items have no date or last
6 review or next review. I'm wondering, how are you
7 going to go through that?

8 MR. FLAGG: Our internal risk management
9 committee meets a couple times a quarter and goes over
10 these items to think both substantively about what
11 we're doing as well as how and when we should report.
12 So that's the process.

13 The fact that there's no date of last review
14 simply reflects the fact that this was a new document,
15 or at least new for us, and we didn't go back beyond
16 the start of my tenure to figure out the last time
17 somebody talked to the Board about these things.

18 The other thing is, again, for the most part
19 when these dates are listed, there was an explicit
20 report on that topic. Often these topics are reported
21 on by Management, either to one of these Committees or
22 to the Board, in some meaningful way without there

1 being a full-blown report.

2 But I think as we go forward, these now-empty
3 boxes will get filled. And we of course welcome
4 requests from the Board and from the Committees. If
5 there's a particular topic here that you'd like to hear
6 more about, we're here to provide that.

7 CHAIRMAN MADDOX: Right. Do you anticipate
8 that there would be an annual review of all of them?

9 MR. FLAGG: No.

10 CHAIRMAN MADDOX: Or every other year?

11 MR. FLAGG: I don't think we should have a
12 one-size-fits-all approach. I think some of these you
13 should hear about at every meeting, and you do. And
14 others of these -- obviously you should hear about all
15 of them at some point.

16 But I think I'd be reluctant to make a
17 prescription of, we're going to hit all of -- I don't
18 want to be in a position where something that is a risk
19 area but is not as significant as some others we feel
20 an obligation to report on just so that a box gets
21 checked off when there are a lot more significant
22 issues for the Board and Management to look at.

1 So I think, from Management's perspective, we
2 look at this every quarter and think about what should
3 we be doing substantively and what should we be
4 reporting on. And I certainly invite the Board to
5 likewise look at this and identify areas of concern.

6 And again, I point to this Committee. I think
7 you rightly identified coordination between the IG's
8 office and OCE as something that was of significance.
9 And you've honed in on that, and we've really enhanced
10 our reporting on that. And so I invite that sort of
11 initiative both from us as well as from the Board.

12 CHAIRMAN MADDOX: Father Pius, did you have
13 something?

14 FATHER PIUS: Just a question on one of the
15 items. It seems to me that the whole focus of the
16 organization is on providing high quality legal
17 services. And so while I think the risk of not
18 providing them is low, I think when we don't provide
19 them -- because it is the core issue of what we do --
20 that the severity would be high. You have it marked as
21 medium.

22 So my suggestion would be to rethink that and

1 put the severity of providing poor quality legal
2 services as high since it is the core thing that we are
3 focused on, rather than just as medium.

4 MR. FLAGG: Okay.

5 CHAIRMAN MADDUX: Martha?

6 DEAN MINOW: I don't want to have mission
7 creep here, but I can't help but wonder, when we take
8 something like the Fiscal Oversight Task Force
9 recommendations, the Pro Bono Task Force
10 recommendations, there's a risk of non-implementation
11 of the work that we've done. And I think that's
12 something to consider including in this risk analysis.

13 MR. FLAGG: Yes. Certainly, the Fiscal
14 Oversight Task Force recommendations, I believe if we
15 pulled each of them out, we would see them reflected in
16 this matrix. And certainly I know, in terms of our
17 departmental plans and our individual employee plans,
18 that those set of recommendations and those goals are
19 clearly in mind.

20 Likewise, the Pro Bono Task Force. I'd have
21 to take a look. They may not quite as explicitly show
22 up in this. But I agree with you. It's a high

1 priority and we ought to make sure it's reflected here.

2 DEAN MINOW: Well, I'm sure you have them all
3 in mind. But to actually be able to see that as an
4 item -- because there's a reputational risk as well as
5 actual on the merits. We get asked in our journeys,
6 "You did this thing. You have this big high-profile
7 announcement. Now what's happened?" And so it's a
8 risk at that level.

9 MR. FLAGG: Thank you.

10 CHAIRMAN MADDOX: Anything else for Ron?

11 (No response.)

12 CHAIRMAN MADDOX: If not, thank you very much,
13 Ron.

14 The next item on our agenda is the briefing by
15 the Office of Compliance and Enforcement about followup
16 from referrals by the OIG regarding audit reports and
17 annual independent public accountants' audits of
18 grantees.

19 If Lora, Director of the OCE, and John Seeba,
20 Acting Assistant Inspector General for Audits --

21 MR. LEVI: Not acting.

22 CHAIRMAN MADDOX: I'm just reading the agenda.

1 (Laughter.)

2 MS. RATH: Good morning. Continuing to follow
3 up on the Committee's request for additional
4 information about the interactions between OCE and the
5 OIG, we've again provided three charts, two for
6 discussion in open session, one for discussion in
7 closed session.

8 Based on the positive responses I got to the
9 charts last time, I modified them slightly. So let me
10 tell you how they're a little different.

11 Last time we gave you approximately two to two
12 and a half years' worth of data so that you could see
13 the types of referrals and how often referrals were
14 made. Since you already have that from last time, the
15 new charts get rid of anything that was closed at the
16 time of the January meeting because there's been no
17 action, and anything in red text in the charts is new
18 activity either by OCE or by OIG.

19 So going to the charts, the first one, which
20 starts on page 93 -- and it's actually only on page 93
21 -- it's the results of the referrals from the OIG's
22 audit division, which John is now the head of, to OCE.

1 And you can see that out of the four that were
2 pending at the January meeting, we were able to close
3 three out during the last quarter. So that was very
4 good. And the fourth one, we received the information
5 on Friday. So that's an ongoing investigation, but
6 that is also progressing nicely. So it should
7 hopefully be closed by the time we meet again in July.

8 Any questions about that first chart?

9 MR. HOFFMAN: I do. It's David Hoffman. Hi,
10 Lora. Thanks again, and to you, John, for all of your
11 ongoing excellent work. Much appreciated. And I
12 appreciate your comments about the changes from the
13 last chart because I had actually gone back and done a
14 quick check at the one from our last meeting three
15 months ago.

16 And I did note -- and I'm certainly not
17 against the slimming down that you've done, but I do
18 think that it seems to me that if there are open items
19 that are older than the time period that you have here,
20 and even if no action is taken but they remain pending,
21 I think we need to see that.

22 And I see an example of that, and I want you

1 to correct me if I'm misreading something, because of
2 course I may be.

3 MS. RATH: I think I know where you're going
4 to go.

5 MR. HOFFMAN: But in the prior chart, there
6 was a referral regarding the Inland Counties Legal
7 Services.

8 MS. RATH: Yes, sir. Yes, sir.

9 MR. HOFFMAN: The referral to OCE occurred in
10 August 2012.

11 MS. RATH: Yes, sir.

12 MR. HOFFMAN: And as of our last meeting it
13 was pending.

14 MS. RATH: Yes, sir. And that --

15 MR. HOFFMAN: And I don't see it on here, so I
16 assume it's pending.

17 MS. RATH: Yes. Well, I got --

18 MR. HOFFMAN: And it looks like a potentially
19 significant one because it was over a million dollars
20 in questioned costs. And as of the last --

21 MR. LEVI: Wait a minute. Lora's trying to
22 say something.

1 MS. RATH: Mr. Hoffman --

2 MR. HOFFMAN: And the last reported said --

3 MR. LEVI: Wait a minute. Lora's trying to
4 say --

5 MR. HOFFMAN: -- pending LSC Management
6 decision; anticipated to be issued in February 2014.

7 MS. RATH: Yes, sir. And I apologize. That I
8 got a little ahead of myself because I was excited that
9 the LSC Management decision had been issued. We did
10 issue that decision at the end of February, and now
11 there is an appeal pending with the Office of the
12 President.

13 So I figured something would find it, but I
14 was going to note that that was me just getting a
15 little ahead of myself being excited that a
16 long-pending one had been finished on the OCE end. I
17 will update the chart for July to note that it was
18 still open at this point and to note whatever Jim's
19 decision is on the appeal. So I apologize for that.

20 MR. HOFFMAN: And what was the -- are you able
21 to state publicly what the LSC Management decision was?

22 MS. RATH: I'm not sure whether we can state

1 -- because it's still pending Jim's decision on appeal,
2 I'm not sure. Ron?

3 MR. FLAGG: I think you can report on the
4 status of the OCE decision, which is on appeal. But
5 I'd caution --

6 MR. LEVI: Is that a matter of public record
7 or not? Because it could be reported on in closed
8 session and then it would not be.

9 MR. FLAGG: Yes. It probably would be better
10 to --

11 MR. LEVI: Have we taken the position -- let's
12 separate this out. Are OCE decisions that are on
13 appeal, are those matters of public record or are
14 those, when they're appealed to the President, until
15 the President rules --

16 MR. FLAGG: I believe after the President
17 rules, the OCE decision, if you will, becomes public.
18 But my recollection is until either the time for appeal
19 has passed or the President has ruled, that they don't
20 necessarily become public.

21 So probably it would be more prudent to
22 address that issue in closed session. And I think

1 because the issue is still before the President, while
2 I think it's fine to have a report on what the OCE
3 recommendation was, I think the Board's discussion of
4 that ought to be limited or we ought to ask the
5 President at the time we have that discussion to step
6 out.

7 CHAIRMAN MADDOX: Ron, wouldn't that be
8 something that's addressed in our regulations, about
9 whether this is public or not? It seems like it's a
10 matter of administrative procedure.

11 MR. FLAGG: I think it is a matter of
12 administrative procedure. But I don't think that
13 whether or not it's public or not is explicitly
14 addressed.

15 MR. LEVI: More work for Charles' Committee.

16 (Laughter.)

17 CHAIRMAN MADDOX: So Ron, just to be clear,
18 your advice is that we can discuss it in the closed
19 session? So there's no reason why the Board ought not
20 to know what OCE has concluded.

21 MR. FLAGG: Correct.

22 CHAIRMAN MADDOX: But we just don't want it on

1 the public record pending Jim's determination.

2 MR. FLAGG: Correct. And again, if all you
3 want is a status report from OCE about what they've
4 recommended, obviously Jim's aware of that and he can
5 hear that. If the Board wants to comment on all of
6 that, I think to maintain the integrity of the appeal
7 process, Jim should absent himself.

8 CHAIRMAN MADDOX: Sure. Right. Thank you.

9 MR. HOFFMAN: Thank you. That makes perfect
10 sense to me. And if we do have a discussion in closed
11 session, my intent was just to find out what OCE
12 recommended.

13 I note that, Lora, I do think it is important
14 that this chart include the status of any referrals
15 that are open, no matter the date, because as a process
16 point that's obviously something that's important for
17 us to keep an eye on regarding timeliness. Obviously
18 there are sometimes very good reasons why things take a
19 while. But I think that's something for us to keep our
20 eye on as a committee.

21 And second, you've heard me say this before.

22 I'm interested in keeping my eye on the recommendations

1 of the IG's office when they include questioned costs
2 that are of a significant amount. And that doesn't
3 happen very often.

4 This is one of those. It's the highest one I
5 think we have on the chart. So noting what the outcome
6 is and then, if there is a disagreement, trying to
7 figure that out I think is an important part of just
8 our hearing from you all.

9 I note that on the prior chart there were two
10 other open ones that were pending as of our last
11 meeting that are not listed here. So I think going
12 forward if you wouldn't mind keeping us up to date with
13 what's pending in addition to what's new, I would
14 appreciate it.

15 MS. RATH: Okay. Yes. I'm sorry. I'll go
16 review those charts. I knew that Inland County had
17 been dropped, and I apologize for that.

18 MR. HOFFMAN: I couldn't hear you other than a
19 faint -- I think you said fine. There must have been a
20 technical issue. Let me go on to my next question
21 about the referrals to the audit division.

22 MR. FLAGG: David, this is Ron. David? This

1 is Ron.

2 MR. HOFFMAN: Yes. I can hear you now.

3 MR. FLAGG: I just want to elaborate on the
4 record on one point. The Board received a fairly
5 elaborate briefing on Inland Counties at the closed
6 session of the last Audit Committee meeting, at which
7 Jim actually did step out of the room, which is not to
8 say -- I think OCE and Lynn Jennings are happy to do
9 that again.

10 But just so the record is clear, the Committee
11 received quite a robust report about that in Austin.

12 MR. HOFFMAN: Okay. Thank you.

13 Lora, I think we have something new here on
14 Idaho Legal Services. About a year ago the IG issued a
15 report referring over \$200,000 in questioned costs to
16 OCE.

17 MS. RATH: Yes.

18 MR. HOFFMAN: Since our last meeting, OCE
19 recommended that about 2 percent of that, about \$3400,
20 be recouped, and a letter was issued recouping that.
21 So I was wondering if you and maybe John could comment
22 on -- it sounds like the disagreement there between OCE

1 and the IG about whether there was a large amount of
2 costs that were improper by this agency, and OCE
3 believed that it was quite a small amount.

4 MS. RATH: Actually, this again was a referral
5 having to do with a TIG grant. And if you remember, on
6 the previous charts there had been three similar
7 referrals from the OIG regarding the documentation of
8 personnel costs to the TIG grants.

9 And while the OIG was sticking to the strict
10 reading of the regulation about contemporaneous
11 timekeeping for personnel records for TIG grants, OCE
12 and LSC Management have a bit more discretion to see
13 what records would satisfy us that, actually, work had
14 taken place and that the expenses were reasonable and
15 necessary.

16 Idaho, much like the other three TIG grants
17 that we investigated and did full questioned cost
18 notices of, was able to demonstrate to us in advance of
19 issuing a Notice of Questioned Costs that they would be
20 able to provide the necessary documentation to show
21 that the work had been done on the grant.

22 So we decided not to go through the full

1 process, and instead, we only requested that they
2 return the unexpended monies that they hadn't spent.
3 So that was the difference there.

4 MS. JENNINGS: If I could, this is Lynn
5 Jennings for the record. One note of clarification is
6 that -- one thing to keep in mind is that these were
7 pre-2010 TIG costs and not post-2010. 2010 was the
8 year that the IG issued the TIG audit, and we made
9 substantial changes after that. And these were subject
10 to pre-2010 review, and that is the differentiation
11 between the two.

12 And another note of clarification is that what
13 was set out in the TIG application was delivered. So
14 even though the requirements pursuant to the reg in
15 terms of recordkeeping weren't there, we did receive
16 value for the money that was expended. And it was
17 proven then that the personnel costs could be accounted
18 for.

19 MR. HOFFMAN: Okay. Thank you.

20 And so, Lora, if I'm reading this chart
21 correctly, no referrals have been received from the IG
22 audit division in the last six months?

1 MS. RATH: In the last three months -- or
2 actually, six months, yes. Since --

3 MR. HOFFMAN: I'm sorry. For some reason I'm
4 having -- you're microphone might be cutting out. I'm
5 having trouble hearing you.

6 MS. RATH: Yes. You're correct. We haven't
7 received any since September 30th from the audit
8 division.

9 MR. HOFFMAN: Okay. And what this shows is
10 that over the last year, only three have been received.

11 And the bottom two are a small amount of questioned
12 costs, and the other one was the one we were just
13 discussing with the TIG grants, where OCE found that it
14 was just a few thousand dollars of questioned costs?

15 MS. RATH: Correct.

16 MR. HOFFMAN: And I know the next chart
17 relates to the referrals from the audited financial
18 statements. So putting that aside, is it right that
19 other than the referrals from the audited financial
20 statements, there have been no other referrals from the
21 IG's office at all in the last six months? Or is there
22 a category that these charts don't cover?

1 MS. RATH: No. You're correct. This is all
2 the referrals that LSC has received from the OIG's
3 office.

4 MR. HOFFMAN: Okay. My guess is that Paul's
5 having the same problem. I can hear you very faintly,
6 which is sort of adequate, but there must be some sort
7 of technical problem with the mike.

8 Okay. Vic, I had a couple questions that are
9 relatively brief about the audited financial statements
10 chart, but I can't hear Lora, so let me just pause.

11 CHAIRMAN MADDOX: She's switching microphones,
12 David, and that might help.

13 MS. RATH: Is this any better?

14 MR. HOFFMAN: It must be -- Paul, are you
15 having the same problem?

16 MR. SNYDER: Yes. I can barely hear.

17 MR. HOFFMAN: Yes.

18 MR. LEVI: We'll put this on the chart for the
19 next time.

20 MR. SNYDER: Oh, here it comes.

21 MR. HOFFMAN: I just heard John.

22 CHAIRMAN MADDOX: Yes. The Board microphones,

1 David, seem to be working fine. I don't know if it's
2 the panelists. Maybe there's something we can --

3 MR. HOFFMAN: No. Vic, sometimes we can hear
4 you, sometimes we can't. So it might be the phone
5 line. I can't hear, so why don't you guys go ahead.
6 Go ahead.

7 MR. SNYDER: Maybe just one other thing, and
8 you guys can discuss it. It sounds like you can hear
9 us. And that is I'm assuming, Jeff, that on the chart,
10 when we have the resolution, that LSC has determined to
11 resolve these issues that OIG has referred that your
12 office is satisfied with the ultimate resolution. And
13 if not, those issues are adequately vetted and
14 discussed.

15 MR. SEEBA: This is John Seeba. Yes. We
16 actually discuss all the issues with Lora. We meet
17 with her monthly, I guess it is, and we discuss the
18 resolution that we, the IG, have to be satisfied with
19 the corrective actions that are taken. So there is
20 definitely a second bite at the apple, if you will,
21 when we're looking at what's happening to correct the
22 situation to make sure it does get corrected.

1 MR. SNYDER: It also, John, was relating to
2 David's earlier comment, when we get from the
3 200,000-some to, ultimately, 3400. And I see now where
4 it's 34; the 4,000 is that transition of the
5 decision-making process, that you are satisfied with
6 the ultimate resolution. So we should gain some
7 comfort on that as well.

8 MR. SEEBE: Yes, absolutely. I think in the
9 situation with the TIGs, we went in doing the reviews
10 and found, again, they weren't taking contemporaneous
11 timekeeping, that type of thing.

12 I think we knew up front that, yes, a product
13 was delivered and there was work being accomplished.
14 However, they could not document that, and that's the
15 process that we go through with Management to make sure
16 that they're satisfied as well with the way the money's
17 being spent. So that's why we refer it that way.

18 MR. SCHANZ: Paul, this is Jeff, the Inspector
19 General. Not every report will have questioned costs,
20 obviously. We also look at performance and some other
21 standard that we're allowed to by the GAO standards.

22 Ultimately, the issuance and recovery of funds

1 is a Management decision. We are prohibited by statute
2 from stepping into Management's shoes. So our job, as
3 David well know, is to surface the issues and the
4 questioned costs that we think are not supported, and
5 it's up to Management then to decide and act on the
6 recommendations.

7 We do report to Congress on a semiannual basis
8 those recommendations that we're not satisfied with or
9 haven't been closed within the preceding six-month
10 period. So there are several avenues available here.

11 If Management says, well, thank you very much
12 and this is what we're going to do, then if we have a
13 problem with that, if we're at loggerheads with
14 Management -- we have not been since we're here -- but
15 then it would go to an audit resolution committee,
16 which I believe in our current structure with the Board
17 here would be the Audit Committee.

18 MR. SNYDER: All right. And those are the
19 things, Jeff, I'm just concerned with, obviously, that
20 those would come to us because for this process to work
21 really effectively, both sides have to be in agreement
22 about what it is we wanted to achieve it, and the

1 messages that are being sent to the grantees.

2 And it sounds like the connection has been
3 much improved over the years. So congratulations to
4 people for the progress that's been made, but I just
5 wanted to verify that.

6 MS. RATH: Okay. Can I move on to chart
7 number 2, since we're trying to end on time?

8 CHAIRMAN MADDOX: Please. Please do.

9 MS. RATH: Again, the same changes with chart
10 number 2, getting rid of the older data. Text in red
11 are new things. Following up on a concern that was
12 raised by Mr. Hoffman at the last meeting where there
13 were three instances where it said the OIG disagrees,
14 as you remember, Dutch stated that it was a problem
15 with the system.

16 But we decided -- John, Lynn Jennings, and
17 myself met, and even with Dutch while he was still
18 here. We went over the charts to see what the issue
19 was with those OIG disagrees. And it turns out that
20 for two of them, the correspondence between OCE and OIG
21 had just gotten lost.

22 We resubmitted it. One of those is now

1 closed; the other one is being resolved. And we've
2 decided, in addition to our monthly meetings, which are
3 a larger group, that John, Lynn, and myself will meet
4 at least on a quarterly basis just to make sure that
5 there are no disagreements or requests for additional
6 information. So we'll resolve that sooner rather than
7 later.

8 Yes?

9 DEAN MINOW: Do you have a process just for
10 knowing if correspondence you've sent has been
11 received?

12 MS. RATH: Typically it's sent via email. And
13 I think it probably got received and just got lost in a
14 mist. We all get so many emails.

15 MR. HOFFMAN: Lora, it's David. I have a
16 question. In one of the status of referral, in that
17 column, at some point you referred to the OCE risk
18 assessment chart.

19 MS. RATH: Yes.

20 MR. HOFFMAN: What is that?

21 MS. RATH: That is what OCE does on an annual
22 basis. We keep it updated throughout the year. And it

1 helps us decide where we should go conduct a compliance
2 review, an investigation, whatever type of visit that
3 we need to do, so that it consists of several risk
4 factors that are continually updated to let us know
5 which program is at the highest risk that we should go
6 visit.

7 MR. HOFFMAN: Well, that's encouraging to
8 hear. And you may have discussed that earlier in a
9 prior meeting and I may have missed that. I know that
10 that's something that I've asked about before because I
11 know it was one of GAO's recommendations from years ago
12 to do something like that on a program-by-program
13 basis, and presumably the importance of that is it
14 allows for a synthesis of concerns that may have been
15 raised within Management or within the IG's office.

16 In whether it relates to concerns from audited
17 financial statements or audit division or what have
18 you, it allows for a synthesis of concerns regarding
19 particular programs, and then just as you're
20 describing, a combined risk assessment to allow you to
21 see where there's a high risk and where there's a low
22 risk.

1 So assuming that I'm understanding it
2 correctly, is that something that is shared with the
3 IG's office and is a document that is at least jointly
4 discussed so that there's some joint input about which
5 programs are high risk and which are low risk?

6 MS. RATH: It's discussed basically during our
7 monthly meetings. We talk about where OCE and OPP and
8 planning to go in the next few months. So there really
9 is an ongoing dialogue with the OIG. They let us know
10 where they're having concerns. So that chart is
11 updated, actually, monthly from the meetings that we
12 have with John and Tom Coogan.

13 So I don't think I've ever actually brought
14 the chart to a meeting. I don't see why we couldn't
15 share it with the OIG so that they knew what we were
16 looking at. But it's definitely discussed.

17 MR. HOFFMAN: And John, let me ask you, do you
18 all have a similar chart?

19 MR. SEEBBA: I don't think so at this point.
20 Those are the things that, actually, we're going
21 through to develop our annual audit plans and things to
22 look at risk factors of all the grantees.

1 What I was going to say, Lora shares with us,
2 and Lynn, when they put special grant conditions on
3 grantees, which almost tells you that they're a little
4 bit higher risk than normal. So I think those are the
5 type things that we're sharing as well. So we kind of
6 feel that we're clued in as to what they're dealing
7 with as a higher risk grantee.

8 I think our process right now is we should
9 cover most all the grantees within about a four-year
10 cycle anyway. So we're going to hit most of them. And
11 then we can tell from the findings from the prior
12 process how -- you know, high risk, low risk, the
13 better grantees from the other ones as well.

14 MR. HOFFMAN: Yes. Well, obviously this is
15 you all's call. But I would encourage a sharing of
16 that chart by OCE with the IG, and I would encourage
17 some sort of joint discussion about -- and the chart
18 obviously can be a very efficient way to do that, that
19 allows each of you to see how the other office is
20 assessing the risk level of different programs.

21 And of course, it allows you to see if there's
22 a real difference of opinion. And I say that not only

1 because it seems like good practice, although that's
2 completely up to you, but also because, as I said, the
3 GAO clearly recommended that there be such a risk
4 matrix by program years ago.

5 And again, this is not to say that there needs
6 to be the same -- IG and Management may have a
7 different assessment. But having that synthesized
8 assessment seems very important to make sure that
9 internal controls are functioning as well as the could.

10 Again, the implementation of that and how to
11 do that, completely up to you all. But if you wouldn't
12 mind giving us a one-minute -- when the two of you
13 presumably are back in front of us a few months from
14 now, if you wouldn't mind just making that -- give us a
15 one- or two-minute update about how that process is
16 going, however you define that process, I would sure
17 appreciate that.

18 MR. SNYDER: And David, this is Paul Snyder.
19 I think it also would be helpful, Vic and Lora, if you
20 went through and gave us an example of the risk
21 assessment chart because I think what we're seeing is
22 we get the reports and these are kind of where we've

1 been, what surfaced. And that chart is really a view
2 of what you see going on and what you're going to do
3 for the future.

4 I think it would be real helpful for this
5 Committee just to understand that process -- not that
6 we can get into all the details, but at least to
7 understand how the process, how you're charting this
8 out for the future.

9 MS. RATH: I'd be happy to do that at the next
10 meeting, if that's okay. I can provide an example and
11 walk you through the different factors that are
12 considered.

13 CHAIRMAN MADDUX: That would be great, Lora.

14 MS. JENNINGS: And this is Lynn. Just to note
15 a clarification. These charts, both OPP's and OCE's
16 charts, have been shared with the GAO, and they have
17 reviewed them and are well aware of them. And I don't
18 think that there have been any comments.

19 MR. SNYDER: I'm not hearing anything, so I'll
20 just move in.

21 MR. HOFFMAN: I'm not, either.

22 CHAIRMAN MADDUX: Okay. David, we were just

1 told that these charts have been shared with the GAO, I
2 believe, and that they've reviewed them and everything
3 seems to be hunky-dory.

4 MS. JENNINGS: Yes. They had no comments.
5 They had no concerns. They were happy.

6 CHAIRMAN MADDUX: They can hear me. Right,
7 David? Paul?

8 MR. SNYDER: Now I can hear you, yes.

9 MR. HOFFMAN: Now I can hear you, yes.

10 CHAIRMAN MADDUX: Okay. Well, we'll work on
11 this for the next meeting.

12 MR. SNYDER: Yes. Thank you.

13 CHAIRMAN MADDUX: If there are any other
14 questions? Gloria, we need to keep moving on, but go
15 ahead.

16 PROFESSOR VALENCIA-WEBER: I'd like to move
17 back to the chart on what's open or closed. And on two
18 grantees, Montana and New Mexico, there's entries
19 regarding improper board composition and that the LSC
20 is working to develop oversight followup mechanisms to
21 get conforming board.

22 And one has an entry of a multi-divisional

1 working group to address the issue of board
2 composition, and so much of this involves the efforts
3 that have to be done at a local level. It's sometimes
4 very difficult to get the board composition.

5 But if you could briefly describe what you're
6 doing, working to try to help these local boards?

7 MS. RATH: Well, it's more of what followup we
8 should be doing. It's a committee with OPP, OCE, OLA,
9 and they're looking at those programs -- which programs
10 are having a continual problem and what the problem is.

11 And we recognize that it's often difficult to get
12 especially client board members.

13 One of the things we did was get an OLA
14 advisory opinion regarding what board membership we
15 should be looking at, whether it needs to be the full
16 board or whether it's the board that's sitting and
17 available for a quorum. So different things like that
18 that we're looking at, and we're working on draft
19 letters for the Vice President to send out to the
20 programs encouraging them.

21 Office of Program Performance would probably
22 be able to better answer what they're doing to help the

1 programs. Unfortunately, we help with more technical
2 compliance issues than that. Sorry.

3 CHAIRMAN MADDOX: John?

4 MR. LEVI: As I've tried to model here by
5 having distinguished extra members of our Board where
6 we feel we have -- frankly, a good demonstration of it
7 is occurring right in this Committee. Do we offer
8 suggestions of that kind as a way of extending your
9 network for our grantees?

10 MS. RATH: I know we suggest that -- on the
11 OCE side, we suggest that they have fiscal people that
12 the board feels that they can go to to request some
13 help.

14 MR. LEVI: I'm assuming that our grantees know
15 better than we do about their own communities. But
16 when they find themselves short, do we have a protocol
17 for them or suggestions for them as to how they might
18 conduct some outreach to find -- or do we not collect
19 that information?

20 MS. RATH: Actually, I'm not sure. I think
21 the Office of Program Performance would be better to
22 answer that. So I don't want to say yes or no and be

1 wrong.

2 MS. LABELLA: Well, let me try. For the
3 record, this is Janet LaBella, the Director of the
4 Office of Program Performance.

5 MR. HOFFMAN: We can hear you very clearly.
6 Thank you.

7 (Laughter.)

8 MS. LABELLA: So there are two things that I'd
9 like to inform the Board about regarding what we refer
10 to as a 1607 compliance, which is the board
11 composition. And at the time of competition for
12 grants, the composition of the board is part of the
13 required information that is submitted. And that is
14 automatically tabulated with respect to the percentage
15 that should be attorneys and, likewise, clients.

16 Subsequently, at the end of March, the same
17 information is submitted and tallied. So we follow up
18 with any that are still out of compliance. So are
19 there any other questions?

20 MS. REISKIN: It said there was a task force?

21 MS. LABELLA: There's a committee.

22 MS. REISKIN: There's a working group. Okay.

1 MS. LABELLA: We wanted to systematize this
2 year the letters that go out, and so this was a
3 Committee, as Lora said, composed of OCE, OPP, OLA.
4 And we got the information just in. So we're going to
5 be running those records, maybe even today, to see how
6 many grantees are still not in compliance.

7 MS. BROWNE: Is this all part of the
8 performance criteria that we've been reviewing?

9 MS. LABELLA: I don't know that it's
10 specifically in the performance criteria; I mean, not
11 as a line item. But it certainly comes under board
12 governance.

13 MS. BROWNE: That's what I thought it did
14 because I remember reading it, or something similar to
15 it.

16 MS. LABELLA: Right. Right.

17 MS. BROWNE: So is that what the grantees are
18 following, pretty much, along with the regulations?

19 MS. LABELLA: Well, there's also a regulation,
20 and so the regulation is more specific as to board
21 composition. Now, the 1607 piece that we're talking
22 about here is just the board composition in terms of

1 the relative ratios of attorneys, McCollum attorneys,
2 and client members.

3 CHAIRMAN MADDOX: Okay. Thank you, Janet.
4 Assuming there are no other questions we're going to
5 wrap this up and move on because we have a closed
6 session that follows this. And thank you, John, as
7 well for your input.

8 I'm going to move on to item number 7. Is
9 there any public comment?

10 (No response.)

11 CHAIRMAN MADDOX: If not, is there any other
12 business?

13 (No response.)

14 CHAIRMAN MADDOX: And hearing none -- oh, I'm
15 sorry.

16 M O T I O N

17 PROFESSOR VALENCIA-WEBER: I move we go to
18 closed session.

19 CHAIRMAN MADDOX: Okay. Thank you, Gloria.
20 Second on that?

21 MR. LEVI: Second.

22

1 CHAIRMAN MADDUX: And then all in favor. And
2 the public session is now closed.

3 (Whereupon, at 10:19 a.m., the open session of
4 the Committee was adjourned to executive session.)

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