LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

OPERATIONS AND REGULATIONS COMMITTEE
RULEMAKING WORKSHOP

Wednesday, April 20, 2016
1:34 p.m.

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

CHAIR:

Charles N.W. Keckler, Chair, Operations and Regulations Committee
PANELISTS:

Steve Pelletier, Northwest Justice Project  
George Elliott, Legal Aid of Northwest Texas (by video)  
Steve Ogilvie, Inland Counties Legal Services  
AnnaMarie Johnson, Nevada Legal Services (by telephone)  
Shamim Huq, Legal Aid Society of Northeastern New York  
Patrick McClintock, Iowa Legal Aid Foundation (by telephone)  
Jon Asher, Colorado Legal Services (by telephone)  
Michael Maher, Legal Action of Wisconsin (by telephone)  
Robin Murphy, National Legal Aid and Defender Association  
Rebecca Weir, Assistant General Counsel, LSC

LSC ATTENDEES:

Ronald Flagg, Secretary and General Counsel  
Stefanie Davis, Assistant General Counsel  
Mark Freedman, Senior Assistant General Counsel, Office of Legal Affairs  
Rebecca Weir, Assistant General Counsel, Office of Legal Affairs  
Jean Fischman, Graduate Fellow  
Davis Jenkins, Graduate Fellow  
Lora Rath, Director, Office of Compliance and Enforcement  
Megan Lacchini, Deputy Director for General Compliance, Office of Compliance and Enforcement  
Glenn Rawdon, Program Counsel, Office of Program Performance  
Shila Mashhadishafie, Program Counsel, Office of Compliance and Enforcement  
Laurie Tarantowicz, Assistant Inspector General and Legal Counsel  
Dan O'Rourke, Assistant Inspector General for Investigations  
Magali Khalkho, Director of Management Operations, Office of the Inspector General
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   - Steve Pelletier  
   - Robin Murphy  
   - Shamim Huq  
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   - Michael Maher  
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3. Discussion of other funders' prior approval requirements for purchases of personal and real property  

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TOPICS FOR DISCUSSION

Topic 1: Requirements of Other Funders

A. Property Acquisition: Other Funders and Prior Approval

Prior Approval for Purchases of Real and Personal Property

Prior Approval for Aggregate Purchases of Personal Property

Prior Approval for Procurement of Services

Intellectual Property and Other Funders

Disposition of Property: Other Funders and Prior Approval

General Interaction Between LSC'S Requirements and the Requirements of Other Funders
CHAIRMAN KECKLER: We're going to go ahead and continue to monitor the technical efforts. I do want to start up by thanking everybody here at LSC for preparing this and for working on the technology, which we're adapting. We're here. We're here in the 21st century, doing it.

So I want to welcome everybody, both the people who came here to our building here in Georgetown and everybody on the line, to the first of three rulemaking workshops on 1630 and the PAMM, which we're in the process of revising. When was it that they were last revised, Stefanie?

MS. DAVIS: The PAMM was last revised in 2001, and I believe that Part 1630 was last revised in 1997.

CHAIRMAN KECKLER: Yes. So it's been some time. There have been a lot of changes, both in what grantees do, how they do it, the different funding streams, and the multiplicity of funding by which they do it. And so we're going to take a look at these rules, this guidance, with your help.
And so this is an early stage in the process. For those that haven't done a rulemaking workshop before, it's something that will generally occur early in rulemaking.

We have it here and do it occasionally, not for every rule, but for rules like this where there is a need for us to get information to learn how things work, and especially where there's an expectation that things are going to work differently in different places, so that we need to get not just a single view, but a multiplicity of views on the topic so that we can try to make the rule work for the different variations and different situations that might occur.

So one thing about it, though -- obviously, I haven't introduced myself. I'm Charles Keckler, a member of the board, and chair of the Operations and Regulations Committee. That's relevant because in addition to chairing this workshop, as the rule proceeds through, eventually, after the workshops and after we process the comments and thoughts that you're going to offer and the other workshops will bring, a notice of proposed rulemaking is going to come. And
that's going to go out, and then we'll start the process of formal comments on the different proposed provisions.

But as that part of the process begins in the fall or the late summer, then my role will change and I'll have to examine the rule and we'll be voting on it and considering it, deliberating on it, formally as a member of the board of directors.

And so as part of that, my role now is very much to keep an open mind. I wanted to keep an open mind anyway, but apart from that, it's also my duty to do so. And so for those that know me, my usual habit is usually to offer suggestions and ideas and think, hmm, I don't know, and maybe no, or react to people's ideas and offer suggestions of my own. That's usually how I like to do things. But don't be surprised if I don't do that for these rulemaking workshops since I have to just keep neutrality on things until they come to me more formally.

So with that caveat, I will be listening closely and soaking it all in. And also, don't be surprised if, as I turn things over and we get
information from management, that management has some of these same considerations as well since we are still in the early process and are not being final or decisive today in any way.

With that, thank you again. Welcome. And I'll begin with turning it over to Stefanie Davis from the Office of Legal Affairs, who will talk about the logistics.

MS. DAVIS: Great. Thank you, Charles. As Charles mentioned, my name is Stefanie Davis. I'm an assistant general counsel here in the Office of Legal Affairs at LSC. And I also would like to welcome everyone who's on the call.

I very much want to thank our panelists for expressing interest in participating in these workshops and volunteering your time to either come to Washington or to be on the phone with us to talk through these issues.

You are the ones who work with these rules every day in addition to the rules that you follow for all of your other funders, and so we think it's critical to hear from you at this early stage of the
rulemaking to understand what challenges you face, what rule structures you're working under, as we're thinking about the modifications that we want to make to Part 1630 and the PAMM.

So I just want to thank you. I also want to thank our law fellows, Jean Fischman and Davis Jenkins, who have been heavily involved in pulling these workshops together, and the members of our internal work group who are here in the audience and will be listening and thinking through these issues with us as we work toward a proposed rule.

A number of housekeeping issues. If you are here in headquarters and have not signed in on the sign-in sheet at the front desk, please do so on your way out. If you are on the phone, please have your phones on mute during the panel discussion. There will be a public comment period toward the end of our three hours together, but we'll flag that and open the floor for comments at that time.

We are trying something new. We invite you, if you're listening in, to send written questions to lscrulemaking -- that's all one word -- @lsc.gov during
the course of the discussion. Davis and Jean are standing by and will be checking questions. They'll be bringing relevant questions to me and Charles, which we may ask during the workshop discussion or immediately prior to the public comment period at the end of the workshop.

All written comments and oral comments and questions received are part of the public rulemaking process. They will become part of the administrative record for rulemaking. So if you are commenting, please be sure not to include confidential information in your comment as we cannot ensure that that information will remain confidential.

There is a general comment period for this rulemaking. It is open until July 15th. If you are interested in suggesting questions for our May 18th workshop, which is on LSC's proposed changes to the rules, those can be sent in by May 6th, and they can be either sent to me directly at sdavis@lsc.gov or also to lscrulemaking@lsc.gov.

The public comment portion of this afternoon's call will be either from attendees here in Washington
who are not part of the panel or, if you are on the telephone, you can ask questions toward the end of the workshop. We do ask that you identify yourself prior to speaking, as this meeting is being recorded and transcribed.

Finally, anything you ever wanted to know about the 1630 PAMM rulemaking can be found on our rulemaking page that is dedicated to this rulemaking. If you go to our website at www.lsc.gov rulemaking, you will find a link to the rulemaking page where all of the notices -- the notice of proposed rulemaking, comments received in response to that rulemaking, the agendas for these workshops, the transcripts of these workshops -- will be available.

So I think that's all of the housekeeping matters, so I will turn it back over to Charles for our panelist introductions.

CHAIRMAN KECKLER: Thank you very much, Stefanie.

So we've divided up, to some extent, as I'm sure you're aware if you're here as a panelist, in any event, the rulemaking workshops into different
categories. So today we're definitely going to be
talking about and focusing on the issue of prior
approvals and harmonizing, if that's possible, or at
least finding out what the situation is vis-a-vis other
funders and their requirements versus LSC's
requirements.

But as topics arise that are related and
germane and you have thoughts, don't hold them up.
Just go ahead and tell us about them, and we'll write
them down and have them on the record.

And to some extent, we may have to reserve
things for the next session, but particularly, as this
is workshop number one, is you raise things here, we're
going to have an opportunity to explore them in
subsequent workshops. So go ahead and do bring them to
our attention if these topics occur to you.

So with that, the first order of business for
the meeting it introductions. And the way that we've
written our Federal Register notice is a description of
your program's, if that's relevant, funding
composition, and an overview or give us a perspective
on how LSC's oversight in this area relates to, is
stronger than, less strong than, or just simply
different than other funders, and how you reconcile
those issues.

So do we have an order? I'll go ahead and
start with you Steve, here, right at my right.

MR. OGILVIE: My name is Steve Ogilvie. I'm
controller with Inland Counties Legal Services. I've
been in the position for the last eight or nine months.
Previously, I was with Inland Counties Legal Services
as well in the 1990s for a two- to three-year time
frame.

As far as a description of our program, our
program has eight or nine different funders, and we
have 13 to 15 different grants with those different
funders.

As far as differences, I would say each one of
the funders has a difference in regards to approval and
the acquisition of the assets and so forth. And so I
don't think that LSC is particularly different, that
they just have different standards, as do each of the
grants we work with.

CHAIRMAN KECKLER: Steve, to follow up one of
the parts of it, is there a difference that you see
with regard to services and -- goods and services? Is
there any distinction there for funders?

MR. OGILVIE: As I think about the
differences, probably moreso on the capital side, with
our acquisitions. With other funders, I think we have
a tendency to get the approval of acquisition items
through the budgeting process.

And so once we're ready to go forward with an
acquisition, it's already been reviewed by the funders.
The funder has already reviewed, conceptually, the
approval of the concept that we're going forward with.

However, I think with LSC, there's the
approval before we actually go forward with that
purchase. And so I do see that by having the approval,
that final approval, at that point in time, it does
delay and it does cause some -- I'm going to say it
delays the timing of when you're actually ready to go
forward with that bid.

CHAIRMAN KECKLER: And how long, just as a
rough estimate, how long does that delay occur in terms
of the period of back-and-forth with LSC?
MR. OGILVIE: Again, I've been here for just eight or nine months. And so we haven't completely gone through that approval process since I have been here. But just by looking at the regulations and looking forward, or looking through, the various grant comparisons, I just see -- well, we do have one right now.

We're pending, ready to go out for a purchase on something, but we are writing up the final paperwork to submit to LSC. So there is a delay because at this point in time we would be moving forward other than we're waiting for the submitting of that paperwork.

CHAIRMAN KECKLER: Okay. Thanks.

Steve?

MR. PELLETIER: Hello there. I'm Steve Pelletier. I'm the director of finance of the Northwest Justice Project. We're the Washington state LSC grantee. We've been a grantee since 1996, and I've been on board with Northwest Justice Project since 1999.

I am a CPA. I've been a CPA in Washington state since 1982. And in my prior experience before
working with Northwest Justice Project, I was in public accounting for the most part in my career, doing audit and accounting type work.

My role at Northwest Justice Project, I'm part of the administrative team. The finance component is built into the executive group. They're very much an equal member with others on that team. And Northwest Justice Project is around $23 million.

Twenty-eight percent of our funding in 2016's budget is from LSC sources. About 50 percent of our funding is from the Office of Civil Legal Aid, state of Washington. And then we have roughly 20 percent that comes from another 25 or 30 grants and contracts of various types -- local, city, state, federal, small grants, which we call them soft grants because they're very specific grants. They fund one or two staff people. Anyway, that's me.

CHAIRMAN KECKLER: So I guess the first question that I have is, given what you talked about with Northwest Justice, specifically how did the funding requirements, reporting requirements, standards, prior approvals, in particular compare
vis-a-vis LSC and the Office of Civil Legal Aid?

MR. PELLETIER: The Office of Civil Legal Aid prepare a biennial budget. So every two years we prepare a fairly broad penciled budget for them for that two-year period. We invoice them on an ongoing basis; currently, we invoice them monthly.

We provide them an invoice, but we do not and are not required to provide them backup detail on each line item of purchase unless requested. Sometimes they'll request that we follow up with some additional information on that invoice. It is a contract, not a grant. And it's cost-reimbursable. So we expending the money, doing the work, submitting the bill, getting paid for it.

They tend to come in on a biennial basis for a review, very extensive review. And at that time they will look at budget to actual information, and they may ask for support for variances and/or areas of interest to them. So we do not have with OCLA any specific approvals of a purchase.

To qualify that a little bit, a year and a half ago or so we submitted with OCLA a request for
1. additional funds from the legislature to precision a
2. communications system. So that one was a specific ask
3. for a large purchase, and we did receive that. But
4. that really wasn't -- we didn't have after-the-fact
5. approval of it. It was basically they funded that
6. specific project.

   CHAIRMAN KECKLER: Thanks.

   So Robin, on the more general level, what are
8. the impressions that you have about people's thoughts
9. from the field regarding these topics?

   MS. MURPHY: Okay. Can you hear me? First of
10. all, I just wanted to introduce myself. I know some
11. people know me, but not everybody knows me. I'm chief
12. counsel at NLADA.

   And by way of background, I have been employed
14. both as a staff attorney and management at a number of
15. LSC current and former programs, including Land of
16. Lincoln Legal Services, Legal Services of Eastern
17. Missouri, and New Haven Legal Assistance in
18. Connecticut, as well as a non-LSC program here in D.C.,
19. Legal Aid Society of D.C.

   And I just wanted to really thank everybody
for coming to this workshop, both for LSC and LSC's board and staff, who are extending the opportunity to talk with the grantees, and also my appreciation for the grantees to take the time and effort to be here. Logistics and finances made this very difficult for programs, and I think you see we have a great turnout, and it really reflects the field's level of interest in this topic.

So I see from my perspective, and the reason we have so many people from finance is because this is really more of a financial issue, and they deal with that much more than just the legal issue. But I do see a number of things which I see as very different from other grantees.

One is that LSC has multiple layers of reporting and approval requirements. Two is, LSC has three different compliance offices who independently request, review, investigate grantees, their service delivery, and their fiscal operations, and when those reviews are done, they make detailed findings and recommendations to individual programs.

LSC also has unique and extensive regulatory
restrictions that are monitored. None of the other grantees do. And then the fourth thing is, LSC regulations also require that for subgrants, which is somewhat unique to LSC other than the PAI subgrants that all the regulatory restrictions that apply to LSC also apply to their subgrantee, making it difficult both to recruit subgrantees and then to monitor subgrantees because there's a second layer of monitoring. It's not just fiscal. It's regulatory.

As to the other areas of difference, the main thing I've heard from our different field components is the difference between having a budget that's submitted to a funder for approval with line items, not necessarily detailed line items but with standard accounting principle line items, it's approved, and then it's resolved at the end of the budget time.

And there is not, as already discussed, prior approval processes that, really, people have to wait for. They are able to make their purchases as long as they've put it in their budget. If there is a variance, I think the different grantees have different procedures for dealing with a variance.
But basically, there's general categories for making purchases, staffing, and whatnot, and then reporting at the end of the grant cycle, as opposed to LSC, which has really different requirements for different things at different times, on top of extensive other reporting that's done. So I think that's really the main differences I see.

The other thing is, we don't have the benefit of that wonderful statistics, that PowerPoint, that was done. Really, I think we have to look at what are the differences in terms of funding. Basically, it seems like, similar to Northwest Justice right now, many people's funding schemes are 40 percent, approximately, or less, LSC, maybe 50 percent state, as a general rule.

There's some LSC fundings that get up to 80 percent LSC funding, and there's not support in the state for that, but for the most part. And then there's also some large different urban programs that have different funding structures, too. But it seems like those are the two major funders that we're looking at.
And then the other smaller grants -- I mean, some programs literally have 60 to a hundred grants. So to try to resolve for those smaller grants, consistent procedures would seem to me to be a miracle or impossible. So that's my summary for now.

CHAIRMAN KECKLER: Okay. Thanks Robin. And you can respond or others can, too.

So what I'm hearing is, well, it might be that -- and you can go ahead and correct me -- a picture emerges in my mind that in a lot of cases, partly just for good management reasons and partly because of the requirements of other funders, a lot of grantees will prepare at some time in -- the usual time of the year a budget that will have future purchases listed. And that will be sufficient for these other funders. That will go to the other funders, the budget, for approval.

MR. PELLETIER: It could be a specific list or a list of types of things that you are likely to be purchasing during that grant cycle or during that period.

CHAIRMAN KECKLER: Right. But then, as a follow-on to that, some of those line items, which are
relevant to LSC or are being used by LSC funds or reach a threshold, you'll then -- as you are planning to implement that aspect of the budget, you'll seek prior approvals for those particular line items from LSC.

MR. PELLETIER: Right. Any time we have an individual item that looks to be $10,000 or more of expenditures with LSC funds, we would request an approval for that. And it could be, in our case, for the larger items. Typically, it's a shared cost between LSC and the state funder. It's anywhere from 50/50 to 60/40 state versus LSC, which is roughly what the funding is between the two of them.

Anyway, so we would request approval from LSC. We would not need to request approval from OCLA.

CHAIRMAN KECKLER: Okay. Thanks. So I'll go ahead and turn it over to Shamim -- is that right?

MR. HUQ: Yes.

CHAIRMAN KECKLER: Okay. Thank you.

MR. HUQ: Okay. My name is Shamim Huq. I'm the physical director at Legal Aid Society of Northeastern New York. I have been in the nonprofit world for over 18 years, out of which the last four
years has been with the Legal Aid Society of Northeastern New York.

So I sort of jumped ship. I had been working with the nonprofit world of community actions prior to coming to legal aid. But nevertheless, nonprofit work is similar in many ways.

Legal Aid Society of Northeastern New York is predominately funded by the state of New York, and our largest funder is the New York State Office of Court Administration, which funds our judiciary civil legal services grant.

We have other state funding grants as well, and some small grants that we get from other sources. But we have two federal grants that are directly from the federal government. One is from the Office of Justice Programs from our Office of Violence Against Women, and we have one with the IRS for the LITC grant, the Low-Income Taxpayer Clinic.

None of our grants at this point has required us to do any kind of prior approval, and one of the reasons, I would like to say, is that our type of work -- we are a service-oriented industry, so majority of
our expenses are in our personnel expenses, which is
almost over 80 percent of our expenses are personnel.

So other than that, the supplies and other
things that support the organization to keep moving is
competitively very less compared to the whole expenses
of our organization. So this basically is where we
are.

CHAIRMAN KECKLER: So just as an overall
assessment, as your complying with the requirements of
different funders, there's a percentage that the
grantee gets from the different funders, and I'm not
sure what the percentage is at LSC, from an LSC grant.
For Northeastern New York, what's LSC's percentage at
your program?

MR. HUQ: I would say less than 10 percent.

CHAIRMAN KECKLER: Less than 10 percent. And
given that, does the need for -- and I can't put this
any -- I'm no diplomat, so I won't do it. But does it
take more than 10 percent of your time, the time that
you take to respond to funding requirements and seek
approvals and do communications and handle all of that,
for all the different funders that you have? Thinking
of that time, is the time that you devote to LSC more than 10 percent?

MR. HUQ: As we follow LSC's regulatory processes, and our physical manual is dominated by the LSC rules and regulations, which all of our funders have accepted that -- they feel that it's okay because we tell them that LSC is the rule that we follow.

And sometimes some of the reportings and things does require more than 10 percent because of the requirements that we have fulfilled for LSC. But as far as the other funders, we do the budgets and submit the budgets.

And once the budget is approved, if they do not require any changes, then we -- it's an expense-based budget. We make the expenses and submit quarterly or monthly statements to them, and we get reimbursed. So basically, that's all it takes for us to go through those fundings.

CHAIRMAN KECKLER: Thanks. And so this is another question that other people can respond to or think about as we turn to you, is that I guess the flip side of whether the reporting burden is relatively
greater on the LSC side -- it may or may not be -- but
whether or not for these other funders, the existence
of LSC's reporting requirements, whether they're relied
upon by other funders to some extent as a guarantor,
since LSC may be one of the earlier grantees, and they
may have come in later and there's been an expectation
that that sort of structure is in place from LSC.

MR. HUQ: I think Steve wants to comment. You
want to comment?

MR. PELLETIER: When I started at Northwest
Justice Project in 1999, we were about 90 percent
LSC-funded. Our systems, our accounting manual
internally, and most of our processes and procedures
have evolved, really, around LSC. And, frankly, the
clients we serve are still 95 percent LSC-fundable
clients. The other 5 percent would be over-income
seniors for some of our seniors grants.

So we have build our organization around LSC
and LSC's guidance, if you will. And I think that has
been because of robust accounting processes, and good
audits along the way, and a host of other things that's
helped us with our other grantees, if you will. So I
don't know if that answers the question.

CHAIRMAN KECKLER: I think it does. I think it represents the flip sides about expectations, and at the same time, that on the other hand, there's -- well, I won't say anything right now. Remembering what I said before, I'm not going to create a hypothesis right now.

Okay. So let's go ahead and turn to everybody on the phone. Do we have a list of everybody there?

MS. DAVIS: Sure. Why don't we start with you, George Elliott, in Texas.

MR. ELLIOTT: All right. Thank you. Good afternoon, everyone. My name is George Elliott. I'm the director of administration for Legal Aid of NorthWest Texas. We're situated in the north and west part of the state, and we're one of the three legal services-funded organizations for Texas.

Our budget runs about $18 million, and that's about 45 percent LSC. We have nine other major grantors. Those are people who are giving us at least $100,000. And the state is probably 50 percent of our total budget now.
The biggest issue that we see is with respect to the way our approval, prior approvals, are set forth. Well, our program started out as basically LSC-funded as well, and so our purchasing really has that in mind. But we tend not to share costs on items. Either an item is purchased entirely with LSC funds or entirely with a particular grant's funds, and billed solely to that particular funding source.

The big thing that we notice is that a number of our grantees want us to provide services rather than overhead. And so especially with the smaller grants, there is really no -- maybe a little bit of travel or a little bit of training built into the budget, but no real overhead beyond simple office supplies.

The other state funders generally will approach us when we need overhead supplies or larger purchases. But for instance, we just had a VOCA partnership that allowed us to buy a whole new set of computers for our new VOCA project. But that's actually kind of the exception.

Like some of the others have said, our prior approval for state tends to be in our budget. We
submit a budget to them, and then when they come and monitor our program, they look deeper into some of those purchases. And if they have questions, they'll ask.

But generally speaking, if the budget is approved -- and then we make quarterly reports on that budget as to how our expenditures are going and where those funds are being expended. And again, as those quarterly reports are reviewed, if questions come in, they'll either come to me or to our chief financial officer.

Knowing what the LSC regulations are, whenever we're looking at a major purpose, regardless of the source of the funding, we generally take a view of, well, let's make sure that we're compliant with the PAMM and with 1630.

We get three bids, or we designate a single source. We look to make sure that we've got all of our documentation put together in a way that makes it easy for any funder to come and say, okay. Let's take a look at your computer, your last computer purchase. And so we've got all that information together for that
particular funder.

Our last request for prior approval was for a phone system. And I will say that that process went fairly well. But it was turned around probably within I want to say 60 days. But we had notified LSC ahead of time that that purchase was coming. It was just a matter of getting the details to them and making the final purchase.

The problem that we have and that I seem to see whenever we're looking at this is the purchase when we decide that the need is there, there's such a large lead-in time to make sure that we've crossed all our T's and dotted all our I's so that we don't run afoul of an aggregating issue or an individual item that may have a list price that's more than $10,000, but our actual cost is something less than that.

And so since I've taken over the administration position in 2013, I'm actually doing a PAMM memo for every purchase that might be affected, whether we're using LSC funds or not.

CHAIRMAN KECKLER: Thanks. So we heard that Northwest Justice Project sometimes purchases things
with both the state money and LSC money in rough proportion to the funding stream. Why do you do things in this other way?

MR. ELLIOTT: I think the decision has been made -- and from a very, very long time ago; I want to say even prior to our merger in 2003 -- it was just easier to dedicate resources to particular grants.

The big state grant, which is $5.5 million, which is similar to the LSC grant -- and in Texas, they've tried to make those as least onerous as possible so we're not having to write two separate reports or two separate funding requests or two separate -- we can use as much as we can of data from one grant or the other.

They set forth very general rules. But all the other grants are very specific in what they want accomplished and what they want done. And so it's just easier for us, if a project needs a particular thing, to bill it to that project if that project allows the overhead.

Otherwise, to just try and -- I guess it just makes it easier if everything is attributed to a
particular source. I don't know that it's necessarily better or worse. I think that's just kind of a philosophy that our accounting department has had.

CHAIRMAN KECKLER: Okay. Thanks.

Who's next?

MS. DAVIS: Sure. Could we have AnnaMarie Johnson, please?

MS. JOHNSON: Sure. I'm AnnaMarie Johnson. I'm the executive director of Nevada Legal Services, and I've been here for 12 years. I've been in legal services for 30. Prior to Nevada, I was at DNA Peoples Legal Services and then at Mid-Minnesota Legal Services before that.

Here at Nevada Legal Services, our current budget is $5.2 million. LSC makes up about 57 or 58 percent of our entire budget. I have a total of 21 funding sources. Five of those funding sources are contracts for services. It's a fee for service.

And with those five contracts, what we've done is negotiated an hourly rate for the work that we do for a client. And that hourly rate is to include enough money to cover the costs for travel, per diem,
the purchase of any electronic equipment we might have. So there's no actual prior approval involved with those contracts at all. It's just assumed that the hourly rate that we're receiving for the fee for service is enough to cover our entire cost for that contract.

With our other grants that we receive outside of LSC, there's no grant that requires prior approval. I have a number of grants that I have where we do budget negotiations. We include in the budget for the grants what purchases we may need during that grant year.

And when it comes time for budget negotiation, if there's a need because the amount of money that's available to be given for the grant is less than what we've budgeted, we'll negotiate either taking something out and trying to cover it with LSC funds or other funding that we have.

I have no other funding that would allow me to purchase real property. The only grant that allows me to purchase real property is the LSC grant. And we're actually in the process right now of trying to purchase
a new building for our Las Vegas office, and it's been
difficult with the current regulations in that LSC
can't move fast enough for the turnaround in real
property in Las Vegas. I've lost three buildings
simply because we can't guarantee that within 48 hours,
I'm going to have approval from the federal government
for this particular purchase.

CHAIRMAN KECKLER: So tell us a little bit
more, if you don't mind, about what you would envision
as the kind of regulation that you would think would be
more helpful and appropriate for you in your program
with regard to real property.

MS. JOHNSON: What I would envision is a
process where we can enter into the agreement to
purchase the property and inform LSC of this and of our
reasoning for it, and not have prior approval, but have
an approval that doesn't necessarily mean that you're
going to turn us down, as long as we've justified that
the approval should be there. It's very difficult to
get it prior to the purchase of the property.

CHAIRMAN KECKLER: Right. So in other types
of purchases, if you had budgeted at the beginning of
the year for a purchase and negotiated that budget, is that something that's more workable?

MS. JOHNSON: Yes, it is.

CHAIRMAN KECKLER: Thanks.

MS. DAVIS: All right. Could we get an introduction from Michael Maher, please?

MR. MAHER: Yes. This is Mike Maher. Thank you for inviting me. I've been with legal services for the last 31 years in Milwaukee. Legal Action serves the southern half of Wisconsin.

When I started, we just had the LSC grant and the Older Americans Act grant. And I've watched the whole legal services funding expand over the years. Legal Action currently has over 50 grants. We have $8.8 million in revenues.

LSC is approximately 47 percent of our funding. We have IOLTA funding of about 6 percent. There is no state funding in the state of Wisconsin. All the rest of our funding are really special project grants, mostly federal and a couple state. We get funds from the Department of Labor, Department of Justice, HUD, VA, DHSS, IRS, Department of Ag. But
they're very specific projects.

And usually there's no prior approval of equipment. But usually we're just budgeting, if possible, like a laptop or phone for the new staff that are coming on.

The real framework of our computer system and phones are supported by the LSC. They provide the framework that we're able to accept these special projects and deliver services. I'd say almost all of our clients are LSC-eligible except for the Older Americans Act and a couple other small number of clients, but a real majority of our clients are all LSC-eligible.

So in reviewing the materials, a couple areas that I have some concerns about is the aggregation kind of idea because the current system of LSC approval seems to be working. We went in for a videoconferencing approval. We've gone in for two phone systems in the last couple years.

I think we've had three TIG grants. And the existing process actually works pretty good. It moves along fairly quickly. The LSC staff is very helpful.
So I think the system now is working. The aggregation issue could become problematic, and I don't think it really gains LSC any advantage, because we'll routinely buy like 20 workstations, computer workstations, in a year. And they'll be over $10,000.

And we go on these internet, we get pricing, and we buy from the lowest bidder. And that's what I've seen in the last few years is with the internet pricing, it's very easy to get competitive pricing on workstations, printers, copiers, all kinds of stuff.

So I'm not sure -- we mainly focus just to make sure the costs are reasonable and necessary. And then we've got some pricing in our file to justify, with a competitive price.

The other area I'm very concerned about is there was some mention of contractual services and prior approval. That would be very problematic for us because particularly the use of computer consultants and programming.

We have website consultants. We have a consultant that works on our main networks. We have a
consultant that does all our database work. We have a consulting firm that programs our phone switches. And these are relationships that have developed over many years. We've changed vendors because we weren't satisfied with their programmers. And you're really not looking at price, necessarily. You're looking at qualifications. And we make sure their rates are within a reasonable range, and they generally all fall, like for a programmer, 119- to $130.

But we have this relationship, and it's not like you're buying a phone system. You don't know what you're going to be buying next week when your server goes down, or one of your outcomes, you need to program new outcomes. You have work orders. You have a relationship and you have work orders.

And so the LSC, as it currently is structured, allows for this flexibility to maintain your technology system, and to quickly react to changes, and to be ready to enhance the services.

If there was some structured, contractual services approval, it could be very problematic,
particularly if you have a sole source and then you've
got to go through a lot of explanation of your sole
source. That takes time.

And we actually just encountered with the
Department of Justice -- the VOCA just did a national
redo of their outcomes reporting report, which required
us to redo a data screen. We approached our lead
agency and said, you of course will fund this
reprogramming of this data screen.

Our consultant charges $119 for high-level
programming. And they go, oh, DOJ only allows $81, and
it's a sole source, so you're going to have to go
through this whole thing. And they're still saying, we
need the report in like two weeks.

So if LSC gets into contractual service
approvals and stuff, for us it could be disastrous. It
could really hurt our ability to react quickly to
changing technology, or our servers go down and we've
got to bring people in over the weekend. So that's the
two main areas I had concerns.

CHAIRMAN KECKLER: Thanks, Michael. So it
sounds as if you've had some difficulties with the
Department of Justice on this particular issue. Do you find, since you have several federal grants and federal relationships, do you find a consistency or a pattern among the federal grantors? Or do their requirements tend to vary among themselves for the different grants?

MR. MAHER: At this point, they tend to vary a little. But as I think the uniform guidance gets implemented, I would imagine they may become more uniform eventually. But usually we aren't going in for those types of requests. It was just so specific to this funder that we thought, well, this is a no-brainer. They're asking for it. And it wasn't flexible enough.

We do not have another -- like we don't have a large state pool of money that we can turn to and say, well, we're going to buy this server from this state fund. We've got to rely on LSC to really build the framework for legal services delivery.

CHAIRMAN KECKLER: Okay. Thanks.

MS. DAVIS: All right. Pat McClintock, could we hear from you, please?

MR. MCCLINTOCK: Sure. My name is Pat
McClintock. I'm with Iowa Legal Aid. We are a statewide program. We have ten regional offices across the state of Iowa. I've been with the program since 1974. I've been in my current position since 1982.

Obviously, during that period of time, I've seen a lot of changes, particularly in the area of technology, and certainly in the amount of money that our program has had to devote to certain forms of technology where the prices have actually come down quite dramatically over the last several years.

And to put things in perspective from our organization's point of view, I went back and looked at the last six years, and we spent $375,000 on capital purchases during that period. And during that same period, our budget was about $48 million during that six-year period.

So we're spending less than 1 percent of our budget on capital items. Fortunately, or maybe unfortunately, we don't have any real property, so that's not a factor that we look at. But in terms of personal property, the costs and the expenses that we're incurring are very modest in comparison with our
program's total operating costs. So I think that's an important consideration to take into account when you're looking at developing a regulatory scheme for the acquisition of personal property. And I think that any regulatory requirement should be proportionate to the resources that programs are spending on those needs.

Within that context, we tend to take an entrepreneurial approach to capital purchases. Typically what we'll do is we'll identify what our program's needs are, and we'll go through the process of identifying potential vendors.

We'll meet with vendors, get quotes, and then we'll go out and develop a strategy for raising funds to achieve that objective. So typically, we are relying almost exclusively on non-LSC funds for a lot of our purchases.

There have been two instances, however, in the last four years where we've used LSC funds in combination with other funds. But in each of those instances, the amount of LSC funds used was about proportionate to our ratio of LSC to non-LSC funds,
which is our LSC funds are about 30 to 35 percent of
our total overall funding, and then the rest of our
funding makes up the other two-thirds of our funding
base.

Most of our funds sources, our largest ones --
while we do receive federal grants from VAWA and the
LITC and a few other federal sources, the largest
portion of our non-LSC funding is from private funding.

In fact, our third largest pool of funding is
the aggregated total of United Way funding that we
receive from the various communities in the state of
Iowa. And then our foundation and philanthropic
funding is actually about $800,000, or about 10 percent
of our total funding.

So we're fortunately in a position where we
can rely on a number of different sources that have
been willing many times in the past to finance capital
purchases when we're able to document that need.

I guess I would echo Mike's concerns regarding
the contract issue. I do think that's a different
species of expense. And we are now looking more and
more at cloud-based resources. We use eTapestry as our
fundraising infrastructure. We're looking at a migration to Windows 365.

And while we'll go through a bidding and RFP process in making a decision regarding those acquisitions or those contracts, I think we have to be careful not to create regulations that make that process more complicated. And I'm not exactly sure how best to do that, but I just raise that as a concern.

CHAIRMAN KECKLER: Okay. Thanks.

MS. DAVIS: All right. If we could hear, last but not least, from our final remote panelist, Jon Asher.

MR. ASHER: Hi. Thank you. Let me just start. I'm Jon Asher. I'm the executive director of Colorado Legal Services, which is a statewide program, has been since 1999. We have 14 offices. By way of background, I've been in legal services now for 45 years in Colorado. Have been the director of an LSC-funded program since late 1980.

One of the complexities we face is a state culture of local control. We have 64 counties in Colorado, 22 separate judicial discounts, each one of
which controls some funding. We have 27 local bar associations. We have at least 14 specialty bars, ranging from women and Hispanic to federal bar and trial lawyers.

We have 16 separate area agencies on aging, which allocate funding, both state and federal, to serve the elderly. And we have 14 separate United Ways in the state. As of this morning, we have 62 separate funding sources; revenue this year will be between 10- and $11 million.

Our LSC funding varies from year to year, about 38 to 42 percent. It's going down because of the census adjustment. Despite the increase in LSC funding, our LSC grant went down.

Our second largest funding source is state money to serve victims of domestic violence, which is now about $2 million, or about 20 percent of our funding. That's by statutory formula, and it requires us to represent low-income victims of domestic violence, but with virtually no other restrictions or requirements other than on checking eligibility. Now, of course, it's tied up with this super-restriction.
I want to thank LSC both for the opportunity to share some thoughts with you, also for the opportunity to reread a number of our grants and contracts. There are really some interesting things in there that you don't always remember or notice.

Many of our grants and/or contracts are to serve either specific geographic areas of the state or a specific population, such as the elderly or victims of domestic violence.

Let me just -- in terms of the comments, I agree with most things that have already been said. A number of federal grants have limits on purchases. We own no real property. The Department of Justice and, in the past, HUD have particularly strict and somewhat rigid requirements. They change now and again.

They seem to be more concerned with our not supporting efforts to legalize prostitution or to subgrant to ACORN than anything else, but they do have a number of restrictions on procurement as well.

We have a couple of local foundations that address intellectual property issues. Most of the federal and state grants don't seem to.
Let me just say that we have made a number of capital acquisitions with targeted non-LSC money. We're in the process of implementing a new case management system.

Most of the money came from two $30,000 grants, one from the Denver Bar Foundation and one from a major law firm in Denver that was celebrating its 100th anniversary last year. And they both made up $60,000 out of $66,000 acquisition. And the law firm also provided pro bono assistance in reviewing and negotiating the contract for the purchase of the case management system.

A number of years ago, when IOLTA revenue was higher, we got a significant one-time grant to purchase a new phone system. As I said, we don't own real property. We on occasion will lease a new copier that, over the period of the lease, exceeds $10,000.

We are careful. The time taken to do that has always been in my experience, on the front end. When we try to get bids, some vendors are much more responsive than others. Frequently it's harder than you might think to compare apples to apples so that we
In my experience, LSC has been timely in its approval once we're ready to go, and if there is a delay, it's almost always my fault for having left something out. And I get a nice call from Lora or Megan saying, is it this? Is it that? And we confirm the revision.

But if you're coming to the end of a long-term lease and have time to project it, that's one thing. If you have an emergency, if a piece of equipment breaks, not only may you need a very quick consulting service, but there are times when a protracted process of soliciting bids and getting prior approval really is inefficient and unfortunate.

We have a number of small towns in which we virtually can't get multiple bids. If there's one office supply store in a small town, it's sometimes hard to do that. We sometimes have to make lease arrangements elsewhere. Frequently the service provider is even somewhere else.

And so I would hope that you wouldn't aggregate the actual lease or purchase price with
service. Sometimes they're closely connected; sometimes they're not at all. But to try to parse that out, I'd think, would be unnecessary.

I must admit the last time I sought approval to get a new $10,000 copier for the office here in Denver, it occurred to me that LSC really doesn't care what sort of bozo I might hire forever. But to spend $2,000 a year on a copier, we have to be very careful.

And I think we have to put in relative perspective, as I think it was Pat who said, the very small percentage of time and expense that we put in to capital acquisitions. And the more administrative hurdles there are, it is not really as efficient or as effective as we might want to be.

There's several other things, on intellectual property and disposal of property and contracting for service, which is very different from a copier or a printer or the like. And I agree with the comments that those are very idiosyncratic, very internal, very relational decisions for which great deference and no prior approval ought to be required of grantees or local programs.
CHAIRMAN KECKLER: Thank you, Jon. And thanks to everybody for setting the table for the discussion going forward.

So a couple of themes that are in our documents, but they're also in your comments, are, one, the issue of services. And this particularly relates to the issue of exigencies and things that you need to keep going, services in general being something that overlaps with immediate needs; and the aggregation issue.

So let's begin by talking a little bit about aggregation, and how people see the issues, and what suggestions or thoughts they have about that. Breaking out of my usual not saying anything, I do understand that there is such a thing as purchasing in bulk, and that that has a value. And at the same time, if you don't purchase in bulk, you would fall under a threshold as it currently exists.

And so there are those pressures, and we're here to talk about how we can be helpful but still responsible for our oversight. So I'm just opening the floor to people's thoughts on the aggregation and how
we should best go forward with that.

Mr. Pelletier: I, initially reading this, was concerned, greatly concerned, by the notion of aggregating, particularly when you're not seeing that it's distinguished between expendable and non-expendable property.

Property in the Uniform Rules and in LSC is capitalizable at $5,000 and above. And frankly, in our organization now, copies and things of that nature are over $5,000 and over 10-, often, but PCs are in the 5- or $600 range now.

So an aggregate purchase for us in NJP, we have 200 staff. We replace probably 50 PCs a year on a cycle of some sort. We don't replace them till they break, but we tend to buy 50 or so a year. And we do buy them in batches of fifteen to twenty, so they can go over $10,000, potentially. So that would then throw those into an approval situation for us.

Also, the question would be, what is the definition of aggregate? Is it what you've ordered? Is it what's been shipped and billed for? Is it from one vendor or is it from multiple vendors that you've
ordered at the same time?

I'm very confused about what that would mean in that sense. So the scope of it is hard for me to grasp in terms of what that would mean to us.

CHAIRMAN KECKLER: Yes. Not prejudging anything else about what we're going to do, but what thoughts do you have from an accounting perspective about what the right definition of "aggregate" would be from an accounting or management perspective? How would you think of an aggregate purchase?

MR. PELLETIER: Well, for capitalizable items, if we were to say something to the effect that, okay, we're going to have a threshold where you're buying capitalizable pieces of equipment at the same time over a certain threshold, and you might have to have approval for that, that seems to make sense to me. Also in the past there's been an issue of whether an individual item was -- in the case of a copier, for instance -- an individual item was the base copier, and the collator and the additional drawer and the stapler are all separate, or whether those are all part of the acquisition cost of that copier. That's
one issue. That's a smaller issue, but it is an issue.

But rather than aggregating whatever you bought from that vendor or ordering from that vendor over a period of time -- and I don't know whether aggregating it one -- it's a question of what are we aggregating, and it is capitalizable goods or is it everybody else, supplies and things like that?

MR. ELLIOTT: This is George Elliott. I just wanted to add that we struggle with this aggregate issue as well. How closely do the things have to be related to each other? Is it that our aim is that everybody have a copier, a desktop printer, and a scanner? Would that make that an aggregate purchase?

Or is that a group or scanners and a group of printers and a group of desktop or laptop computers, and especially where we're not necessarily ordering all of those items from the same vendor, and not necessarily even in the same calendar year. Some may be ordered in November or December, and then the next part of that in January or February of the next year. 

CHAIRMAN KECKLER: So one issue, from my own nontechnical perspective on the accounting, is what the
relationship would be between a line item for a purchase, a line item in a budget, and an aggregate. That is, a line item could say the cost of twenty PCs, copier, or whatever.

Obviously, they're different. But how related are, in your experiences, line items for purchases and a sense of the aggregate?

MR. MAHER: This is Michael Maher. I guess one thing that I'm trying to understand is what is the goal of the LSC in looking at aggregate, especially smaller items. Like what would fall, laptops or workstations?

The pricing on that's pretty narrow, pretty consistent. What does LSC hope to gain by creating this aggregate when there should be pretty good records in the recipient's accounting records of competitive -- like three bids got on workstations?

I think it creates more confusion, more work. And what do we gain by doing it?

MS. DAVIS: Sure. This is Stefanie. As we were looking through the PAMM and thinking about areas for revision, one of the things -- part of the reason
we're having this discussion about the difference between a purchase of a single item and a purchase of aggregate items is that we treat them differently in the PAMM. One requires prior approval and one does not.

So the question, I think, was more about, is LSC thinking about purchases in the correct way? And if we are thinking about making changes to what our purchasing requirements look like, should it be to have the same standard for purchases of aggregate items and purchases of one single large item, or should they continue to be different?

So the goal is always for us to be saying, are we being as accountable and responsible for the uses of our funds as we should be, but also asking, is there a reason that these two types of policies are treated differently, and should they be treated the same?

MR. MAHER: Okay.

MR. PELLETIER: An earlier comment was made that what we currently have works pretty well in terms of I think we all pretty much understand what's required of the single item $10,000 preapproval
threshold.

And so I do think that the question goes back to what is gained by prior approval and how much prior approval does the corporation want to get involved in in the daily operations of our organization rather than the maybe unusual or less frequent and larger purchases that might make sense for the organization to want to know about an advance.

CHAIRMAN KECKLER: Yes. I guess what I hear them saying is something that -- to take a concrete example, based on what people have been saying, there's a prior approval for a $10,000 copier. On the one hand, rhetorically, why should LSC be concerned about the $10,000 copier?

Well, there's the usual oversight concerns. And I guess I hear Stefanie saying that the issue or the question is, maybe even from the same vendor you could buy ten PCs from the same vendor, or a copier. And the question is -- it's really six of one, half a dozen of the other. Right? In some sense.

But it might not be treated the same way from a prior approval sense. That is, the fiscal oversight
concerns might be similar in terms of vendor relationships or having the competitive bidding or whatever have you, but simply by the nature of the items purchased rather than the level of expenditure, or the level of concern would differ.

MR. HUQ: This is Shamim. Just adding to what Steve had mentioned and everyone else had mentioned, the difference, I think, the way I look at it is the non-aggregated items, the small items, those are day-to-day operations that an organization incurs on an everyday basis.

And though they may put together on an accounting prospective look aggregated total of an amount that may cross the $10,000 threshold, but those were made individually on a daily basis as and when they were required.

Or some of them are just -- there were comments like, we buy copying paper, or things like that, small things. But they tend to add up. Or they're stationery and supplies that we buy from a certain vendor. Maybe when we pay the bills, that may add up to the aggregate total.
But those were bought individually as and when required, and there was no foresightness (sic) to seeing that they will aggregate up to that certain amount. But I just give you an idea of where our organization stood, and I did a little analysis of 2015, what would have happened to us if this wasn't enforced.

So I looked at -- we would put in about five to seven hours of additional work to do the prior approval process. We had revenue at $8.3 million in 2015, and within five offices with 90 employees.

If we would have had to do the prior approval of aggregate purchases for supplies and services in 2015, I found that we would have 21 incidences where we would have had to seek prior approval. And that would have put in about 105 hours, or three work weeks, into the process to getting those approvals.

So just by saying that, I think that just puts an extra barrier, extra work, on day-to-day operations. It's going to slow things down. It's going to make things where we won't be able to -- hey, hold the thing. We can't do it because we got to follow the
rule first before we can get to providing the services. So all that is just -- I think from our side is just an extra process that will create barriers and be slowing down the process of what we are out there for, to create services to our clients that need the services right now as they walk in the door or as we receive them. So that's basically what I think what I would like to add to it, too.

CHAIRMAN KECKLER: Well, thanks for that calculation, Shamim. And just to follow up on that, what sorts of things, as interpreting the idea, would you have to seek prior approval of? What sort of items, aggregate items, were you using?

MR. HUQ: Well, I broke them down into several categories of things, like -- I have a work sheet that I put together for this purpose. So I put them in separate groupings of things for billing purposes. Like building repairs and all those stuff, all those smaller things if we did that.

In the month of February, we spent $11,000. So if we would look at a monthly aggregate, that was -- $11,000, that would have been one incident where we'd
have had to seek prior approval. Equipments, rental equipments, equipments lesser than $5,000, and we have -- I've got two months where in month of June and in December, we spent over $10,000 where I would have had to seek prior approval.

So on and so forth -- supplies. I've read four, five, six incidents where -- in the categories of supplies, office supplies, photocopying supplies, printing, postage, shipping, all those. I've got five different months where I would have had to seek prior approval. And the list goes on with other things.

So they're small items. If you look at them together, they add up.

CHAIRMAN KECKLER: Okay. That's interesting.

Robin?

MS. MURPHY: Yes. I just wanted to add, from the perspective of an attorney working in the office, as the board is well aware and LSC is well aware, the funding for the programs is less than ideal. I mean, you're really at a crisis point.

So the management is at a very delicate balance of trying to purchase a quality item while
doing it as cheaply as possible and then having to anticipate what is going to break down. And that's a very difficult thing.

And these are lawyers. These are professionals. They need to be able to go to court and copy pleadings and have working computers and deal with their clients professionally.

And that's really difficult if they're seeking prior approval because -- and I've been in offices where we've run out of paper. And it's embarrassing. It's not professional. And people need these tools, and they are really basic, daily tools of the trade that people need, and software, and computers, to even keep up with their adversaries, for instance, in family court.

CHAIRMAN KECKLER: So do you think anything further -- oh, I'm sorry. Are there further thoughts on --

MR. ASHER: This is Jon.

CHAIRMAN KECKLER: Okay. Go ahead.

MR. ASHER: Well, let me give you -- I think symptoms the opposition to the administrative time of
prior approval can blend into a desire not to be financially responsible or accountable. And I don't think that's really what any of my colleagues or I are talking about.

You of course can look at whether an expenditure was reasonable and whether it was necessary for the delivery of service. But a scenario that I see, for example, is I meet with the head of our technology unit on the 1st of December. And we are in the process -- we try to replace desktops every four years, to cycle them through on about a four-year basis.

So she says, well, the most critical needs are for about ten new computers, and they're on eBay or Amazon -- however we're going to get them, at that point they're a little less than $500 for the ten. So that's $5,000 right there.

And then we're implementing a statewide intake system, and people have said that headsets really make their life doing a day of telephonic intake much easier. The good ones cost $175. So she says, we want to buy ten of those. So we're at about $7,000 of
individual items, and that's fine.

And she comes back the middle of February and says -- this is now two and a half months later -- well, we've had three of our oldest computers break, but we really don't have any in the ready. We need a couple of extra ones.

So we really ought to buy another seven to ten computers. We'll get them to different offices around the state. So we spent about another 5-, $6,000. And headsets, by the way, are a communicable disease. They're contagious. If somebody sees one, everybody in that office then wants one. So we buy a couple more headsets to be efficient.

And then six months later, we have an oversight visit from the Office of Inspector General. And they say, well, you just cooked the books. You should have bought all -- you should have guessed that those three computers were going to break in February. You should have made one single purchase in December. And you should have sought prior approval.

Now, they could say, is the price of those headsets and computers reasonable? Did you really need
them? Are you on top of internal controls to project that? That's a very different judgment than whether we ought to guess about aggregated future needs and ask for prior approval on things that, individually, don't come to set point where we know we're going to need prior approval.

And it just opens up the door for second-guessing both before and after that process. So it's not a desire not to be accountable. We just, I don't think, need to -- prior approval gives you very little control, really, over what we need or what we're going to expend.

MR. ELLIOTT: This is George. Can I add to that, too? If you have every LSC program making, instead of one or two prior approval requests every year, they're not making ten or twenty because they're afraid that they're going to aggregate over the course of the year to meet that threshold. The 110 hours, it gets multiplied by every program.

CHAIRMAN KECKLER: Yes. I guess one of the things is -- and this is all very helpful information. One of the things that was just raised, though, is this
just common for any kind of oversight situation, you
can do it before or you can do it afterwards. Right?

You can either get -- if it's somehow able to
work it out all head of time, then you have a safe
harbor situation. But oftentimes, you want to just go
ahead and have it be available for review after the
fact. Those are two approaches, and there are
disadvantages and advantages to both, I think from both
perspectives.

In light of that, and we can put a pin in that
and think about that and what the best balance is
between those, but let's go ahead and turn to the topic
of services because it's relevant to that as well.

And that's already come up a number of times
in terms of the need for -- it's something that's a lot
more difficult, from what I'm hearing, to anticipate
than perhaps purchases of capital goods.

So what are people's thoughts about the prior
approval of -- I have the document in front of me --
prior approval for procurement of services? Here's
what it says. In particular, what I'm curious about:

"Under the current versions of Part 1630 and
the PAMM, when recipients purchase personal property and services in the same transaction -- purchase a new copier and associated maintenance -- they must separate out the cost of the services from the cost of the personal property and seek prior approval on if the cost associated with the purchase of the personal property exceeds $10,000."

So, number one, that separation. Number two, the general prospect of prior approval for services.

MR. PELLETIER: One of the things that immediately came to mind when I saw services in there was, we are in the process right now of our open enrollment for benefits. So on an annualized basis, we're going out. Oftentimes we're getting bids.

It's a very time-sensitive process. It is a high-cost process. I mean, benefits are an expensive proposition. But the thought of trying to get a preapproval process in the mix with that, it causes me a little bit of a nightmare in the process as well because it's very typically -- those are scrunched processes.

The providers don't want to provide
information too soon before the open enrollment, and
you're oftentimes making decisions about how many other
providers to get involved as you're moving through
negotiating with staff and others.

So anyway, the thought there is, again, having
to get another party involved, and then having to have
an approval before you go out and get things moving to
get the open enrollment process going. That's just one
example of many, many areas of where services in our
organizations are there that we might not even think
about yet.

MR. OGILVIE: On services, I think the
definition of the services is probably the most
problematic thing in regards to -- what one may
consider a service, someone else may consider just a
necessity and a requirement.

I think if you're talking health benefits and
some of those things, I wouldn't necessarily see that
as a service, but somebody else may. And so I think if
we go down the road of defining or of requiring an
approval for services, we need to be very clear as to
what type of services are required.
MS. JOHNSON: This is AnnaMarie, and I agree that the definition of services is going to be very important. If we're going to include health services or health benefits under services, it makes it very difficult for -- it would make it very difficult for our program.

We serve the entire state, and we have six offices across the state. And I have areas of the state where there's only one health provider available for the staff. There's no way of getting a competitive bid from anyone else because there just isn't anyone else.

We have another area of the state where our staff is included under the county employees' program, and they're not going to give us a bid. We are just treated as, you're very lucky we're including your employees so that you can get health care in this area, and that's it.

And there are other services that -- Jon spoke about this earlier -- where we're in very tiny towns, and you don't have competition. You have one person that can come in and provide tech support for our
staff. We're not going to be able to get bids from other places. We deal with just what they provide and whatever costs they choose to charge us for those costs.

When you're out on the reservation, besides the lack of services in some areas, you're also dealing with Indian preference. And where all other things are equal, you go with the Native American project, whether or not their bid may be the lowest or the most competitive.

So there are these issues that also need to be thought about.

MR. PELLETIER: Another question I would have on services -- would that also bring up the notion of aggregate services and how and what obstacles might be there for that?

Many, many of our arrangements are fee-for-service for things, so we're paying, maybe, by the hour for somebody to come in and provide tech support or whatever. And we wouldn't necessarily know in advance whether we would be breaking a threshold or would need to go over a threshold, in advance.
We would know along the way when we were getting close, but we wouldn't necessarily know beforehand, at the beginning of the year, for instance, or whenever we would need to get preapproval.

CHAIRMAN KECKLER: Yes. That's a good point, Steve. And I wanted -- people may jump in -- I wanted to know how many of the other people, other panelists, had a situation in their program that, during the year, a service provider was needed or a tech or for whatever, whereby -- to handle something.

And it was maybe not an unbudgeted or particularly a welcome event that you maybe wanted. But you needed to bring in a service provider, and might have had to spend substantial monies that might be close to that threshold. So how many people have experienced exigent circumstances? Yes?

MS. JOHNSON: This is AnnaMarie. We did. This was a few years ago. In Las Vegas, we had a 500-year rain event, and our office flooded. And we ended up having to -- well, one, do a lot of ripping out of linoleum and ripping out of drywall and having things like that replaced, as well as some electronic
equipment because the water got into our server room. And that was exigent circumstances. It was work that had to get done, and had to get done immediately. And if we had aggregated that over the course of a year, we would have been well above the $10,000 limit.

MR. ELLIOTT: This is George. Let me add, too, we pay, normally, a maintenance company to take care of things like changing the light and making sure the emergency exit signs are lit, and all that sort of stuff.

And the one year when the HVAC system goes out, suddenly that contract, which is never anywhere near the threshold, is now looming over it.

MR. MAHER: Yes. This is Mike Maher. A couple things I would struggle with would be -- and we have -- we're going more to web-based applications. And is that a server you're buying, or is that -- what are you buying there? And I think that would have to be clear. We have trouble categorizing these new types of costs.

Also, maintenance, the old concept of
maintaining your copier, well, with the new technology like with phones, when does it move from you're just maintaining to programming? What bucket do you put those -- are those in separate buckets? Is something contractual services?

And then the other thing would be just what are you applying for? We know we're going to have some programming costs in the year. But I may know it's going to be over $10,000, but I don't know if it's going to be 15 or 20.

Is my network going to go down in June and I'm going to have programmers in all weekend? What would I anticipate and what would I request from the LSC? I guess that would be something I would have an issue with.

CHAIRMAN KECKLER: As a general question, background question, do people have any thoughts that, over time, taking a historical perspective, that there has been a shift in expenditures more toward services as opposed to goods?

MS. DAVIS: An example of that with us has been we no longer have hard copy libraries in our
offices to any great extent. It's all services. We're paying Westlaw, in our instance, right now for a service. We're paying so much per advocate on a monthly basis. And those contracts renew on a periodic basis. But we are paying now for our library as a service.

CHAIRMAN KECKLER: Well, again, if people have further thoughts on that, please go ahead and add them in. But I do want to make sure that we healthcare time to talk about the intellectual property issue that is also part of our workshop today.

And so I'm not sure that the library is an exact segue into that, but that's another thing whereby there's been a shift in the way people do business, both in what we do and business generally in that intellectual property has become more important over time, obviously.

And it's something that's not particularly dealt with in the PAMM, is it? Stefanie, why don't you tell us a little bit about that issue.

MS. DAVIS: Sure. So the PAMM actually deals with this very minimally. It deals with it -- I'm
looking for it now; this is how minimally it deals with it. I'm barely able to locate the paragraph.

(Laughter.)

MS. DAVIS: But it essentially says that LSC retains I believe it's a license or some limited -- oh, here it is. This is Section 5(g) of the PAMM. It's really right in the middle.

"Recipients may copyright any work that is subject to copyright and was developed or for which ownership was obtained under an LSC grant or contract, provided that LSC reserves a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use work copyrighted by recipients when the work is obtained or developed in whole or in part with LSC funds."

That's the only provision that speaks to ip developed with LSC's funds in the PAMM or anywhere in LSC's rules. We're aware that the federal government has somewhat different rules and are not very familiar with what requirements other funders might place on property, intellectual property, that grantees may develop used with the funds.
So our question here really was, is this provision the correct one, or does LSC need to think about modifying it? Do we need to look at changing this provision at all?

CHAIRMAN KECKLER: So I'll go ahead and open up the floor. That provision, as you're saying, was written, I think -- it's not really even written -- it's written more with written works. It could be applicable, and less to do with software and the technology that is becoming more important throughout civil legal aid.

So I'm opening up the floor for thoughts on the IP issue.

MR. MCCLINTOCK: This is Pat in Iowa. I think the TIG grants already include a grant condition that's relevant to that issue. And I think, from our perspective, anything that we would develop along those lines would probably be funded with a TIG grant. So I'm not sure what we're accomplishing by adding something to the PAMM beyond what's already included.

MR. ELLIOTT: This is George in Texas. I tend to agree.
MS. JOHNSON: This is AnnaMarie. I also tend
to agree. I do have a number of other grants that
require prior approval of the actual material that's
created, but they don't retain any type of intellectual
property interest in what we create. They just get
prior approval of the creation. And I would like to
see LSC just leave things alone right now.

MR. ASHER: This is Jon. I don't think -- I
looked through our state and other federal grants, none
of which directly address IP. As I said earlier, we
have a couple of foundation grants that address it
pretty carefully, and I could share those with Stefanie
or whomever if you want.

But they no longer just refer to copyright,
but they refer to works, and that we're allowed to
develop and keep them as long as they fulfill our
charitable mission and they aren't designed to
generate, nor do they generate, unrelated
business-taxable income.

And their language about their license is just
a little broader. They retain a non-exclusive,
irrevocable, perpetual, worldwide, fully transferable,
royalty-free license to the works that we may develop.

So it's a touch broader, and that's true of another foundation. It is more limited to just copyright, but it does allow us to do it as long as they have royalty-free perpetual license to use such documents.

CHAIRMAN KECKLER: Thank you, Jon. And I think Stefanie would be interested in seeing those provisions. One of the thoughts there that's brought up is, some of the materials that in principle might be produced in conjunction with our grantees for civil legal aid might be potentially useful to somebody else and might have some intellectual property value from a market perspective.

Generally, probably not, but it's certainly conceivable that that might occur. How do people think that should be handled? By which hypothetical example, I mean software that's created of some kind that other organizations might be interested in and might have some commercial potential.

MR. ASHER: It might conflict with LSC; at least in TIG grants, Pro Bono Innovation Fund grants,
the strong emphasis is on ease of replicability. If we're going to have to pay for it, particularly if we need prior approval to buy it, we're not likely to make use of other innovations within the community.

MR. MAHER: This is Mike Maher. I guess I'd wonder how this would relate to the requirement that income generated from LSC-funded activities are returned to the LSC fund. So that would be something to maybe consider, too. If it was funded by LSC, the revenue should return to LSC.

MR. HUQ: May I add something? This is Shamim.

CHAIRMAN KECKLER: Please do.

MR. HUQ: The only couple of grants that I know of that promotes development of software for the legal aid arena, one is the TIG grant and the other is the Pro Bono Innovation Fund.

And besides that, otherwise, whether it's a state fund or any other funding source or LSC's basic field grant, it's primarily focused on providing legal services, and a very small portion, as I can speak for my own organization, is for other expenses to support
our attorneys in the process of providing legal services.

So I don't see an scope of us putting aside funds to even do that. If we require software or any expertise that will help our attorneys to provide legal services, it is either acquired from reputable software developers or out there that we have gone out and referenced other providers, other service providers, that have already acquired that software and perceive that they are proven in the market before we even go out and acquire it.

So I don't see where we would have even involve in developing software, per se, as far as intellectual property is concerned. Any written materials or anything of that sort, anything that I guess is presented in court, and I'm not an attorney so I don't want to step into the language of saying something like that, but I think anything that is of legal reference that could be used in future, goes into the law journals, or anything for that matter.

But other than that, I don't see anything that we would develop that would be particular of interest
that would have a commercial value as a software.

MR. ELLIOTT: This is George. I'd like to add, too, we're contemplating developing an app, a mobile app, for online intake. But I don't see how that would be useful to anybody other than us. Not that we wouldn't share, and be happy to share, but developing those works of software are really going to be target-specific.

MS. MURPHY: And this is Robin. This is more of a question because this is not my area. Yesterday there was an announcement about a partnership with LSC and Microsoft to develop an online intake system, a one-portal online state intake system. And the referred to that it would be an open source product. So I don't know -- my understanding of open source is there's really no right. It's not considered property. It's considered available to everyone.

So if things are going to be open source, but then there's a provision here that if LSC creates it they have some interest in it, is there a conflict? And how do we resolve things that would be open source versus things that then have other residual property
rights, and what would they be? More of a question, but --

CHAIRMAN KECKLER: I think that's a question for us, too, and I think that's a good way to phrase and talk about what we're thinking about, is to what extent should we require things to be open source that we do? To what extent should we retain interests in maintaining open source provisions or in things that are not open source?

And so there's a set of things that I think a lot of funders are now thinking about in this new electronic era. But you phrased it, I think, in a good way.

Okay. So another issue that came up in this -- it's the last of the main substantive issues on our agenda -- has to do with the disposal of property, both real and personal property, and to what extent we should change our rules regarding that since the PAMM already does cover both notice requirements and approval requirements on disposal and disposition.

And I noticed in the comments, with regard to the ANPRM, in particular there's an issue about how to
account for the value of disposed property, particularly if it has been capitalized over time. And so I'm wondering what other funders require you to do as you dispose of property, if they require you to do anything, and thoughts about our procedures on disposition.

MR. MAHER: This is Mike Maher. One of our Older Americans Act funders does require we notify them, and that occurs maybe every couple years, where they've bought a computer or workstation. And they're like, why are you asking? That's one of your requirements.

Otherwise, what really we're facing is a room full of old computer equipment that has no value. And I know the Uniform Guide -- I was looking over that last night -- I think it has a threshold of $5,000 of current, fair market value.

Most stuff is junked or fully depreciated. It's only been in the last five years I can remember we had, when we replaced our phone system, the phones were worth like $25. We were able to sell them to a vendor that paid for them. Otherwise, everything is just
hauled to the recyclers.

CHAIRMAN KECKLER: Is most of this, the real personal property that would be relevant to this, does it undergo depreciation? Is that the case?

MR. PELLETIER: Yes. We don't have any grants or contracts that have any disposal requirements other than our state grant has some that mirror LSC's, meaning if we no longer are a grantee, property purchased with their funds -- and they have some other guidelines in there.

If it's got an asset value of over $10,000 and blah blah blah, then we have to either transfer it to the new grantee or dispose of it and return the funds to them. So it's a similar kind of thing. But it is really based upon us no longer being a grantee. While we're a grantee, we can dispose of things as we deem appropriate.

CHAIRMAN KECKLER: What about real property in particular? Because I know that that's an issue that I've seen over time over to the board. It occasionally elevates that issue when people -- not just when they cease being a grantee; that's one thing.
But when they do change locations and decide, sometimes for unfortunate reasons, they need to close an office and dispose of real property, or for more positive reasons, when they open a new office.

But what about that? What's your sense of the way that LSC retains interests in real property of its grantees? And is there anybody else who generally puts in an interest?

MS. JOHNSON: This is AnnaMarie. I've got no other grant that puts in an interest on real property. And just, as I said earlier, trying to purchase some new property for our Las Vegas office, that the LSC retains an interest is a hindrance on our ability to sell the property -- not that I think you would ever deny the sale because I think it's good for our program.

But I did have one buyer that just looked at that and said no, that they just did not want to deal with it.

CHAIRMAN KECKLER: That's interesting, AnnaMarie. If you'd tell us, what would their concern be about our interest or that would --
MS. JOHNSON:  Well, this is Nevada, and their concern is that the federal government has no business sticking its nose in the private dealings between two individuals in Nevada. It may just be that one buyer, but it was a concern, and they just did not want to deal with it.

MR. ELLIOTT:  This is George. Our downtown Dallas area where our office is located is undergoing some redevelopment, for lack of a better word, and so there has been interest in that location in the past.

But one of the things that we were a little wary of on the parts of potential purchasers was because of the LSC interest and because of the requirement of prior approval.

Timing on some of those things is really -- as AnnaMarie was saying, when you want to move on a real estate issue, it tends to move very, very quickly. And while the market doesn't move, that's whatever the momentum is that's been built up. And so any little hiccup like that can turn away potential investors or potential buyers.

MS. JOHNSON:  And that's true. Downtown Las
Vegas is experiencing a tremendous development boom, and anything that's downtown is now considered quite valuable.

And whenever I'm out looking for property, there's more than one person that's available to take it, and you're in a bidding war type of situation. And anything that hinders the process means that you're not going to come out on top in the end.

CHAIRMAN KECKLER: I have a quick question for management, and you may not know this off the top of your head, Stefanie. So normally, not always but oftentimes in real estate, even ordinary real estate transactions, you're buying and disposing of a property.

And the only reason you can buy the property is because you're disposing of the other property to get the funds to do it. Do we have a joint approval PCs for buying and disposing, or do we have -- explain a little bit more about this.

MS. RATH: Hi. This is Lora Rath, the director of the Office of Compliance and Enforcement. Though we don't have an official process for selling
and buying at the same time, when the requests do come in, we will work with the program to make sure that both go through our process at the same time up through the Office of Legal Affairs and then through to President Sandman's office for him to sign off on both at the same time. So that can happen.

CHAIRMAN KECKLER: Okay. Thank you. Thanks, Lora. But I can see that there's some adaptation there that we've made, but there's clearly some -- that's a relevant concern, we will note.

MS. JOHNSON: Can I put in a plug for those programs that have to deal with property on reservations for their offices?

CHAIRMAN KECKLER: Please do, yes.

MS. JOHNSON: We went through this when I was at DNA, and we were hoping to open two new offices, one on the Navajo reservation and one on the Hopi reservation. And there, you don't have a choice. You go to the business commission and say, this piece of property or this building that I currently have is not working for us; we need new space. And the business commission will tell you
exactly what lot of land you're going to get and
whether or not you are approved for giving up your
other -- the current lot.

LSC's approval or nonapproval means nothing to
the tribe. You get what you're given, and that's it.
And when I went through this process at DNA, it took a
very long time to educate the folks at LSC about tribal
Indian law. And it was about a six- or seven-month
process.

My point basically is that the process that's
set out currently in the regulations and in the PAMM
just does not work on the reservation. It does not
take into account what the reality is under tribal law.

CHAIRMAN KECKLER: How would you need to
modify it so it would work better for you?

MS. JOHNSON: I think it's a simple
modification. All you would have to do is put in "or
as needed under tribal law," is a fairly simple
modification to the LSC regulation.

CHAIRMAN KECKLER: Okay.

MS. DAVIS: Sorry, this is Stefanie. Is that
true, or are similar adjustments needed in other parts
of 1630 or the PAMM to account for things like or to consider -- give some flexibility for considerations of things you mentioned, like Indian preference or even access to reservation lands for off-reservation providers?

MS. JOHNSON: Yes. I think so.

CHAIRMAN KECKLER: Okay. That brings up this other issue, which is -- I'm sure there might be complexities with regard to disposing of real property on tribal land as well.

MS. JOHNSON: Well, you don't really dispose of it. You're not -- you don't own. You never own the land. You're given a long-term lease. It can be anywhere from a ten-year to a 99-year lease, depending on the tribe and where you are in the country. So you never own it outright, and no one besides like DNA Peoples Legal Services could have an interest in it. With the lease that we had in our office in Window Rock and our office in Tuba City, even though the federal regulation says you retain and interest in it, you don't under federal law. You never had one.
And if we were to move from the property that we were currently at to another property, what we would get is a lease on the new property, and then the tribe would decide what to do with the lease on the old property.

CHAIRMAN KECKLER: So LSC has sort of a not really interest, or its interest is superseded by tribal requirements?

MS. JOHNSON: Yes. Yes, it is.

CHAIRMAN KECKLER: Okay. Well -- yes. Oh, please.

MR. OGILVIE: In regards to personal property, I hate to bring up the word again, aggregate, but as I read that, I also looked at it and thought, am I getting rid of aggregate equipment or am I getting rid of individual items? And so that was one thing in regards to the personal property.

In regards to real property, we do have one funder that is a significant funder who their current regulations would limit the amount of grant funds that they could recoup to the amount of grant funds that were actually used to purchase the building; versus the
way that it's written right now, it's written with a fair market value, I believe, percentage.

And so in the instance of -- if a grantor had purchased some property early on and it had appreciated in value significantly, and for any purpose they were defunded or a situation were to arise, if we were to use the fair market value of the proceeds and so forth, LSC could recoup a significant amount of funds regarding that purchase.

And the entity then would be in a situation of, how would they come up with the funds or how could they come up with the funds to, or how those funds should be used with LSC.

So I would think consideration should be given to limiting LSC's recoup to the amount of funds that were originally used to purchase that particular building.

In addition to that and in this particular grantor, in order to have purchased a piece of real property, you do have to do a five-year period in lookback and so forth. And in their particular situation, at the end of five years, none of the
proceeds would go back and be considered grant funds. And so in that scenario, five years is a short period of time. But that's the provisions. That's with another grant.

CHAIRMAN KECKLER: Okay. Think about that, and I'll think about that also. It's a good point about the aggregate issue because I think people purchase equipment, and to the extent they purchase equipment in bulk or they dispose of some of this older equipment in bulk.

What about vehicles, by the way? Is that relevant for disposition, or is there not a lot of vehicle purchase or lease on the programs?

MS. DAVIS: Lora's shaking her head "No" at me, but I would be interested. We had spoken with a funder earlier who mentioned that they didn't have general prior approval of disposal requirements for large items of personal property such as vehicles, but that there was one grant in which they did have the grantee come back to them when the period of the grant was over and they negotiated how the vehicle that was purchased in part with those grant funds would be
And so I think we'd be interested in knowing what, if any, requirements your other funders have, either formal requirements, like it's in your grant agreement, or informal requirements, where it was a situational disposal, whether you have any similar requirements or similar experiences.

MR. ASHER: This is Jon. We have a couple of grants that state that if we purchase personal property with grant funds, we have to inform the grantor if we stop using them. But there are only a couple of those.

The question to me is the definition of disposable or nondisposable property, and having a sufficient fair market value threshold that if a keyboard breaks, it's more expensive to get it fixed than replaced. Or other small items, even if aggregated over time, you don't want us to have to ask you all for approval to dispose of stuff.

If there's liability for any of us, I think it's that we don't dispose of property soon enough. If a computer only sparks once in a while, we think it's still perfectly good. Or if a desk has three legs, we
tell people not to lean on the corner that might fall over.

So I do think we don't want to flood either our administrative staff or LSC with unnecessary requests for instructions or approval to dispose of really non-capitalized purchases.

And maybe having a high enough threshold and defining it as capitalized versus non-capitalized -- maybe people on the financial side would have to tell me -- but that would make prior approval -- theoretically it could swamp prior approval for acquisitions, depending on where you set it and what you really want.

Other than real property, I have not heard of any issues in OCE or OIG, reports about inappropriate disposal of property. But I may be wrong about that.

CHAIRMAN KECKLER: Okay. Well, I'm turning to our -- what is it -- the last item on our agenda here, in which generally the issues of LSC's requirements and those of other funders comes back into play.

And I'm going to get back to the thought that I forestalled myself from saying before, which is the
idea that perhaps, to some extent, LSC, maybe more extensive requirements are relied upon by other funders, so that although there may be more of them on the one hand, if they didn't exist, then other funders might put some of them back into place.

Well, that's completely hypothetical. But that seems like it might occur in some situations.

Looking at the questions, is there anything that you're seeing in your experience -- this is the most interesting question to me, but you can cover whatever you want in this area -- but is there anything that you see in other funders that would constitute a best practice, or at least a better practice, in prior approval and oversight of expenditures? I'm rephrasing it.

But what we're doing here is we're trying to find out the best way to do things, or at least a better way to do it. And if you've seen positive ideas or positive interactions with these other funders, that's certainly something we'd be interested in knowing about.

MR. PELLETIER: We have site visits from a
variety of our contracting sources and our funders, compliance-related reviews, typically not anything near as extensive as LSC.

But the focus tends to be on, what are you accounting policies? What are your internal controls? Are they monitored? Are you doing what you're supposed to be doing in the purchasing arena as per what you say you're going to do? And then what are you relying on to build those policies?

LSC's accounting guide has the criteria, the fundamental criteria, in it, which is what we've built our manual around in a substantial way. So from that perspective, I think that LSC has contributed to us having a better guide and maybe stronger internal controls than we might otherwise have had. And that has served us with our other funders.

I don't think preapprovals and things like that have made much of a difference for the other funders.

MR. ELLIOTT: This is George.

MR. HUQ: I wanted --

MR. ELLIOTT: I'm sorry. No, go ahead.
MR. HUQ: Oh, thank you. I wanted to join Steve in saying the similar thing, that our accounting manual is also very much influenced by the LSC accounting guide. And so therefore, we've enjoyed great internal critical phrases from other funders. Just last year, for the first time that I have known about, one of our state funding sources, Division of Criminal Justice, they came in for an audit of some of their grants that they have funded us over the years.

And I was kind of surprised. They were small grants, and the spectrum of time that they said they would spend with us, I was kind of shocked. They were saying about almost a week with us, whereas those grants are very small. So I was wondering, what are they going to do for a week?

And so they went from -- page by page, by every single item. And we had great reviews from that audit, saying that how well we had maintained in compliance with the requirements of the grant. And so I think that all comes from our adherence to the LSC regulations and what we practice in our real life,
abiding by those regulations.

So I think that sets the foundation for getting good reviews from any funders, for that matter. So sometimes it feels so stiff and strict, the LSC regulations. But I think that keeps everybody in good shape, in a way. So I guess I would say thank you.

CHAIRMAN KECKLER: You're welcome. I'll take that.

(Laughter.)

MR. MAHER: This is Mike Maher. I would agree with those comments. I think that current cost standards and the property management standards are actually working, and I think they're achieving the oversight. And I feel it works internally to make sure the internal controls are there for the appropriate level.

And I think it really maintains the needed flexibility to really maintain services and not spend time that is not really accomplishing any additional oversight that really provides. So I think the existing standards are very good.

MR. ELLIOTT: This is George. I'd like to
echo that. That's probably true. And the fact that most LSC organizations, at least the ones I'm familiar with, tend to build their accounting procedures around LSC's procedures, when our state funders and our local funders come and they look at our accounting guide and they look at our principles and they look at our internal controls, they understand that we're already looking hard at our own internal expenditures.

And they get that supplies are part of doing the job. Getting a computer is part of doing the job. And if we have good internal policies and procedures in place, then they don't really want to second-guess us in those small expenditures.

And if we have a particularly large expenditure that we want funding from them, we usually go to them, almost like we're getting prior approval, whether it's actually required or not, simply because that's part of our policy anyway.

CHAIRMAN KECKLER: Okay. Good. Have we received any questions or anything like that from the?

MS. DAVIS: It doesn't sound like it.

CHAIRMAN KECKLER: All right. So are there
any further or final thoughts, or how should we proceed, Stefanie?

MS. DAVIS: So we do have time here at the end of the workshop for public comment. So I don't have any other additional thoughts other than to once again thank our panelists for providing me with 12 pages of notes plus whatever Peter has recorded on the transcript.

So thank you so much for being willing to share your experiences with us. And Charles, do you have any other thoughts or public comment?

CHAIRMAN KECKLER: I just wanted to echo those comments, Stefanie. And this is a great process in which I've learned a lot. And it's something where we don't -- there's lots of people in this building that do various kinds of oversight and go and visit the programs.

So we don't handle the finances and the accounting for a legal aid program. You do. And so you're the people that we're talking to in this regulation. And so we need to hear from you before we change what we're saying.
So thank you so much for coming and for being online and offering your experiences and your expertise.

MR. ELLIOTT: Thank you for the opportunity.

MS. DAVIS: Absolutely. We're happy to have you. We are also happy to hear from anyone who is not a panelist who has dialed in. This is the public comment period of the workshop.

So if you are calling in and providing comments, or if you are here in the room in Washington and would like to make comments, please state your name and identify who you're with before you begin speaking.

CHAIRMAN KECKLER: Robin, please go ahead for public comment.

MS. MURPHY: Sure. I just had some final comments, and doing the balancing act that we've been talking about in terms of services and some food for thought criteria.

I think we need to be thinking of, is this provision fixing a current problem? Because what we're hearing is that things are working well. And when I reviewed even the OIG's report, there may be other
issues, but these do not seem to be issues in terms of procurement. People aren't going out and buying very expensive equipment. They're really making very good business decisions.

And if it's not a problem, is it a good idea to do this? If it is a good idea, is it worth the expense? We just had a report at the board meeting that just to approve a subgrant by LSC takes ten to twenty hours.

Now, maybe prior approval of a computer would not take that long. But we need to be mindful. Can you quantify, how much does this really cost? And I think Shamim pointed out very clearly that there is clearly a cost, and it's a high cost, depending on what you're doing.

So not just say no, it's a good idea, but what is this going to cost LSC? What's this going to cost the program? Does that mean you're going to have to eliminate a staff attorney and put in another administrator, which is really going to hurt the client community.

And there's quite a bit of other controls in
place and quite a bit of reporting, and the programs
are audited annually. So I think we need to look at,
also, what else is in place, and does that already take
care of this before adding more?

But thank you very much for this opportunity,
and I really appreciate everybody, including those on
the phone and the webinar, for coming and sharing with
LSC; and for LSC, listening to us.

CHAIRMAN KECKLER: Thank you, Robin. If there
are no other public comments or further thoughts, we
will resume our conversation at the next workshop. And
that will be at what time, Stefanie?

MS. DAVIS: That will be on Wednesday, May
15th, here once again at LSC headquarters. We will
have in-person and remote panelists. That panel will
also be from 1:30 to 4:30 in the afternoon on May 15th.

So we hope to have -- we'll have another great
discussion, I think. Our panel's going to change a
little bit. But we again thank you. Very grateful to
the panelists who came out today, joined us remotely
and here in Washington. And we look forward to
continuing to learn from you as we move forward in this
process.

CHAIRMAN KECKLER: With that, I will close the workshop.

(Whereupon, at 3:58, the workshop was adjourned.)

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