

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

MEETING OF THE  
AUDIT COMMITTEE

OPEN SESSION

Monday, October 6, 2014

7:51 a.m.

Hilton Albany  
40 Lodge Street  
Albany, New York 12207

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairperson  
Harry J.F. Korrell, III  
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:

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

STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Lynn Jennings, Vice President for Grants Management

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

Julie Kramer, Program Counsel, Office of Compliance and  
Enforcement

Jeffrey E. Schanz, Inspector General

Wendy Rhein, Chief Development Officer

David Richardson, Treasurer and Comptroller

David Maddox, Assistant Inspector General for  
Management and Evaluation, Office of the  
Inspector General

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

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

Carol Bergman, Director, Office of Government Relations  
and Public Affairs

Carl Rauscher, Office of Government Relations and  
Public Affairs

Janet LaBella, Director, Office of Program Performance

Wendy Long, Executive Assistant, Office of Government  
Relations and Public Affairs

Bernie Brady, LSC Travel Coordinator

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

C. Kenneth Perri, Executive Director, Legal  
Assistance of Western New York

Paul J. Lupia, Executive Director, Legal Aid Society  
of Mid-New York

Barbara Finkelstein, Executive Director, Legal  
Services of the Hudson Valley

Robin C. Murphy, National Legal Aid and Defender  
Association (NLADA)

Lisa Wood, American Bar Association Standing  
Committee on Legal Aid and Indigent Defendants  
(SCLAID)

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

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

2 (7:51 a.m.)

3 CHAIRMAN MADDOX: This is the quarterly  
4 meeting of the Audit Committee of the Legal Services  
5 Corporation. I'll call the meeting to order, and I'll  
6 note that we have a quorum present, Gloria  
7 Valencia-Weber, Harry Korrell, and myself. Paul  
8 Snyder, are you on the phone?

9 MR. SNYDER: Yes. Good morning, Vic.

10 CHAIRMAN MADDOX: Good morning and welcome.  
11 David Hoffman, are you on the phone? I  
12 understand David will be joining us.

13 MR. HOFFMAN: Yes. I'm here. Good morning.

14 CHAIRMAN MADDOX: Hi, David.

15 MR. LEVI: Good early morning to you guys.

16 CHAIRMAN MADDOX: Right.

17 MR. LEVI: Thank you for getting up so early.

18 MR. SNYDER: Well, we had few excuses when Vic  
19 says, "Can we start at 6:45?"

20 CHAIRMAN MADDOX: Over my own protest, Paul.

21 PROFESSOR VALENCIA-WEBER: Thank you both for  
22 being on the phone.

1           CHAIRMAN MADDOX: All right. So we've got a  
2 pretty full agenda and I want to get started. I know  
3 David may have to cut out for some childcare duties, so  
4 I want to get as much done as we can while we still  
5 have him.

6           The first order of business is for me to find  
7 the agenda. And having found it, I will ask if there  
8 is a motion to approve the agenda.

9                           M O T I O N

10          PROFESSOR VALENCIA-WEBER: Yes. I move.

11          CHAIRMAN MADDOX: And a second?

12          MR. KORRELL: Second.

13          CHAIRMAN MADDOX: All in favor?

14          (A chorus of ayes.)

15          CHAIRMAN MADDOX: Opposed?

16          (No response.)

17          CHAIRMAN MADDOX: And the motion carries.

18          The second item of business is the approval of  
19 the minutes of our open session of July 21, 2014.  
20 Gloria, is there a motion?

21                           M O T I O N

22          PROFESSOR VALENCIA-WEBER: Yes. I move to

1 approve the minutes of July 21, 2014.

2 CHAIRMAN MADDOX: And a second?

3 MR. KORRELL: Second.

4 CHAIRMAN MADDOX: All in favor?

5 (A chorus of ayes.)

6 CHAIRMAN MADDOX: So the motion is carried and  
7 the minutes are approved.

8 The third item on our agenda is a briefing by  
9 our Inspector General Office. I recognize Jeff Schanz  
10 and John Seeba.

11 MR. SCHANZ: Good morning, Mr. Chairman, and  
12 thank you for the opportunity to speak to the Committee  
13 and, by extension, the full Board. I wanted to give  
14 you an update on what's happening with CIGIE, Council  
15 of Inspectors General for Integrity and Efficiency.

16 The little memo -- well, it wasn't a little  
17 memo, but it was sent to the House, or sent to the  
18 Congress, on access to records has caused quite a stir  
19 on the Hill. Numerous senators and congressmen have  
20 jumped on that.

21 Not surprisingly but most specifically would  
22 be Darrell Issa. And he is percolating legislation

1 right now to strengthen the IG's responsibilities. We  
2 see this every few years, where the last time it was  
3 the IG Reform Act of 2008, strengthening some of the  
4 subpoena authorities of the inspector general.

5 That keeps me busy, and frankly, I was quite  
6 surprised that when 47 IGs wrote a memo to Congress on  
7 access to records, how much I thought it was like a  
8 pebble in a pond. But the ripple effect is just  
9 unbelievable.

10 CHAIRMAN MADDOX: Before you go on, Jeff, just  
11 so that everyone is clear, you're talking about the  
12 letter that --

13 MR. SCHANZ: Access to records issue,  
14 specifically with DOJ.

15 CHAIRMAN MADDOX: Right. I'm not sure if  
16 everybody was aware that the Office of the Inspector  
17 General for the Legal Services Corporation and signed  
18 by Jeff had co-authored a letter, actually, I guess to  
19 Congress essentially protesting the Administration's  
20 handling of requests for records and access by the  
21 inspectors generals' offices the various agencies. Is  
22 that a fair summary?



1           MR. SCHANZ: That's correct. But I didn't  
2 co-author it. I just signed on, and on advice of  
3 counsel, because I've never really stretched my wings  
4 to be that vocal on the Hill.

5           CHAIRMAN MADDOX: Right. Right.

6           MR. SCHANZ: And I did this time because I  
7 thought it was a primary issue for IG authorities.

8           CHAIRMAN MADDOX: Right.

9           MR. SCHANZ: So there were 47 IGs out of 63  
10 that signed the letter to the Hill saying that we  
11 support Department of Justice, who is having problems  
12 getting records related to some -- and this is not  
13 new -- some FBI documents that they needed to conduct  
14 their work. Peace Corps IG had problems getting  
15 records related to sexual assaults. And EPA had  
16 problems getting records for a small commission that  
17 they thought was very highly sensitive.

18           Those issues have since been resolved, but as  
19 I mentioned, the issue itself of access is percolating  
20 on the Hill, so much so that Darrell Issa is  
21 contemplating -- and I get this from the SBA IG, who  
22 used to work on the Hill, Gustafson; I like her a lot,

1 but that's immaterial to this discussion -- but she  
2 knows what she's talking about, and she said Issa is  
3 percolating a bill right now trying to get support to  
4 strengthen IG access to records, which that's why I  
5 signed on to the letter that's at the fundamental core  
6 of IG work.

7           So with that going on, there is another couple  
8 things that are going on that I think reflect pretty  
9 good management within the IG community. They're going  
10 to have small groups to see what we can do better as a  
11 community so that we don't get blindsided by things  
12 such as access to records.

13           And my meeting was -- I think it's now, and I  
14 said, no, I can't do it this quickly. I've got a  
15 higher authority to report to. So I'm here in Albany  
16 instead of meeting with a small cluster of IGs related  
17 to any issues that we could do or what we could do  
18 better.

19           And I just think it's a good opportunity for  
20 feedback. I think it's a good opportunity for the  
21 community to be able to make sure that our work is  
22 impactful and listened to and acted on.

1           So that's what I have from the CIGIE  
2 community. I'll be able to answer any questions  
3 related to that any time during the conference, either  
4 in session or in the hallway.

5           A couple of other things. We've hired a  
6 couple new auditors. And I have John Seeba here with  
7 me, and I'm very proud, I think, of the production  
8 we're getting. When I first came to the Inspector  
9 General's Office, I was trying to get professionalism  
10 and production.

11           And little did I know, coming from the  
12 Department of Justice where things moved a little  
13 faster, sometimes, than they do at LSC, but six years  
14 later I'm where I need to be. I've replaced about 80  
15 percent of the audit staff. I've gotten new people who  
16 are aggressive; I can't say young as a pejorative term,  
17 so I apologize for that because I'm certainly not.

18           So we're moving forward, and we're increasing  
19 our production. You'll see that in the upcoming  
20 semiannual report, that it is almost finalized. We're  
21 working very hard on that; that's why one of my staff  
22 isn't here, because they're working on the semiannual

1 report to Congress.

2 We did get an unsolicited call from the Senate  
3 side of Congress saying, boy, you guys are doing good  
4 work. And if you want me to expand on that, that's  
5 just the best news an inspector general can hear  
6 because Congress is one of our primary stakeholders.  
7 They fund us.

8 CHAIRMAN MADDOX: Who was that call from,  
9 Jeff?

10 MR. SCHANZ: I would have to ask Laurie to  
11 help me out on that if she has instant recall. I don't  
12 know because I didn't take the call. One of the staff  
13 took the call.

14 CHAIRMAN MADDOX: Was it in response to some  
15 specific or particular work, or was it just in  
16 recognition?

17 MR. SCHANZ: It was just a general feel-good.  
18 Your semi is really robust. Why don't you come and  
19 talk with us. So we're going to do that when we issue  
20 the next semi. We usually use that as a document to  
21 propel us up to the Hill.

22 MS. TARANTOWICZ: Good morning. Laurie

1 Tarantowicz, counsel for the IG. It was, I believe,  
2 Judiciary Committee staff on the House side.

3 CHAIRMAN MADDOX: Okay. Have they expressed  
4 any interest in your work in the past, that committee  
5 staff?

6 MS. TARANTOWICZ: We do visit them regularly.  
7 We haven't been up lately. This was actually someone  
8 who does not have the LSC account on the Judiciary  
9 staff but had it previously, and she was just giving us  
10 a call to express her appreciation of our work.

11 CHAIRMAN MADDOX: Thank you.

12 MR. SCHANZ: And I'd like to thank Laurie  
13 because now you know where the power is behind the  
14 throne. So thank you.

15 I would like John to talk a little bit about  
16 what we're doing in the audit division. We do have a  
17 key vacancy there, but John will indicate what we've  
18 been doing. A happy IG has teams in the field, and we  
19 have people in the field, and they're doing, I think,  
20 very productive -- and the better work we can do on the  
21 front end means the better work and the more confidence  
22 Congress has on funding the LSC.

1           CHAIRMAN MADDUX: Jeff, before you go on, you  
2 mentioned the CIGIE issues. And I guess it was a week  
3 or two ago you had forwarded to us the September 5,  
4 2014 letter from the CIGIE reviewers, I guess. It was  
5 the Office of Inspector General of the Federal Housing  
6 Finance Agency that had done a review of your quality  
7 controls and whatnot.

8           I have circulated that to the Audit Committee  
9 members, and we'd like to get some more information on  
10 that. Is that something we need to do in closed  
11 session?

12           MR. SCHANZ: If you want to get down into the  
13 weeds, I would recommend that, yes. I can give you the  
14 global level. The global level is the Inspector  
15 General, OIG for LSC Audits, performs its work in  
16 compliance with the GAO's Yellow Book standards, with  
17 exceptions. And those are the exceptions that I think  
18 we could talk about in closed session.

19           Everything is posted on our website. As you  
20 know, I'm a proponent of transparency. So our peer  
21 review report is posted on our website with our  
22 response and with the final report. And as a general

1 proposition, auditors make the worst auditees, so  
2 that's been the history of peer reviews within the  
3 CIGIE community.

4           They are trying to expand it to do peer  
5 reviews of investigations. And I've resisted that  
6 because whereas one audit is somewhat fungible to  
7 another audit -- if you can audit in Justice, you can  
8 audit in Commerce if you know the  
9 problem -- investigations are a horse of a different  
10 color.

11           CHAIRMAN MADDOX: Okay. Well, if there are  
12 any questions from Committee members now about the  
13 overall scope of the report and the audit, we can have  
14 them now. Otherwise, I know there are some personnel  
15 issues that may be raised, so we can discuss that in  
16 the closed session here later.

17           MR. SCHANZ: Okay. Thank you.

18           CHAIRMAN MADDOX: I do want to make sure we  
19 get to that as soon as possible. So John, if you could  
20 keep your comments reasonably brief.

21           MR. SEEBBA: I'll give you quick comments.

22 John Seeba, AIG for --

1           CHAIRMAN MADDOX: We started a little bit  
2 behind.

3           MR. HOFFMAN: Yes. Vic, it's David. Vic,  
4 before we go further, I just want to clarify something  
5 since I may have to jump off earlier.

6           We're talking about a report that's published.  
7 Right? And so I assume that other than the personnel  
8 questions, we can discuss this in open session since  
9 we're basically going to be asking Jeff about something  
10 that's public?

11          CHAIRMAN MADDOX: The report is public, David,  
12 and I'm sure we can discuss the bulk of it publicly.  
13 You're breaking up a little bit, I think. Maybe that  
14 was just me. Okay. David?

15          MR. HOFFMAN: Yes. I'm here. I can hear you.

16          CHAIRMAN MADDOX: Do you have some questions  
17 for Jeff now?

18          MR. HOFFMAN: Oh, yes, if you'd like  
19 me -- sure. I didn't know when you wanted to make this  
20 part of the agenda, but if now's the time, I guess I  
21 have some open-ended questions for Jeff.

22          CHAIRMAN MADDOX: David, can you call back in?



1 We seem to have a bad connection or something.

2 MR. HOFFMAN: Sure. I'll call back right now.

3 CHAIRMAN MADDOX: John, why don't you go ahead  
4 while David's calling in.

5 MR. SEEBBA: Okay. Well, basically I think  
6 this past semiannual we've had a pretty good  
7 production. We issued seven reports. We had 21  
8 quality control review reports from our contractor,  
9 which we process, and these are reports that review the  
10 independent public accountants that review our  
11 grantees, in which we find problems.

12 Probably about half have issues associated  
13 with them where we have them go back and do additional  
14 work to make sure that they are in compliance with the  
15 standards.

16 Right now we've got about six projects in  
17 process or nearing completion. We've got another three  
18 planned for the rest of the year. And we have taken a  
19 new look, a re-look, at our audit processes to make  
20 sure that we are capturing all the things that we're  
21 supposed to be doing, and to some degree as part of the  
22 peer review as well, to answer some of their questions.

1           That's basically a snapshot, if you will.

2           CHAIRMAN MADDOX: Is the OIG's office at full  
3 staff now?

4           MR. SEEBA: We are at full staff. Correct.  
5 Yes. We've hired some good people. Fortunately, I  
6 think with the economy the way it was, we've gotten  
7 some very highly qualified candidates, and we're very  
8 happy with who we've hired lately.

9           CHAIRMAN MADDOX: Okay. Any questions of  
10 John?

11           (No response.)

12           CHAIRMAN MADDOX: David, are you back with us?

13           MR. HOFFMAN: Yes, I'm back. Is that better?

14           CHAIRMAN MADDOX: It seems to be better. Do  
15 you want to ask your questions now?

16           MR. HOFFMAN: Sure. I'd be happy to.

17           Hi, Jeff. It's David. So yes, Jeff, I think  
18 it's appropriate to hear comments from you about these  
19 two documents.

20           One of them explains in general that after  
21 this audit, the OIG received a rating of pass with  
22 deficiencies, and it went through those deficiencies.

1 The other document is applying the standards, and among  
2 other things, found that there was an instance where  
3 some statements were made that a certain assessment had  
4 been done by the IG, but then it's listed as deficiency  
5 number 1 on page 2 of that document, and it turned out  
6 the IG's office had not done the assessment, and when  
7 it followed up, the IG staff had confirmed that the  
8 assessment had not been done.

9 CHAIRMAN MADDOX: David, pardon me. David,  
10 are you too close to your phone, perhaps, or is there  
11 something else you can do to adjust the quality of your  
12 audio?

13 MR. HOFFMAN: I don't think so. I'm on my  
14 cell phone at my house, and I'm just talking normally  
15 with a normal -- you're not on speaker.

16 MR. LEVI: Well, that's better.

17 MR. HOFFMAN: So if the reception -- okay. I  
18 haven't changed anything.

19 MR. LEVI: Just slow down a little. Slow down  
20 a little.

21 MR. HOFFMAN: All right. Vic, were you able  
22 to hear what I said, or should I do it again?

1           CHAIRMAN MADDOX: I think we got the bulk of  
2 it, but it was difficult.

3           MR. LEVI: We did.

4           CHAIRMAN MADDOX: Yes.

5           MR. HOFFMAN: Yes. Let's just open -- I just  
6 wanted to give Jeff a chance to address it. And Jeff,  
7 if you could address it in some sort of thoroughness, I  
8 think we should hear from you about how we should take  
9 these reports from your perspective.

10          MR. SCHANZ: Well, I think you should take it  
11 as a wakeup call, as I did. Any time we review a  
12 grantee or we're reviewed in the peer review process  
13 every three years, I don't get defensive  
14 over -- because it's a peer review, and I do the same  
15 thing to my peers. But it's an opportunity to improve.

16                   And in my case, I'll admit to pushing  
17 production and letting practice go ahead of policy.  
18 What this does for me now is realize, as a former  
19 director of policy and planning for the Department of  
20 Justice, that I should put on my planning and policy  
21 hat again and get down into the trenches a little bit  
22 more and make sure that what we're doing in the field

1 is fully supported by the audit evidence and the  
2 documentation.

3 We didn't have that in certain cases, and FHFA  
4 appropriately pointed that out. So we've done two  
5 things. One, we've gone back and cobbled  
6 together -- and I know that's not GAGAS way of doing  
7 things, but we've cobbled together evidence to prove  
8 that we have in fact done the work.

9 We did pass the peer review, but with  
10 deficiencies. So my sole focus, trying to hire  
11 somebody that was like I was, a Justice director of  
12 policy and planning, to make sure that all our T's are  
13 crossed and our I's are dotted on the evidence.

14 The evidence stood on its own, but the  
15 documentation suffered. And I don't want to -- well,  
16 candidly, it was because we didn't have people who knew  
17 how to work properly.

18 We've adjusted that since I've been in the IG.  
19 We've turned over the audit division by 80 percent.  
20 And now we're getting people, I believe, who have been  
21 trained appropriately, in the first instance, and  
22 secondly, are being mentored appropriately.

1           We have good people, but we didn't. And  
2 that's as succinctly as I can say that. And it was my  
3 oversight of over-relying on individuals instead of  
4 actually getting down and looking at the work myself.

5           But David, as a former IG, I know you or at  
6 least I hope you can appreciate how busy that job is  
7 just by having that title without actually doing the  
8 work yourself.

9           MR. HOFFMAN: Without getting into anything  
10 that would merit a discussion in closed session, are  
11 you able to give us one level additional detail about  
12 the hiring personnel points? I'm not talking about  
13 anyone specific, but just in terms of the timing of the  
14 new portion of the staff.

15           Was it these reports that prompted the change  
16 in the personnel, or was there some other realization  
17 on your part? How many of the staff are new and how  
18 new are they? I guess those would be my questions.

19           MR. SCHANZ: Well, I believe in training  
20 staff. And thankfully, we're in the Washington, D.C.  
21 area. We don't have regional offices. So we have full  
22 advantage of any number or a plethora of training

1 opportunities -- specifically, the USDA audit school,  
2 which is designed for auditors; and then the CIGIE has  
3 its own community, its own training setup, which is  
4 geared towards training for IG auditors.

5           So we make sure that everybody we hire has at  
6 least that fundamental understanding of the GAGAS  
7 standards and the high level that IGs are regarded in  
8 within the community. So we're training people.

9           As I said, it's a two-step process -- first,  
10 the formal training, and then secondly, mentoring. And  
11 I will mention also that the AIGA sitting next to me,  
12 John Seeba, spent most of his career as an auditor. So  
13 he can really work with the individuals.

14           I meet with the new people to make sure we're  
15 not going down the wrong garden path and to make sure  
16 that the writing is improved. I think that writing and  
17 communication is key to a successful auditor. I think  
18 you'll see some of that in the semiannual report; some  
19 of the reports that we've issued recently are a direct  
20 reflection of having John Seeba here and me delving  
21 down into the process a little bit more and little bit  
22 earlier.

1                   The next thing that has to happen is to  
2 have our policies catch up with our practices. And I  
3 will have to take somebody offline to be able to do  
4 that, and as is right now my primary focus has been to  
5 improve the transparency and the oversight of our  
6 grantees.

7                   So I've made the conscious decision that let's  
8 send people out in the field so we get exposure to the  
9 grantees. And this would follow on the heels of things  
10 like our fraud awareness briefings, and then we have a  
11 presence in the field.

12                   So it's a coordinated effort between audit and  
13 investigations. It's a conscious effort on my behalf.

14                   But a happy IG has people auditing in the field, and  
15 that's where my primary focus has been. And we did  
16 pass the peer review with deficiencies, and now my  
17 primary focus is going to be on correcting those  
18 deficiencies, which mainly have to do with  
19 documentation, which is key to being a successful IG.  
20 And you can't say something if you don't have the  
21 support for it.

22                   MR. SNYDER: Jeff?



1           MR. SCHANZ:  Yes?  I'm sorry.

2           MR. SNYDER:  Jeff, on that point -- Paul  
3 Snyder -- could you just briefly talk about, what is  
4 the review process from going from work papers to  
5 report?

6           In my days as an auditor I think of, we have  
7 an in-charge accountant that reviews the work  
8 performed.  Then a manager is then ultimately a third  
9 party who looks at it before the report goes out to  
10 make sure the documentation supports the report.

11           How does your department go about that review  
12 process to make sure the documentation supports the  
13 report?

14           MR. SCHANZ:  Well, John can talk about our use  
15 of automated software, which is called TeamMate, where  
16 he can actually drill down in the working papers when  
17 they're still onsite.  What I have done as the IG, I  
18 bring General Counsel into the process much earlier  
19 than I have before, so we're involved when they come  
20 back from the field.

21           First we get a briefing on what the potential  
22 findings could be.  We ventilate the questions around

1 the table, and from my days in Justice, I'd call it the  
2 roundtable. And we try to find out and ask questions.

3 Is this adequately supported? Is there more that we  
4 can do?

5 But in the first instance, that's where John  
6 can go in by using TeamMate. I'm not sure if you're  
7 familiar with that, Paul, but it's an automated  
8 software package, and I'll turn that over to him. But  
9 from my perspective as the IG, I'm meeting with the  
10 teams as they come back from the field. I'm bringing  
11 General Counsel into the process much, much earlier.

12 And thirdly -- a party admission -- I was a  
13 notes editor in law school, so I can actually proof  
14 pretty well, and that's one of my skill set. So I do  
15 that on the draft report now. So I'm involved as the  
16 IG much earlier.

17 MR. SNYDER: I guess, Jeff, with that is I  
18 hear that there's a lot of verbal communication about  
19 the results that the people saw when they were in the  
20 field as a result of the audit, but maybe lacking going  
21 back to look at the detailed work papers to support the  
22 oral representations?

1           MR. SEEBBA: I can speak to that. Paul, we  
2 actually have several levels of review now. You have  
3 basically your staff auditors. You have a senior  
4 auditor that goes out onsite. We also have a team  
5 leader and then myself.

6           The senior auditors will review the staff  
7 auditors work papers as well as the team leader will  
8 review the senior auditor and the staff level auditors.

9           And then I actually take a global look at all of them  
10 now. So we have several levels of review.

11           Even in the past, when we're talking about the  
12 peer review, the documentation was created in all those  
13 situations. What was missing was summary level  
14 information and summary level documents that rolled up  
15 those individual transactions, if you will, the  
16 individual data.

17           And that's what the peer review team was  
18 looking for, were these summary documents. They  
19 weren't actually going to the detail documents that we  
20 were doing. So that's why we took exception with  
21 several of the findings they had.

22           But from an audit standards perspective, we

1 should have written those summary documents, and they  
2 were not created.

3 MR. SNYDER: Okay. That's helpful. So that  
4 could change going forward. And I would support Jeff's  
5 comments of auditors make the worst auditees, and  
6 documentation is always kind of a constant issue as we  
7 go through when somebody comes in and looks at what  
8 you've done and how you've drawn your conclusions. So  
9 I think this is helpful as the process going forward.

10 The other one I'd asked Jeff that surprised  
11 me, and probably even moreso, was at the top level,  
12 that the policies and procedures be falling behind from  
13 a documentation standpoint, and being outdated or just  
14 nonexistent.

15 That probably surprised me more than the work  
16 paper documentation. Have you got any comments on  
17 that?

18 MR. SCHANZ: I didn't fully understand the  
19 question, Paul. We do have evidence for everything we  
20 say in an audit report or an investigative report;  
21 otherwise, we wouldn't report it and I'd be fired. So  
22 we do have that information. It was just not tied in a

1 neat package in certain cases.

2 We had people who were transitioning to be  
3 fired, candidly, and they stopped doing work.

4 MR. SNYDER: I'm sorry, Jeff. What I was  
5 referring to was on the comments about policies and  
6 procedures were insufficiently documented, and how  
7 certain manuals, in essence, didn't include updated  
8 lists. And I was surprised that those were more out of  
9 date than the work paper documentation.

10 MR. SEEBBA: I think, Paul, on some of those,  
11 we try to make a global reference, or we have in the  
12 past in our internal manuals to the Yellow Book. And I  
13 think the peer review team was actually looking for  
14 specific directions from an internal policy standpoint.

15 And the Yellow Book can be very generic and general in  
16 several areas, and I think they were looking for more  
17 specific guidance for internal purposes.

18 CHAIRMAN MADDUX: John, I want to follow up on  
19 a couple of comments you made just a moment ago. In  
20 response to, I think, Paul's question about the review  
21 process, you outlined what I understand to be the  
22 current situation.

1           How long has that been the process that you've  
2 followed? Is that since you've come on board?

3           MR. SEEBBA: That's pretty much since I've come  
4 on board. I know Dutch, he also reviewed work papers.

5           But I'm not sure how robust at times the senior  
6 auditors and the team leaders were in reviewing.

7           CHAIRMAN MADDUX: So the process you outlined,  
8 is that something that's been put in place after the  
9 review that we're talking about here was conducted?

10          MR. SEEBBA: Pretty much, although there was a  
11 review process before. I just don't know how robust it  
12 was. I was not really involved with that at the time.

13          CHAIRMAN MADDUX: It sounds as if the process  
14 you have in place now would address much of what this  
15 report and its recommendations call for.

16          MR. SEEBBA: It definitely will.

17          CHAIRMAN MADDUX: Aside from the summary  
18 documents issue that you mentioned, there was another  
19 recommendation and finding, though, that seemed to be  
20 different from that. And that was item number 3, no  
21 IPA monitoring of work papers.

22          MR. SEEBBA: That's a very interesting finding

1 in the sense that in the prior year, the auditor who  
2 was in charge of that had put it into this TeamMate  
3 automated package. And for 2013, there were no work  
4 papers put into that package, although he had collected  
5 hundreds of documents.

6 He was totally aware of what was occurring.  
7 And what the peer review team was looking for was a  
8 final summary document, very similar in some respects  
9 to the first finding, that he reviewed the work papers  
10 at the IPA.

11 That document was never created. We know he  
12 actually went there. We know he performed the process.

13 But he didn't document it. But we had hundreds of  
14 documents that showed the discussions, all the  
15 interactions between management and the IPA. The IG  
16 was totally involved in all of that. We went to  
17 meetings with David Richardson and the IPA.

18 So the monitoring occurred. It was just not  
19 properly documented.

20 CHAIRMAN MADDOX: When you're talking about  
21 the IPA here, we're talking about WithumSmith+Brown.  
22 Right?

1 MR. SEEBA: That is correct.

2 CHAIRMAN MADDOX: The LSC auditor?

3 MR. SEEBA: The LSC auditor.

4 CHAIRMAN MADDOX: So there is this statement,  
5 though, on page 8 of the September 5 letter which talks  
6 about the documentation to support that. And it says,  
7 "The organization" -- LSC OIG -- "was not able to  
8 identify hard copy or electronic work papers to support  
9 that it monitored the IPA's audit of LSC's 2013  
10 financial statements." So that seems inconsistent,  
11 John, with what you just said.

12 MR. SEEBA: I think what they were looking for  
13 was actually writeups by the auditor saying, I did  
14 this. I did that. But that did not occur. The  
15 information that was being shared between the auditors,  
16 we have hundreds of emails and documents, spreadsheets,  
17 status updates, all those type of documents. We have  
18 them.

19 We showed that to the peer review team. They  
20 were looking for a specific document that said, I  
21 reviewed this. I reviewed that. And that's what we  
22 did not have.



1           CHAIRMAN MADDUX:   Okay.   So the auditor  
2   auditing you said that the emails -- I guess the emails  
3   you just referenced -- only evidenced that the  
4   responsible employee of LSC OIG planned to review the  
5   work papers of the IPA, but that there was no evidence  
6   that the review was conducted.

7           And so I guess the disagreement between you  
8   and your CIGIE reviewer had to do with the level of  
9   summarization of the work that was actually done?

10          MR. SEEBBA:   That's correct.   We have even a  
11   statement from WithumSmith+Brown that said he went over  
12   and reviewed the work papers.

13          CHAIRMAN MADDUX:   Right.   Because there's this  
14   statement in the CIGIE review which is -- if you're a  
15   litigator deposing someone, you look at this and you  
16   go, wow.   This is interesting.   "Without evidence of  
17   proper oversight, LSC OIG has no support for its  
18   statement and it has limited assurance that the IPA  
19   performed its work in accordance with government  
20   auditing standards."

21          MR. SEEBBA:   Right.

22          CHAIRMAN MADDUX:   So that's really just a

1 reasonably technical, I guess, critique of the process  
2 that was followed. And is fair to say that you and  
3 Jeff are satisfied that at the substantive level, all  
4 of that work was in fact done, and the OIG records do  
5 in fact demonstrate that; you just had to dig it out,  
6 synthesize it, and present it to somebody so that they  
7 saw it in the package they were looking for?

8 MR. SEEBA: That's correct. That's correct.

9 MR. SCHANZ: If I could add to that, Mr.  
10 Chairman, in our response to that -- I'm reading from  
11 the same memo that you are, on page 9 -- "We firmly  
12 believe that adequate oversight was performed at the  
13 time of the review, and that the current unavailability  
14 of the formal work paper does nothing to undermine that  
15 work."

16 I would not make that statement unless we had  
17 found, in literally a rat's nest of papers that this  
18 auditor had, that he never organized or managed  
19 properly. But we do have evidence that the work was  
20 done. We went over to WithumSmith+Brown and talked  
21 with their people and looked at their writeups of the  
22 conferences that we had.

1           And it's unfortunate we had to spend so much  
2 time that a normal, regular, well-trained federal  
3 auditor would have done. I did not have that person  
4 assigned to the job.

5           CHAIRMAN MADDOX: Yes. I appreciate that.  
6 And so that's an oversight, I gather, that now has been  
7 corrected or will be corrected.

8           MR. SCHANZ: Yes.

9           MR. SEEBA: Yes.

10          CHAIRMAN MADDOX: Jeff, let me ask you, what  
11 is your plan going forward for dealing with the various  
12 recommendations that the CIGIE review has provided? It  
13 looks like in every instance you have agreed with the  
14 recommendations.

15          There's some dispute, perhaps, from time to  
16 time about the severity or the implications. But  
17 you've agreed with the recommendations, and I  
18 understand that you've committed to institute  
19 additional training and the like and have it completed  
20 by the end of the year.

21          Do you report back to these folks? Do you get  
22 a signoff from them that you've satisfied their

1 recommendations? How does that work and how do you  
2 expect to go forward?

3 MR. SCHANZ: Well, what you see is about the  
4 end of the process. It depends on the inspector  
5 general and the support that person would have from  
6 management.

7 But I can tell you that I'm moving forward on  
8 this. I've been involved in the CIGIE community since  
9 1978 with the first IG, so I do know peer review  
10 process. John and I have talked about taking our best  
11 person offline to remedy or to implement the  
12 recommendations that we've said that we will by the end  
13 of the year.

14 And that's why I'm the IG. I have to decide,  
15 production or making sure that every I is dotted and  
16 every T is crossed. And I'm going to opt now as an  
17 opportunity to clean up what the peer reviewers found.

18 CHAIRMAN MADDIX: Okay. Are there any other  
19 questions? John? Mr. Chairman?

20 MR. LEVI: When you say by the end of the  
21 year, you mean December 31?

22 MR. SCHANZ: Calendar year. Yes, sir.

1           MR. LEVI: So that by the time we get to  
2 Miami, this should all be happily in the rear view  
3 mirror.

4           MR. SCHANZ: Yes. Excuse me. But in response  
5 to Vic's earlier question, it doesn't go away because  
6 the next peer review, that's the first thing they do is  
7 look at the peer review from the prior --

8           MR. LEVI: Sure.

9           MR. SCHANZ: Yes. And build from that. That  
10 would be the start of your audit guide. Now, PCI -- or  
11 CIGIE; going back in time, it used to be the  
12 President's Council but now it's the council of  
13 councils -- they have a peer review guide that has  
14 morphed to about an inch and a half thick now to make  
15 sure that every I is dotted and every T is crossed. And  
16 as Vic appropriately says, auditors make the worst  
17 auditees.

18           MR. LEVI: So I guess I just would ask that  
19 this be an agenda item in Miami, and that we can go  
20 through the list of the recommendations and see where  
21 you actually landed and if there are any holdover  
22 issues, much as we have with the GAO recommendations.

1 We've gone through those just to make sure that we are  
2 performing our own oversight role.

3 And I assume you appreciate that, and we'll  
4 look forward to hearing from you. And thank you for  
5 being so open and helping us understand this.

6 MR. SCHANZ: No one's perfect, Mr. Chairman.  
7 And we need to get better, and I will take full  
8 responsibility for pushing my staff for production.  
9 And I maybe didn't focus clearly enough. I always  
10 think an auditor knows what they're doing, and I've  
11 been disabused of that at LSC.

12 CHAIRMAN MADDOX: Thank you very much, Jeff.  
13 I want to move pretty quickly, but go ahead,  
14 Gloria, if you have a question.

15 PROFESSOR VALENCIA-WEBER: Joining onto John's  
16 comment for what we anticipate from Miami, I'd like to  
17 hear what you discussed in your reply, that is,  
18 organizational changes, structures, including the  
19 hiring of new personnel that is more knowledgeable  
20 about the tasks to be done, including the CPE  
21 requirements.

22 So in Miami, if you could just give us a

1 summary of what you've done in the way of your new  
2 hires and how they address what was in the report, I  
3 think that would be very useful.

4 CHAIRMAN MADDOX: Yes. I think that would be  
5 very helpful. All right. Well, thank you very much.

6 Unless there's any objection, I want to move  
7 the agenda a little bit out of order. We're going to  
8 lose David Hoffman here in about 15 minutes, and I'd  
9 like to have him participate, if possible, on item  
10 number 5 on our agenda. Is there any objection to  
11 moving to item number 5 now and then going back to item  
12 number 4, which is the risk management?

13 (No response.)

14 CHAIRMAN MADDOX: If there's no objection, I'd  
15 like to go to the briefing about referrals by the  
16 Office of Inspector General to the Office of Compliance  
17 and Enforcement because I think this is an issue that  
18 we've been talking about for the last couple of  
19 meetings, and I think it's an important one. And it's  
20 one that I think we have continuing questions about.

21 So David, I will encourage you to jump in if  
22 you have questions here before you have to leave. I

1     doubt if we'll be able to get back to it when you  
2     return, if possible.

3             MR. HOFFMAN:    Okay.

4             CHAIRMAN MADDOX:  I recognize Lora Rath, and  
5     we have the IG's office still at the table.  So over to  
6     you folks.

7             MS. RATH:    Good morning.  Continuing the  
8     discussion that we've had this last several Board  
9     meetings, I just wanted to go over a few things.  We  
10    have the same charts as we've had in the past plus two  
11    additional ones, so I just wanted to explain what those  
12    were.  And then we can go into more detail about what's  
13    actually in them if anybody wants to.

14            Starting on page 114, this is an update from a  
15    prior chart that we've all had --

16            CHAIRMAN MADDOX:  Lora, you're going to have  
17    to tell me what the chart looks like.  I don't have  
18    page numbers.

19            MS. RATH:    I'm sorry.  On the top, it's called  
20    the Status of Open or Recently Closed Referrals from  
21    the Audit Division to OCE.

22            CHAIRMAN MADDOX:  Through September 9th?



1 MS. RATH: Through September 9th. So it  
2 starts out with Legal Services of Alabama. So that's  
3 just an update of the chart that you received in July.  
4 Text in red are new actions or new referrals.

5 Flipping over to page 115, so the next chart,  
6 Mr. Maddox, the next several pages is a new chart that  
7 was developed to address questions raised by Mr.  
8 Hoffman and the Committee regarding differences between  
9 the OIG's referrals and the final decision by LSC  
10 Management.

11 So it has more details, specifically breaking  
12 down the amounts referred and then the amounts  
13 questioned and then the amounts recouped. So the text  
14 in red there is pulling out the actual monetary  
15 amounts. So that's the next three pages or so.

16 Then moving on, for folks who have a page  
17 number, it is page 119. And that's entitled, Recently  
18 Closed or Pending Closure OIG Referrals from Audited  
19 Financial Statements. And again, that's an update from  
20 charts that you've been provided in the past, and red  
21 text is new items or actions taken by LSC Management  
22 since the last review.

1           So those are the three charts that are in the  
2 open section of the book. If anybody has any questions  
3 about the specific charts, I can go over that.  
4 Otherwise, I had a few other comments about actions OCE  
5 has taken in relation to OIG referrals.

6           MR. SNYDER: Vic?

7           CHAIRMAN MADDOX: Go ahead.

8           MR. SNYDER: Hi. Paul Snyder. Maybe before  
9 David leaves, could I just maybe offer one suggestion,  
10 or at least put it on the table while David's here?

11           I think we're getting a lot of detail, and  
12 it's very well done. But I particularly have trouble  
13 processing is what type of progress we are making in  
14 resolving issues on a timely basis, what success we're  
15 having in recouping costs that have been questioned by  
16 the OIG.

17           And it would seem to me that it would be  
18 extremely helpful that if on the top end of this we had  
19 an executive summary, and I'd have to work with  
20 somebody about how it went through, but in the current  
21 period the number of reports issued; level of  
22 questioned costs, maybe broken down by whether it's

1 undocumented, unsupported, questioned, unallowable, et  
2 cetera; maybe the issue of how many reports were closed  
3 during the period; average length of time they were  
4 outstanding; and maybe at the end, a report of, here's  
5 how many that are still outstanding, a number, and  
6 every length of time that they're outstanding.

7           Something from a metric standpoint, because  
8 right now, quite honestly, I've got so much detail, and  
9 maybe I need to be smarter, but I have a hard time  
10 processing it and trying to put it in perspective.

11           But if I'm isolated in that view, then I'll  
12 continue to work with the detail. But I do think it  
13 would be helpful for the Committee.

14           MR. SCHANZ: Actually, Paul, this is the IG.  
15 All of that information at the macro level is presented  
16 in our semiannual reports to Congress. That's a  
17 legislative mandate, and all that information is  
18 readily available. The specifics that you're asking  
19 for --

20           MR. HOFFMAN: Jeff, this is David. I know  
21 that you frequently refer to the semiannual report to  
22 Congress, which I've looked at. I've got two points

1 about that. Number one, I'm not sure it gets to the  
2 points that Paul is making. And two, if you think it  
3 does, I think it would be appreciated by us if you  
4 would make it part of this book.

5           And I think that directed toward OCE, Lora, if  
6 you think it's helpful for you to use the IG's  
7 semiannual report to provide a summary, I think that  
8 would be helpful. But I join Paul's request.

9           And again, if you all can do this without  
10 creating additional work, that is perfectly fine. But  
11 it would be appreciated for purposes of these meetings.

12          And you all have done a really good job of being  
13 responsive to our questions and inquiries, but I share  
14 Paul's view that some sort of summary with  
15 metrics -- and I would say both with regard to helping  
16 us assess timing, but also with regard to the  
17 questioned cost point.

18           Obviously, one of the things that prompted  
19 this was that we see IG reports with high questioned  
20 costs, and then we see OCE conclusions with either low  
21 or zero questioned costs. And there are, as we've  
22 discussed, maybe legitimate reasons for that

1 difference. But seeing some sort of summary of that  
2 would be useful.

3 CHAIRMAN MADDOX: Yes. David, I don't think  
4 that you or Paul are alone. I certainly fully agree  
5 with that. I think everybody on the Committee does.  
6 The semiannual report is helpful, but for a variety of  
7 reasons, having the information, A, summarized in an  
8 executive summary, and B, available with the material  
9 that we're looking at -- I don't always have internet.

10 I don't always have a computer, necessarily. I'm on a  
11 plane looking at some of these things from time to  
12 time. So it's helpful to have it.

13 And Lora, I want to get into some of the  
14 details. And I know there are maybe questions from  
15 David and Paul. But the charts really don't seem to  
16 provide me with an overview of where the process is.

17 There's a lot of nitty-gritty; for instance,  
18 at some point in this process I'm going to ask you  
19 about the Inland Counties issues because I've got open  
20 issues going back two years, and the OCE's  
21 determination is "under review." My takeaway is,  
22 you're working on it. But there's no sense for when it

1 might be resolved or why it's taking six months or 18  
2 months to review papers that have been in LSC's offices  
3 for that period of time.

4           So I'll have some questions about that. But I  
5 agree with everything that David and Paul have said.  
6 And I don't know if anybody else on the  
7 Committee -- Gloria, do you have any thoughts?

8           PROFESSOR VALENCIA-WEBER: I would also  
9 appreciate a summary, whether it's quarterly -- because  
10 of our meetings, that would be very helpful.

11           I do also realize that there are some things  
12 that are not going to be quantifiable in any metric  
13 way. I noticed, for instance, for some time we've been  
14 carrying, I believe, Montana and Oklahoma and somewhere  
15 else periodically.

16           The problem the grantee has is that they have  
17 not met the condition of minimal level of  
18 client-eligible board members. And that raises issues  
19 of how difficult it is, particularly if you're talking  
20 about Montana, Oklahoma, and some of the others with  
21 large rural areas, keeping client-eligible board  
22 members.

1           So that I don't see necessarily as a metric.  
2    Maybe, besides whatever else has been mentioned of what  
3    we would like that could be reported in numbers,  
4    another column called Other or However because I know  
5    that's also part of the substantive review we expect of  
6    our grantees. So I think that would be helpful, too.

7           CHAIRMAN MADDOX: Yes. And just some  
8    nitpicking things. I don't think the reports and the  
9    charts are particularly well labeled or that they are  
10   distinguished enough from one another so that I can  
11   follow them.

12           For instance, the first chart is, Status of  
13   Open or Recently Closed Referrals from OIG Audit  
14   Division to OCE. And that involves questioned costs  
15   and a variety of things.

16           The next chart is Resolved Referrals Involving  
17   Questioned Costs from OIG Audit Division to OCE. Well,  
18   both of those charts seem to include resolved referrals  
19   involving questioned costs. Since I'm not quite  
20   sure --

21           MS. RATH: And you're exactly right. But the  
22   first one was an update from the chart that I'd been

1 providing for the last several meetings. The second  
2 one goes back three years, where I was trying to  
3 address the questions the Committee raised last time  
4 about differences between what we referred and what we  
5 didn't. So I went back further in time.

6 CHAIRMAN MADDUX: Okay. I understand. So in  
7 the future, Lora, if you could include a cover memo or  
8 something that explains, here are the following charts,  
9 and chart number 1, chart number 2, chart number 3. I  
10 work in big picture images sometimes, and then I'll get  
11 into the details.

12 But anyway, David, I know you've got to run  
13 soon. Do you have any other questions? David may have  
14 already had to run.

15 MR. HOFFMAN: I do have to run, and I don't.  
16 And I appreciate the continuing work, Lora, by your  
17 office and the IG to provide us with this information  
18 so that we can both assess and also provide, hopefully,  
19 support to the important oversight work you're doing.

20 MS. RATH: Mr. Hoffman, I just wanted to let  
21 you know on one thing that you had suggested last time,  
22 drafting proposed timelines, LSC Management, including



1 Lynn Jennings, has met with members of the OIG staff on  
2 two occasions and we've drafted proposed timelines for  
3 the typical process.

4 We've had LSC Management review it. We've now  
5 provided it to the OIG. So we should hopefully have  
6 something we can share with the Committee in the next  
7 meeting. But we're working on that.

8 CHAIRMAN MADDOX: Thank you very much. And  
9 thank you, David.

10 MR. HOFFMAN: Great. Thanks. We'll look  
11 forward to hearing that.

12 CHAIRMAN MADDOX: Yes, Gloria?

13 PROFESSOR VALENCIA-WEBER: As a possible  
14 template for the memo that introduces the chart to us,  
15 something along the lines of what David Richardson  
16 does. We get all those detailed budget sheets, but he  
17 also presents us with a summarizing memo so that when  
18 you're reading the detail sheets, you know what to look  
19 for.

20 CHAIRMAN MADDOX: So Lora, unless there are  
21 any other questions on the overall picture --

22 MR. LEVI: But I agree with everything that's

1 been said here because it's not only about what we as a  
2 Board can understand, but what we want to turn over to  
3 the next group that comes in after us.

4           And I have my eye on that now. What do we  
5 want to leave in our wake as the way that we conduct  
6 business? So that when they come in here, and  
7 particularly since this is a Board that turns over  
8 completely, that they're in a position to understand on  
9 day one what's out there, what's been there, and what  
10 they have to look at so that they don't come under  
11 criticism almost immediately that they're not  
12 conducting their business the way they ought to.

13           So you have to help put them -- newcomers, so  
14 think of them as newcomers -- in a position where they  
15 can really understand very quickly and get a grasp of  
16 it. So I think if we can get in the practice of doing  
17 it with this Board, we'll be at a really good place by  
18 the time we turn this over. Thank you.

19           CHAIRMAN MADDOX: Yes. Thank you, John.

20           So Lora, I think Paul or David mentioned -- or  
21 Paul's thought about a metric involving how much of a  
22 questioned cost by OIG was eventually recouped. So for

1 instance, looking at the Resolved Referrals Involving  
2 Questioned Costs chart, June of '11 through September  
3 of '14, I just have a question about it. And I want to  
4 use this as an example so I can understand it, the Lone  
5 Star Legal Aid finding.

6           So it looks as if OIG made five visits to the  
7 Lone Star Legal Aid offices between August of 2010 and  
8 January of 2011, and then made a referral in January of  
9 2013 questioning almost \$46,000 in costs. And then  
10 after 13 months, OCE issues a notice of questioned cost  
11 in the amount of \$5300, and ultimately that was reduced  
12 to \$2100.

13           So 95 percent of the questioned cost by OIG  
14 got written off. Is that right?

15           MS. RATH: Yes. But there's reasons for it,  
16 and maybe if you really want to have that detail --

17           CHAIRMAN MADDOX: Right. And what I'd like to  
18 do is understand the reasons.

19           MS. RATH: So there were various costs that,  
20 as I said, they provided a revision. They took some of  
21 the costs out. What they finally left was 13,178. So  
22 there's still a big reduction.

1           But then there was an OLA opinion. As they  
2 were talking yesterday in the Ops and Regs Committee,  
3 there's some differentiation between the property  
4 acquisition manual and 1630. There's some  
5 inconsistencies. There's been some misunderstandings,  
6 things like that.

7           So we had asked for an Office of Legal Affairs  
8 opinion regarding whether software purchases should be  
9 encompassed in personal property. In February of 2014,  
10 we got the opinion saying that it should not be. So  
11 that was a significant portion of the 13,000 that was  
12 then taken off of the table.

13           Then what we did question after that -- and  
14 there are other personnel reasons for why it took so  
15 long; we had a person out on sick leave who had been  
16 assigned to it, so that was my fault for not  
17 reassigning it to another staff member, but they had  
18 already taken on the role of drafting the first notice.

19           Then, once the notice was issued, the program  
20 was able to provide evidence that some of what we were  
21 questioning was outside of the five-year period. So  
22 that's the different reasons how it went from the 45

1 down to the 13, which is then what was referred to us.

2 Then that was reduced more by the OLA opinion  
3 that took 8,000 off the table. We questioned 5,000.  
4 Only 2,000 was within that five-year period that 1630  
5 allows us to recoup. That's a quick and dirty.

6 CHAIRMAN MADDOX: Okay. So is there any  
7 process whereby OIG looks at what you guys have done  
8 and says, we agree, or we disagree? Like in the CIGIE  
9 review, for instance, OIG would make its response, and  
10 then the CIGIE -- sorry.

11 So they would say, here's the OIG response,  
12 and here's what we think about it. We either agree  
13 with it or we disagree with it or the like. Does OIG  
14 come back and say, we think you've written off way too  
15 much of this?

16 MS. RATH: No, because they're referring it to  
17 LSC Management to do -- they have their role, which is  
18 if they think something's wrong.

19 CHAIRMAN MADDOX: I know. Questioned cost.

20 MS. RATH: They'll refer to us the big amount.  
21 Whether it's all LSC funds or LSC and non-LSC funds,  
22 they'll refer the big thing to us, and then leave it to

1 Management in our role to decide what's actually wrong  
2 according to the regulation or not. They don't do a  
3 review of our work.

4 We have the discussions during our monthly  
5 meetings where we let them know what we've decided, and  
6 we put all of our decisions on the LSC.gov website in  
7 the FOIA reading room. But there's no formal process  
8 for reviewing and commenting on it.

9 MS. JENNINGS: And I would just like to  
10 highlight what Lora was saying related to the larger  
11 number that many times comes from the Office of  
12 Inspector General. For example, if there were a  
13 question, they went out and they looked at raises  
14 related to -- or let's just say bonuses related to  
15 somebody and the amount of the bonuses was a million  
16 dollars, well, not all of that bonus money was LSC  
17 money.

18 So if we're only a 20 percent funder, and if  
19 we trace the money and only 20 percent of our funds  
20 were used for that, we can only question \$200,000 of  
21 that overall million dollars.

22 CHAIRMAN MADDOX: So Lynn, for instance, in

1 the \$45,000 number here, is it possible that 80 percent  
2 of that is not LSC money?

3 MS. JENNINGS: It can be, yes.

4 CHAIRMAN MADDOX: So the OIG is not looking at  
5 LSC funding only?

6 MS. JENNINGS: No. They don't look at LSC  
7 only.

8 MR. LEVI: And then what happens with the  
9 other 80 percent?

10 MR. SCHANZ: I would like to correct that for  
11 the record, please. This is Jeffrey Schanz. We do  
12 look at LSC funds exclusively. That's where our  
13 authority stops. Now, to give it some  
14 contextual -- we'll use Inland Counties as an example.

15 They had been paying stipends for many, many  
16 years. Not all of that was LSC money, but the problem  
17 was the same. So the finding was the same, that this  
18 is what they've been doing across the board, and this  
19 portion of it has impacted LSC funding.

20 CHAIRMAN MADDOX: In this Lone Star example,  
21 is it possible that any of that 45,000 is non-LSC  
22 money?

1 MR. SCHANZ: No. That's LSC funds.

2 MR. SEEBA: At least, it was charged to us.

3 MR. SNYDER: It does sound like a portion of  
4 it were beyond the recoverable period, so that  
5 automatically comes out of the 45. Correct?

6 MR. SEEBA: Correct.

7 MS. RATH: Right. And then there was changes  
8 where they decided that some of it shouldn't have been  
9 questioned. So that 45,000 that was originally  
10 referred and keep going back to was --

11 CHAIRMAN MADDOX: Right. And that's LSC  
12 Management's function. Right?

13 MS. RATH: Well, yes. But I'm saying that the  
14 OIG themselves, even after having discussions with the  
15 prior audit Assistant Inspector General, he reduced the  
16 amounts so that it came down to that 18,000 because  
17 what he had originally put into the report was not  
18 questionable.

19 I think at that point it was services  
20 contracts, which are not covered by 1630. But I could  
21 be wrong that it was a services contract, but it was  
22 something that he took two of the contracts out.



1                   CHAIRMAN MADDOX:   Okay.   Harry?

2                   MR. KORRELL:   Thanks.   Can someone tell me, is  
3   there a concept of tolling?   I keep hearing about this  
4   five-year period.   Right?   So if something happened  
5   prior to the five-year look-back, then it's not  
6   recoverable.   I understand.   It's a statute of  
7   limitations.

8                   But of course in litigation, there's tolling.

9                   And so if the OIG says, there's a problem here, and it  
10   takes us eight years to resolve it, we still ought to  
11   be able to go back to that.

12                   So how does tolling work?   And I raise that  
13   because I want to look -- and maybe you can answer it  
14   in the context of this Inland Counties situation, which  
15   continues to frustrate me, that starts at 1.36 million  
16   and then results in 252,000.

17                   It sounds like some of it was prior to the  
18   limitations period starting.   But then I note, in the  
19   resolution and reasoning section, that it refers to  
20   301,000, almost 302,000, expanded in 2007, which looks  
21   like it's still within the five-year period  
22   "(realistically not questionable at the time of the

1 referral)."

2           If someone could tell me what "realistically"  
3 means in that paragraph, and then tell me how tolling  
4 works, I would appreciate it.

5           MR. FLAGG: This is Ron Flagg. Let me talk  
6 about tolling just for a moment. The  
7 tolling -- actually, it's not tolling so much, but the  
8 statute of limitations provision, if you will, is  
9 triggered by the -- currently, under the regulations  
10 which this Board promulgated -- is triggered by the  
11 notice of questioned cost.

12           The question or the issue that you raise and  
13 has been raised in the past is, does that make sense?  
14 Should we have the trigger point be some earlier date,  
15 such as a notice from the IG that an investigation or  
16 some sort of inquiry into a cost category is being  
17 undertaken.

18           And the Management is currently -- as part of  
19 the review of regs, 1630 is one of the three regs that  
20 is being reviewed and revised. And the intention is,  
21 as Stefanie explained yesterday, to include as part of  
22 that review this very provision you're talking about.

1           The other thing I'd note, just because I think  
2 it to my mind completely answers the question about  
3 Inland Counties, is there was a document that was  
4 provided to the Board that shows a complete bridge  
5 between this large one million dollar-plus amount that  
6 was included at an early stage in the IG's report and  
7 the ultimate amount that was found to be legitimate  
8 questioned costs.

9           Virtually the entirety of that difference is  
10 due to statute of limitations issues -- and again,  
11 Management is looking at proposing revisions to  
12 that -- over half of that difference was due to statute  
13 of limitations issues, and the remainder of the  
14 difference was due to the fact that not all of the  
15 funding was provided by LSC.

16           And there's a dollar-for-dollar bridge, and we  
17 can recirculate that document, which I think --

18           MR. KORRELL: No. I don't think that's  
19 necessarily. My question is, what does "realistically"  
20 mean in that explanation? It sounds like -- and I  
21 could be completely wrong -- it sounds like if we'd  
22 acted a little quicker, we could have captured the

1 \$300,000. But we didn't, it was too hard, and so that  
2 sort of slipped beyond the limitations period and we  
3 lost the opportunity to recover 300,000.

4 Am I reading that incorrectly? It's an odd  
5 word. I imagine myself going to court and saying, Your  
6 Honor, it wasn't realistic for us to file within the  
7 limitations period. That's not going to get me  
8 anywhere. I'm just curious what that's trying to  
9 capture.

10 MS. JENNINGS: I take full responsibility for  
11 the timing of the Inland Counties decision. I was  
12 relatively new on the job then. But the one thought,  
13 when I see \$1.2 million being questioned costs of a  
14 program that does a good job in representing low-income  
15 people, is \$1.2 million questioned costs would bankrupt  
16 that program.

17 So I took extra time to make sure, and we did  
18 a lot of research related to was it reasonable for that  
19 organization to give bonuses to that organization? And  
20 that's what we did. And it was reasonable.

21 MR. KORRELL: All right. So I still don't --

22 MR. FLAGG: Could I just follow --

1           MR. KORRELL: Not yet. I still don't  
2 understand the tolling. And I apologize if I'm just  
3 being dense, and if this is being revisited by  
4 Management with respect to the limitations period,  
5 that's great, and maybe this can inform it.

6           If we don't get the official notice of  
7 questioned costs out, right -- so if we take a year or  
8 two years to investigate an OIG report, then the  
9 potentially questioned costs fall outside the  
10 limitations period. So if we take five years, nothing  
11 gets questioned. Right?

12           MR. FLAGG: That's correct. And again, I  
13 just --

14           MR. KORRELL: Okay. So my view is that we at  
15 least have to consider a change. So if the OIG has  
16 given everybody notice that there's a problem, I think  
17 this million dollars shouldn't have been spent this  
18 way, it seems to me, for whoever is paying attention,  
19 that ought to toll the running of the limitations  
20 period.

21           And if it doesn't, I understand that's where  
22 we are with Inland Counties. But for the good of the

1 order, I suggest that we do --

2 CHAIRMAN MADDOX: And the thing is it doesn't  
3 toll it unless we ask for it somehow to be tolled.  
4 Right? Tolling doesn't happen automatically. Right?

5 MR. FLAGG: Right. There has to be an  
6 issuance of an official questioned cost. And again,  
7 that sounds -- well, gee, just to get your oar in the  
8 water, why don't you just go ahead and say we question  
9 the whole \$1.2 million?

10 That's not how we do it. In the case that was  
11 just described, OCE, in order to judge the  
12 reasonableness of these bonuses, logically and  
13 appropriately, in my view, sought out market evidence  
14 of what bonuses were paid in California. That's what  
15 you would reasonably expect.

16 So the issue to my mind here is not that OCE  
17 dallied in their work. They did a proper review, and  
18 under the operation of the reg as it's currently  
19 written, that resulted in a reduction in the amount  
20 that could be questioned.

21 MR. KORRELL: Just because --

22 MR. FLAGG: I think Management agrees with the

1 thrust of your questions, that once a recipient is on  
2 notice that there's an issue, they can then maintain  
3 all of the records associated with that issue and we  
4 can properly look back from that point. But to  
5 accomplish that, we're going to have to revise the  
6 regulation.

7           So respectfully, this is not an OCE issue so  
8 much as it is a regulatory issue, which we plan to  
9 address in the next six to 12 months in the process of  
10 revising what is a long and complicated regulation.

11           MR. KORRELL: Just because I'm frustrated  
12 doesn't mean I'm frustrated with a particular person or  
13 particular office.

14           (Laughter.)

15           MR. KORRELL: But it is frustrating to see  
16 that. And I know there's a reference -- and it's in  
17 some of the closed materials -- but it's a reference to  
18 a passage of time between 2009 for an additional  
19 complaint and an OIG memo in 2012. I see these huge  
20 gaps of time every now and again, and I just wonder  
21 what's happening.

22           CHAIRMAN MADDOX: And in the private sector,

1 these are jarring. You don't even see that.

2 MR. KORRELL: Yes. Anyway, I appreciate the  
3 response and the explanation. Thank you.

4 CHAIRMAN MADDOX: And let me go to Jim.

5 PRESIDENT SANDMAN: Harry, I'd like to follow  
6 up on your question about what "realistically" means  
7 there. I think Lynn has been a little too hard on  
8 herself.

9 The date that is relevant for the running of  
10 the statute of limitations is the issuance of a  
11 questioned cost notice by Management, not by OIG. The  
12 referral from OIG to Management of this matter, as I  
13 recall, came in the fourth quarter of 2012. Is that  
14 correct? Lynn started in September of 2012.

15 In order to be able to recover for the 2007  
16 period encompassed by the OIG's investigation,  
17 Management would have had to issue a questioned cost  
18 notice by December 31, 2012. We were talking a matter  
19 of weeks, or a couple of months. That was all that was  
20 left to Management to be able to follow up on an  
21 investigation that had been going on for years.

22 That's what "realistically" means, that in



1 that time period, it was not realistic to expect that  
2 Management would be able to do what was necessary to  
3 commence the proceeding.

4 MR. KORRELL: I appreciate that. Again, I'll  
5 just reiterate, just because I'm frustrated with  
6 something doesn't mean it's particular people or  
7 department. It may be that my frustration, you'd be  
8 shocked to hear, is with a regulatory regime.

9 (Laughter.)

10 CHAIRMAN MADDOX: Yes. I'm sorry. Charles?

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

12 Briefly, just to follow up on the regulatory  
13 point, this is something that we've noticed, and it is  
14 one of these situations in which we're being responsive  
15 to something that has happened.

16 And it would have been better to anticipate  
17 everything and to have worked it out ahead of time.  
18 But it is something that has been noted as a problem,  
19 and the Committee is aware of it and moving forward  
20 with it. And we've put it on the agenda as part of the  
21 1630.

22 It wasn't separately highlighted because it

1 comes up as part of the overall revision of 1630. But  
2 we're working. Management recognizes, as you heard  
3 today, it's a problem. The Committee does.

4 It's a somewhat complex problem, not just  
5 because it's linked up with 1630 in terms of overall.  
6 But if we're going to put in or to change this idea of  
7 tolling, the question is, what should be the trigger?  
8 And it's something to think about, and it's something  
9 to think about in conjunction with grantees.

10 We recognize it is a Management and Committee  
11 problem. But finding a way to be fair to the grantees,  
12 but to also be fair to ourselves, is what the goal is  
13 going to be. And so I'm glad we've highlighted it.  
14 It's something that it's worth already people starting  
15 to think about as we move towards developing that  
16 regulation.

17 CHAIRMAN MADDIX: Thank you, Charles.

18 I want to move on. We're running out of time  
19 on the Committee. We've only got about ten minutes on  
20 the schedule yet. Before we get off of this topic, I  
21 want to ask another general topic question, Lora, and  
22 that has to do with the Inland Counties issue on the

1 chart.

2 I don't know what page this is on, but it's  
3 Open OIG Referrals from Audited Financial Statements,  
4 Fiscal Year 6/30/11 to date. And it's referral number  
5 2012 805230-02.

6 So it looks like the auditor out there, the  
7 IPA, has continually raised questions about the  
8 internal controls over cash accounts, internal controls  
9 over policies and procedures, accounting software, the  
10 adequacy of the controller, on and on and on.

11 MS. RATH: Yes.

12 CHAIRMAN MADDOX: A lot of times, we have  
13 questions about internal controls in these charts, and  
14 the response from OCE is, well, it's a really small  
15 organization, like DNA, for instance, or East River in  
16 South Dakota. And under the circumstances, it's all  
17 they can really do.

18 This is not a small one. This is a really big  
19 one. And OCE's determination in all these  
20 things -- now, these referrals go back to August of  
21 2012, and the determination is, "Under review. OCE is  
22 reviewing documents submitted by the grantee to assess

1 for sufficiency of actions."

2 I don't understand how this can take two  
3 years.

4 MS. RATH: And I understand your frustration.

5 I'm frustrated, and this is my fault, and staffing  
6 levels with the amount of fiscal staff that I currently  
7 have or that OCE currently has, and the number of  
8 visits that we're scheduled for.

9 It's been difficult to do some of the paper  
10 review. As Jim mentioned at the last Board meeting, we  
11 recently hired a Deputy Director for Fiscal Compliance  
12 in OCE, and she will be helping me to better distribute  
13 the work among the fiscal compliance analysts to make  
14 sure that things like this don't languish.

15 So it's been my fault to this point. We do  
16 recognize Inland Counties has difficulties. We have  
17 been monitoring them, which is not the best thing to  
18 do. One reason why we didn't go out immediately was  
19 because the questioned cost was in process and we  
20 didn't want to confuse issues.

21 They are now scheduled for an onsite visit in  
22 the first quarter of 2015, and at that time we can go

1 out and do a full two- to three-person fiscal  
2 compliance control review. So then when we actually  
3 have boots on the ground, we can get a better idea of  
4 what's going on and then work to resolve the issues.

5 So I recognize it's languished for too long,  
6 and I appreciate the frustration with that, but we --

7 CHAIRMAN MADDOX: Well, I appreciate that,  
8 Lora. It seems to me that one of the things we've  
9 talked about for the four years I've been on the Board  
10 is the internal controls of our grantees and need for  
11 fraud prevention. I think that's one of the focuses of  
12 the OIG's entire operation, is fraud prevention.

13 And if you don't have internal controls,  
14 you're subject to fraud. And the bigger the grantee,  
15 the longer the period of time, the more devastating the  
16 extent of the fraud might be.

17 So I think this is one of the most important  
18 things. And the totality of this chart and the Inland  
19 County reviews and referrals over the years seems to be  
20 that they have not had sufficient focus on the  
21 accounting, the internal controls, the financial  
22 integrity of the operation.

1           And so it seems to me that it ought to be  
2 something that is at the top of the list for going  
3 forward. I understand now that that will be the case.  
4       When you say first quarter of 2015, does that mean  
5 January?

6           MS. RATH: I'm not sure. It's either January,  
7 February, or March. We're working out those details.  
8 But yes --

9           CHAIRMAN MADDOX: Well, okay. Here's one vote  
10 for January.

11          MS. RATH: Yes. We've contacted --

12          MR. LEVI: Well, I have a different vote also.  
13       When I see this much activity -- now this is maybe not  
14 the Audit Committee. But when I see this much activity  
15 happening with a particular grantee, and it seems to be  
16 revolving around internal controls and a potential  
17 issue with the internal management, do we pick up the  
18 phone?

19               Do we pick up the phone and talk to the  
20 executive director and the board character and the  
21 board chair and read the board chair the riot act? Do  
22 we do that?

1           MS. RATH: I have talked to the executive  
2 director numerous times about these issues. We've had  
3 a lot of back and forth. I have not contacted the  
4 board chair. That is a good point. But yes. We have  
5 had a lot of beginning with that executive director.

6           CHAIRMAN MADDOX: To follow up on John's  
7 question, we don't have time to go through this. But  
8 if I were doing a deposition, Lora, I would ask three  
9 hours of questions on this. And the questions that I  
10 outlined just yesterday, and I'm going to put them on  
11 the record and you can look at them and maybe get back  
12 to us.

13           This has gone on for two years. So, one,  
14 please describe the OCE communications with the ICLS.  
15 That would start with the phone calls. If there  
16 weren't any phone calls, what's next?

17           Two, describe the universe of documents that's  
18 under review.

19           Three, explain the timeline.

20           Four, explain the reason for two years.

21           Five, explain the current status of the  
22 investigation.

1           And six, state the plan for disposition.

2           That's what I'd like to know if I were  
3 litigating this case.

4           Martha?

5           DEAN MINOW: When we joined the Board, I have  
6 to say I found the operations of OCE opaque. And I  
7 think that they've become much, much better. And now  
8 that we can see what's going on, I think that there's  
9 some backlog of dealing with what had been going on  
10 before, and then there's implementing some better  
11 practices now.

12           And I think that this may go to the  
13 explanation for what's going on, but also to Vic's  
14 suggestion that next time you give us an overview  
15 document that helps to explain, here's what's currently  
16 going on. Here's some continued followup for some  
17 things from the past.

18           MS. JENNINGS: And if I could just say, we are  
19 working on some of the productivity issues in OCE. But  
20 we do regularly -- Jim, Lora, Janet, myself -- we  
21 regularly engage with executive directors and chairmen  
22 of the board.



1           As you might figure, Inland Counties isn't the  
2 only program with issues, some with greater issues, and  
3 as is the case many times, that the 10 percent of the  
4 programs we're trying to work with sometimes take up 80  
5 to 90 percent of our time.

6           DEAN MINOW: Just like our children.

7           MS. JENNINGS: Pardon?

8           DEAN MINOW: Just like our children.

9           MS. JENNINGS: Yes. So we do regularly, and  
10 more than had been done in the past, I get the feeling,  
11 as some of the feedback I have gotten over the last two  
12 years.

13           MR. LEVI: Well, of course, and I wasn't  
14 making my comments in any critical vein. Just offering  
15 to say that if you need me to make a call or Jim or  
16 someone else to have the seriousness of -- one outlier  
17 messing up can -- as we learned coming in here.

18           And so we just are so concerned about that as  
19 a methodology going forward and how we jump on top of  
20 that so that we don't have something like this be the  
21 tip of the iceberg that, in fact, there's going to be  
22 more stuff that we're going to hear about from the

1 following year because the internal management was  
2 still so bad that there was a leaky vessel.

3           You know where we're coming from. And we're  
4 trying to protect the funding for all of our grantees  
5 through making sure that each one of them understands  
6 the seriousness of the position they are in with  
7 respect to the other grantees. So when they mess up  
8 this badly, it potentially endangers all of them.

9           MS. JENNINGS: Right. No, we appreciate the  
10 critique that we get every Board meeting on this and  
11 take it to try to incorporate into our --

12           MR. LEVI: Do you feel the love as well?

13           MS. JENNINGS: I do.

14           MR. LEVI: Okay. I hope so. I hope so.

15           MS. JENNINGS: No, but they're all very  
16 healthy questions that need to be asked. And we  
17 incorporate them into our business processes, and we  
18 learn every time. But I think it is to note that there  
19 are 10 percent of problematic programs, about, and we  
20 deal with those, and they do require a lot of staff  
21 time.

22           CHAIRMAN MADDUX: Well, I want to first of all

1 associate myself with Harry's remarks regarding  
2 frustration and Martha's remarks and testosterone of  
3 her remarks regarding progress, despite my somewhat  
4 adversarial approach here. But I think it is important  
5 that we look at this -- and John's, too. I feel the  
6 love.

7           So let me ask the Chairman, it's 9:15. How  
8 much time do I have? Okay.

9           Gloria, quickly.

10           PROFESSOR VALENCIA-WEBER: I think the view  
11 from the Board, especially somebody coming in, facing  
12 incoming fire constantly about what had happened in the  
13 past and what had been going on and what we should  
14 answer to, I think the charts are a work in progress.

15           I really appreciate that this is the  
16 level -- when people talk about deep digging into data,  
17 that this is what it's about. But we still need the  
18 summarizing reports to help us understand this detail.

19           Now I understand what that incoming fire was  
20 about. And it isn't just for the board or for our  
21 staff, the people we both love and are here also  
22 critiquing. Think about a grantee director who comes

1 in new and is having to face this backlog of whatever  
2 the prior administration in that grantee did, and  
3 attempting to figure out, wait a minute. I'm under  
4 fire, and I just got here.

5           So I think it's a way of cleaning up every  
6 level of responsibility as well as preparing us for any  
7 future incoming fire that I think is foreseeable.

8           CHAIRMAN MADDOX: Okay. Well, thank you all  
9 for that presentation, and I think we're going to move  
10 on to the next item on our agenda, which would be item  
11 number, I guess, 4 having to do with the risk matrix.

12           And Ron, if we could ask if you could give us  
13 a summary presentation of the chart and any new  
14 developments in the risk matrix?

15           MR. FLAGG: I will be quite brief. This is  
16 the same chart you've been seeing for the last year or  
17 so. I would just highlight a couple of the items where  
18 you will be getting upcoming reports. The new items  
19 are highlighted in yellow.

20           But I think particularly in January, we expect  
21 to be briefing either this Committee or other  
22 Committees on a number of items, including our

1 transition plans, including our revised procurement and  
2 contracting policy, which is quite a substantial policy  
3 when it comes to risk management. And we're working  
4 with the IG on that, and I think we're going to see a  
5 fairly substantial change in the way internally we do  
6 procurement and contracting.

7 I expect in January we will have a recodified  
8 code of conduct. The substance will be substantially  
9 what the Board has seen over the last three meetings  
10 because it contains various policies, such as conflict  
11 of interest and EEO and whistleblower policies that the  
12 Board has approved. But we are recodifying it in a way  
13 that I think will draw more attention to that set of  
14 policies than has previously been the case.

15 And then lastly, in looking at this chart, I  
16 noticed what is really an inaccuracy or omission, which  
17 is on page 9 of the chart, there's a reference to  
18 "Grantee oversight by LSC and IPAs." And it's quite  
19 clear that the chart that Lora has been providing for  
20 the last several meetings on the referrals from the IG  
21 from IPAs is directly responsive to this point. So I  
22 will add that to the chart.

1           But with that, I'm happy to answer any  
2 questions.

3           CHAIRMAN MADDOX: Harry?

4           MR. KORRELL: Thank you. On that same point,  
5 I just noted, when I was looking at the chart, that  
6 you've got Ops and Regs as the responsible Board  
7 Committee, Ops and Regs and Delivery of Legal Services,  
8 for the grantee oversight on page 9. I was wondering  
9 if maybe that should be Audit.

10          MR. FLAGG: Yes. I'll have to go look  
11 at -- my guess is that arose as a result of the  
12 language of the charters. But there's no magic to  
13 these delineations, and this is probably an area where  
14 both Committees have some oversight responsibilities.

15          But clearly, on an ongoing basis, we have been  
16 reporting to this Committee on referrals from IPAs.

17          CHAIRMAN MADDOX: Okay. Thank you, Ron. If  
18 there are no other -- Charles?

19          MR. KECKLER: Quickly -- thank you, Mr.  
20 Chairman.

21          Ron, just to follow up on that, just one note.  
22 No need to respond. The materials in red that are

1 still rated as M and H -- both have an H and M that  
2 remain -- are pretty much under Ops and  
3 Regs -- information management -- that don't have any  
4 reporting date as of yet, information management and  
5 accuracy of grantee data, both of those are technical.

6 And one thought about those that I would have  
7 from the Ops and Regs perspective is that it might be  
8 useful to do one or both of those in the spring when  
9 we're in Washington when there are technical staff  
10 available and so we can see the systems in operation.

11 MR. FLAGG: I think that's a very helpful  
12 idea. Thank you.

13 CHAIRMAN MADDOX: Thank you, Charles, and  
14 thank you, Ron.

15 We'll move quickly to our next item, which is  
16 public comment. Is there any public comment?

17 (No response.)

18 CHAIRMAN MADDOX: Seeing none, we will move to  
19 any new business?

20 (No response.)

21 CHAIRMAN MADDOX: Seeing none, I guess we  
22 could go to -- do we need a motion to adjourn the open

1 session? Is there a motion?

2 M O T I O N

3 PROFESSOR VALENCIA-WEBER: I move to adjourn  
4 the open session.

5 CHAIRMAN MADDOX: And a second?

6 MR. KORRELL: Second.

7 CHAIRMAN MADDOX: All in favor?

8 (A chorus of ayes.)

9 CHAIRMAN MADDOX: The motion is agreed to and  
10 the open session is now closed.

11 Do we in fact need a closed session? The only  
12 item for the closed session has to do with Lora's  
13 charts, and I think we could discuss that in the closed  
14 session of the Board. So is there any objection to  
15 passing that to the Board?

16 (No response.)

17 CHAIRMAN MADDOX: If not, then I would  
18 consider a motion to adjourn the meeting in toto.

19 M O T I O N

20 PROFESSOR VALENCIA-WEBER: I move to adjourn  
21 totally the meeting.

22 CHAIRMAN MADDOX: And second?



1                   MR. KORRELL:    Second.

2                   CHAIRMAN MADDOX:   And the meeting is  
3 adjourned.

4                   (Whereupon, at 9:23 a.m., the Committee was  
5 adjourned.)

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