

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

TELEPHONIC JOINT MEETING
OF THE AUDIT COMMITTEE
AND THE
OPERATIONS AND REGULATIONS COMMITTEE

OPEN SESSION

Tuesday, June 15, 2010

10:33 a.m.

Legal Services Corporation
3333 K Street, N.W.
Washington, D.C. 20007

AUDIT COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairman
Jonann C. Chiles
Thomas R. Meites
John G. Levi, ex officio

OPS & REGS COMMITTEE MEMBERS PRESENT:

Thomas R. Meites, Chairman
Jonann C. Chiles
Robert J. Grey, Jr.
Laurie I. Mikva
Charles N.W. Keckler
John G. Levi, ex officio

STAFF AND PUBLIC PRESENT AT THE CORPORATION'S OFFICES:

Victor M. Fortuno, Interim President and General Counsel
Kathleen Connors, Executive Assistant to the President
Patricia Batie, Acting Corporate Secretary and FOIA Officer, Office of Legal Affairs
Mattie Cohan, Senior Assistant General Counsel, Office of Legal Affairs
Linda Mullenbach, Senior Assistant General Counsel, Office of Legal Affairs
Karen J. Sarjeant, Vice President for Programs and Compliance
Charles Greenfield, Program Counsel III, Office of Program Performance
Charles Jeffress, Chief Administrative Officer
John C. Meyer, Director, Office of Information Management
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and Legal Counsel, Office of the Inspector General
Ronald "Dutch" Merryman, Assistant Inspector General for Audit, Office of the Inspector General
Danilo A. Cardona, Director, Office of Compliance and Enforcement
Kamala Srinivasagam, Program Counsel III, Office of Compliance and Enforcement
Charles M. Crittenden, Program Analyst III, Office of Compliance and Enforcement
Thomas Enright, Program Analyst III, Office of Compliance and Enforcement
Lewis Goldstone, Program Analyst III, Office of Compliance and Enforcement
Alberto Lopez-Silvero, Program Analyst III, Office of Compliance and Enforcement
Helga Merz-Hafezi, Program Analyst III, Office of Compliance and Enforcement
Mark Watts, Program Analyst III, Office of Compliance and Enforcement
Stephen Barr, Media Relations Director, Government Relations and Public Affairs Office
Evora A. Thomas, Program Counsel III, Office of Program Performance
Linda Perle, Center for Law & Social Policy (CLASP)

C O N T E N T S

OPEN SESSION	PAGE
1. Approval of Agenda	6
2. Approval of draft minutes of April 17, 2010 Joint Meeting of the Committees	6
3. Consider and act on revisions to the LSC Accounting Guide for LSC Recipients	7
Presentation by Danilo Cardona, Director, Office of Compliance & Enforcement	
Public Comment	
4. Public Comment	70
5. Consider and Act on Other Business	70
6. Consider and Act on Adjournment of Meeting	72

Motions: 6, 6, 22, 39, 70, 71

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

2 (9:19 a.m.)

3 CHAIRMAN MADDOX: This is Victor Maddox. By
4 luck of the draw, I guess I'll be serving as chairman
5 today. And I'll call the meeting to order.

6 Vic, do you want to introduce people?

7 PRESIDENT FORTUNO: Why don't I just have
8 everyone -- I'll start, and have everyone who's around
9 the table here -- actually, why don't we just have
10 everyone in the room just quickly identify themselves.

11 I'm Vic Fortunio.

12 MS. SRINIVASAGAM: Kamala Srinivasagam.

13 MR. SCHANZ: Jeff Schanz, the IG.

14 MR. CARDONA: Danilo Cardona, the director of
15 the Office of Compliance and Enforcement.

16 MS. BATIE: Pat Batie.

17 MS. SARJEANT: Karen Sarjeant.

18 MR. GREENFIELD: Chuck Greenfield from Office
19 of Program Performance.20 MS. TARANTOWICZ: Laurie Tarantowicz, counsel
21 to the IG.

22 MS. COHAN: Mattie Cohan, Office of Legal

1 Affairs, LSC.

2 MR. BARR: Steve Barr, director of media
3 relations.

4 MS. PERLE: Linda Perle from CLASP and NLADA.

5 MR. JEFFRESS: Charles Jeffress, chief
6 administrative officer.

7 MR. WATTS: Mark Watts, Office of Compliance
8 and Enforcement.

9 MS. MERZ-HAFEZI: Helga Merz-Hafezi, Office of
10 Compliance and Enforcement.

11 MR. CRITTENDEN: Charles Crittenden, Office of
12 Compliance and Enforcement.

13 MR. ENRIGHT: Tom Enright, Office of
14 Compliance and Enforcement.

15 MR. LOPEZ-SILVERO: Alberto Lopez, OCE.

16 MR. GOLDSTONE: Lewis Goldstone, Office of
17 Compliance and Enforcement.

18 MR. MERRYMAN: Dutch Merryman, IG audit.

19 PRESIDENT FORTUNO: And that's it for this
20 end. But as you can see, we're out in force today. So
21 we should be --

22 CHAIRMAN MADDIX: Great. Well, the first

1 matter on the agenda is for the approval of the agenda.

2 I take it everyone has got the agenda in front of
3 them, and if not, I guess we can somehow get it there
4 for you.

5 Is there a motion to approve the agenda?

6 M O T I O N

7 MR. MEITES: So move.

8 CHAIRMAN MADDOX: Second? Did I hear a
9 second?

10 MS. CHILES: Second.

11 CHAIRMAN MADDOX: The motion is agreed to, and
12 the agenda is approved.

13 The next item on the agenda is the approval of
14 the draft minutes of the April 17, 2010 joint meeting
15 of the committees, which was held in Tucson. I have
16 the draft minutes; I assume everyone else does. Is
17 there any discussion about those draft minutes?

18 (No response.)

19 CHAIRMAN MADDOX: Or if not, a motion to
20 approve the draft minutes?

21 M O T I O N

22 MS. CHILES: This is Jonann Chiles. I move to

1 approve the minutes.

2 CHAIRMAN MADDOX: And a second?

3 MR. MEITES: Second.

4 CHAIRMAN MADDOX: And the motion has been made
5 and seconded. All in favor?

6 (A chorus of ayes.)

7 CHAIRMAN MADDOX: And the motion is agreed to,
8 and the draft minutes of April 17, 2010 are approved.

9 That brings us to the substantive matter on
10 today's agenda, which is to consider and act on
11 revisions to the LSC Accounting Guide for LSC
12 Recipients. And according to our agenda, we will have
13 a presentation by Danilo Cardona, director of the
14 Office of Compliance and Enforcement.

15 Mr. Cardona?

16 MR. MEITES: Vic, this is Tom Meites. Before
17 we get there, I have a preliminary question.

18 CHAIRMAN MADDOX: Okay. Tom?

19 MR. MEITES: Why is this a matter for board
20 consideration? I'd like someone to answer it, some
21 member of the staff to answer that, because it struck
22 me on reading this that this is the kind of

1 nuts-and-bolts plumbing that we usually don't see.

2 PRESIDENT FORTUNO: I believe that this is
3 akin to a regulation. And I think, under the Act, we
4 should be publishing these. And I think in the past
5 the board has acted on -- Danilo can correct me if I'm
6 wrong, or Chuck; I guess you guys have done all the
7 work on this - that the current accounting manual was
8 adopted by the LSC board.

9 So it seems appropriate, for any number of
10 reasons, that if it was going to be revised, that it be
11 revised subject to approval of the board.

12 CHAIRMAN MADDOX: Just a minute, Vic. Laurie,
13 did you just join us? Did someone join us?

14 MR. GREY: Robert Grey.

15 CHAIRMAN MADDOX: Hi, Robert. Thank you for
16 joining us. We are in the middle of our discussion of
17 the accounting guidelines, and Tom Meites has asked why
18 we are considering this at the committee and board
19 level.

20 PRESIDENT FORTUNO: And this is Vic Fortunio.
21 And I was just explaining that the current accounting
22 manual was adopted by the board of directors. And so

1 before making any revisions to it, staff is presenting
2 the proposed revisions to the board to ensure that
3 they're acceptable and acted on by the committee as a
4 recommendation to the board, and then by the board as
5 the body that had adopted the manual to begin with.

6 MR. GREY: This is Robert. Does this follow
7 some GAO guidelines, or why are we making all these
8 changes?

9 PRESIDENT FORTUNO: Why are we making the
10 changes? I think it's intended to update the manual.
11 The manual hasn't been revised in some time. And I
12 think that the presentation will cover the specifics of
13 when it was last revised and why the changes are being
14 made, and provide an overview as to the changes.

15 But it's intended to essentially modernize it
16 because it's been some time since the manual was last
17 acted on.

18 MR. GREY: When was it last acted on?

19 CHAIRMAN MADDOX: I believe it was 1997.

20 PRESIDENT FORTUNO: Yes. So it's been 18
21 years.

22 CHAIRMAN MADDOX: And Robert, I don't

1 know -- I can't remember if you were in the joint
2 meeting in Tucson, where there was some discussion
3 about, what I recall, the reasons leading up to the
4 draft guidelines themselves, which we put on today's
5 agenda because we had some follow-up questions and
6 comments.

7 Now that I think about it, you were at that
8 meeting because I recall you had some comments. We're
9 not really re-plowing all that ground from Tucson, I
10 don't believe. But my understanding is we were going
11 to sort of get further information and understanding
12 about the Office of Compliance and Enforcement's
13 position and involvement with this whole revision.

14 MR. GREY: Okay.

15 CHAIRMAN MADDOX: Tom, does that answer your
16 question? Tom Meites?

17 MR. MADDOX: I think that is an adequate
18 answer. However, we have had in the past matters that
19 the board has had a sense were, to use the word
20 plumbing category, which were brought to the board
21 because prior boards had considered it.

22 And one thing this board might consider is

1 whether it wants to keep hearing issues like this or to
2 depart from the pattern. But certainly, at this point
3 I absolutely agree with you, Vic, that we should go
4 ahead.

5 CHAIRMAN MADDOX: Okay. Robert, any
6 difference of opinion there?

7 MR. GREY: I don't -- I concur.

8 CHAIRMAN MADDOX: Great. Mr. Cardona?

9 MR. CARDONA: Yes.

10 CHAIRMAN MADDOX: Would you proceed with your
11 presentation?

12 MR. CARDONA: All right. The presentation
13 basically is the memorandum that is contained in the
14 book, in the board book, dated June 3, 2010 with
15 regards to -- from Mr. Chuck Greenfield to Victor
16 Fortuno and Karen Sarjeant. And it discusses the
17 meeting that we have on that particular day.

18 We reviewed the comments since the April 17,
19 2010 board meeting in Tucson, Arizona. And we have
20 incorporated all the comments made up to -- at that
21 particular board meeting, and they are detailed here in
22 this particular memorandum.

1 However, before I begin with this
2 presentation, I want to let the board know that not
3 included in this board book is 17 suggestions presented
4 by the Office of the Inspector General yesterday
5 afternoon. And my understanding is it was around 4:30
6 or 5:00 p.m. in the afternoon. I wasn't here at the
7 Corporation. I just saw them this morning and reviewed
8 them this morning.

9 These 17 suggestions that you don't have in
10 your hands -- and I only had them this morning at 8:30
11 a.m. -- include --

12 MR. SCHANZ: Well, if I could speak to that.
13 This is the Inspector General.

14 Most of those were just edits and cleaning up
15 language. It was a little bit of wordsmithing. There
16 was nothing of substance. We had opined twice before
17 we substantive comments on the accounting guide, with
18 the recognition that this is a management project -- or
19 product. So we offered suggestions and recommendations
20 to be considered.

21 Those were all incorporated into the revised
22 guide, and that was a good sign of cooperation, I

1 thought, because we had -- we're the accountability
2 expert, so we were able to, I think, strengthen the
3 guide where it needed to be. And what was submitted
4 yesterday was just nothing more than where words had
5 spacing issues. And even though there were 17 of them,
6 it was just -- I was a notes editor, so I got carried
7 away.

8 CHAIRMAN MADDOX: Are those changes going to
9 be incorporated, or are they -- just because if we're
10 going to approve it, and even if it's minor, are they
11 expected to be incorporated, I guess?

12 MR. CARDONA: Yes. The overwhelming -- well,
13 16 of them are expected to be incorporated, one of them
14 not because we think it is already included in the
15 present revised accounting guide. And as the Inspector
16 General says, I don't see, in my opinion, if you'd care
17 to hear it, any reason why to stop the approval of the
18 accounting guide because, as I said, five of
19 them -- seven of them, actually, are typos and the rest
20 of them are some additions to language that is
21 basically incorporating language of Regulation 1629,
22 Bonding of Recipients.

1 However, I have to disclose it to the board.

2 It is not in your hands.

3 CHAIRMAN MADDOX: So when you say in your memo
4 of June 3rd, Mr. Cardona, that the OIG's comments have
5 also been incorporated into the draft --

6 MR. CARDONA: That doesn't include --

7 CHAIRMAN MADDOX: -- that's true with the
8 exception of these 17 changes from yesterday that
9 amount to what I understand to be largely grammatical
10 and typographical issues?

11 MR. CARDONA: That is correct.

12 CHAIRMAN MADDOX: Okay. And in light of
13 Robert's -- I think it was Robert; wasn't that you,
14 Robert, a moment ago, asking how we approve the actual
15 document without these changes, do you all anticipate
16 that there will be a final different that will be
17 subject to our approval here? Or are we in a position
18 to make these changes after we vote to approve the
19 draft in the form we have in front of us, assuming we
20 do that?

21 PRESIDENT FORTUNO: I'm sorry. The question
22 was? I was distracted for a moment. What was the

1 question?

2 CHAIRMAN MADDOX: My question, Vic, is are we
3 in a position to vote to approve the different,
4 assuming that was our intention, in the form we have in
5 it front of us, and have these grammatical and
6 typographical errors simply revised and incorporated
7 into the final document?

8 PRESIDENT FORTUNO: Yes. I think you can
9 approve the document subject to some minor technical
10 revisions that don't change the substance. I think
11 that the one substantive point, if you'd like, that is,
12 the one about something that's already considered to be
13 in the accounting manual, we can probably discuss that
14 specifically since that sounds like it's of a
15 substantive nature.

16 But the other 16, if they're matters of
17 wordsmithing, I think that those would fall under the
18 category of technical amendments. And you can adopt
19 the document subject to those. What we'll do, of
20 course, is once those are made, we'll send it to you as
21 well. But there's no reason why you need at that point
22 convene again to take it up.

1 CHAIRMAN MADDUX: What is the one substantive
2 change we're talking about?

3 MR. CARDONA: The one substantive change that
4 we're talking about is a note on internal controls and
5 management responsibility. And we know that that is
6 already described in the section -- I'll tell you
7 exactly where it is. What page is it? Bear with me
8 for a second here -- page 23 of the proposed revised
9 accounting guide.

10 It says, right now, that an LSC recipient,
11 under the direction of the board of directors, is
12 required to establish and maintain adequate accounting
13 records and internal control procedures. Internal
14 control is defined as the process put in place by the
15 recipient's board of directors, management, and other
16 personnel which is designed to provide reasonable
17 assurance of achieving the following objectives. And
18 then the objectives are there.

19 The Inspector General's office suggests
20 that -- I'll read it exactly as it is written here.

21 MR. SCHANZ: Well, I can speak to that. This
22 is Jeff, the IG.

1 What we're trying to establish here, and this
2 is the accounting manual that'll be used by 136
3 grantees, is to focus that internal control structures
4 on management's responsibility. So all we were trying
5 to is to recognize that and enhance that responsibility
6 so that there is no doubt that an internal control
7 structure is a management responsibility. So we
8 suggested strengthening some of the language in that
9 section under chapter 3 on page 23.

10 We do have internal control as defined as the
11 processes -- it says, "Process put in place by the
12 recipient's board of directors, management, and other
13 personnel which is designed to provide reasonable
14 assurance of achieving the following objectives."

15 I want to make sure that everyone who reads
16 this document knows that -- and wanted to express, it
17 could be argued that it's implied. But it's the
18 process put in place but maintained by, and wanted to
19 strengthen that the boards and management knows that
20 not only put it in place but maintain it, nurture it,
21 recognize it, and use it to make sure that you're
22 safeguarding assets, and the reliability of financial

1 information in compliance with laws and regs.

2 So that was our intent, is just to strengthen
3 what was already there. That's the substantive change.

4 CHAIRMAN MADDOX: And what was the language
5 that you suggested, Jeff?

6 MR. SCHANZ: Well, we could tweak with that or
7 we could work with that. But I would say something to
8 the effect that, on the second sentence, internal
9 control is defined as the process -- I would call it as
10 processes -- put in place by the recipient's board of
11 directors, management, and other personnel, and then
12 put some sort of insert in there that not only put in
13 place but maintained and management and -- yes, I got
14 carried away with nurturing, but that truly is what it
15 is because management is onsite 24 hours a day.

16 And it is their ultimate responsibility to be
17 sure that the internal control structure is functioning
18 properly, not just sitting on a shelf and saying, okay,
19 we have one; now let's use it. It's what we're trying
20 to get at.

21 CHAIRMAN MADDOX: What if you amended the
22 language on page 23 that Mr. Cardona read to say,

1 defined as the processes put in place, managed and
2 maintained by the recipient's board of directors, et
3 cetera?

4 MR. SCHANZ: That works for the Inspector
5 General.

6 CHAIRMAN MADDOX: Is there any reason, Mr.
7 Cardona, why we couldn't do that, and Vic, why we
8 couldn't do that within the context of this meeting?
9 So make an oral modification to the draft, have that
10 approved, and then approve the overall document?

11 PRESIDENT FORTUNO: No. None at all.

12 CHAIRMAN MADDOX: Do any other members of the
13 committees have any thoughts on that?

14 MS. CHILES: I think it's a good idea.

15 CHAIRMAN MADDOX: Okay.

16 MR. GREY: Vic, this is Robert.

17 CHAIRMAN MADDOX: Yes, sir?

18 MR. GREY: I like the way you've summarized
19 the description and the words that you've used. And I
20 just wonder if it is less confusing to drop the term
21 "other personnel" when you're trying to identify in an
22 accountability way who is responsible.

1 So if you say (audio blip) and management, it
2 seems to me you've covered everybody. But when you
3 just add the term "other personnel," it seems
4 gratuitous and not well-defined.

5 CHAIRMAN MADDOX: Yes. I see your point. Is
6 that "other personnel" language supposed to encompass
7 people like independent auditors, or what was the
8 thinking there? Mr. Cardona or Jeff or someone?

9 MR. CARDONA: The Office of the Inspector
10 General is the one who suggested that.

11 MR. SCHANZ: I didn't suggest the "other
12 personnel." As I prefaced my remarks, this is
13 management's document and most of this are management
14 concepts. I'm trying to strengthen the process of
15 internal controls.

16 CHAIRMAN MADDOX: Yes. I guess it sounded
17 like Robert Grey is suggesting that perhaps that
18 additional language actually weakens the language a bit
19 by introducing ambiguity, and I think I might agree,
20 unless there are specific actors who we're trying to
21 identify, and if so, we perhaps ought to identify them.

22 MR. SCHANZ: I would suggest -- this is Jeff

1 again -- I want to suggest "other grantee personnel"
2 because that's where this is directed towards, the
3 grantees and their boards. I'd agree that the "other
4 personnel" is very amorphous and leaves it pretty wide
5 open.

6 PRESIDENT FORTUNO: This is Vic Fortunio. I
7 don't know. and I was waiting to see if anyone in the
8 room knew, the origin of that clause there. I don't
9 see how it helps because we really are talking about
10 board of directors and management.

11 I do agree that unless there is some reason
12 for it of which we're unaware, it just tends to
13 confuse. So unless someone knows of a reason why that
14 language has to be retained, I certainly would have no
15 problem with that being deleted at this time.

16 And I think we do want to focus on and make
17 clear that it's a board and management responsibility.

18 And it confuses that point when we have "and other
19 personnel" as in it's separate and apart from the board
20 and management.

21 CHAIRMAN MADDOX: This is Vic Maddox. I agree
22 with that thinking. Jeff, I appreciate your effort to

1 strengthen the language, but I actually think it sort
2 of tends to detract from it. And ultimately, I believe
3 the board of directors and management are responsible
4 for maintaining appropriate internal controls, and I
5 don't think it helps to try or to introduce a concept
6 that defuses that responsibility.

7 M O T I O N

8 CHAIRMAN MADDOX: So I guess, unless there's
9 further discussion, I would move that we amend the
10 language in the second sentence of the introductory
11 paragraph under chapter 3 to say, "Internal control is
12 defined as the processes put in place, managed and
13 maintained by the recipient's board of directors and
14 management" -- delete the comma, and conclude the
15 sentence as it is written.

16 Is there any discussion about that motion or a
17 second?

18 MR. GREY: Second.

19 CHAIRMAN MADDOX: I'm sorry?

20 MR. GREY: Second.

21 CHAIRMAN MADDOX: All in favor?

22 (A chorus of ayes.)

1 CHAIRMAN MADDOX: It sounds like the motion is
2 agreed to. So if the staff can make sure that we got
3 that language, and then that we will change the
4 language, just as we've agreed to, in the final
5 document that we approve, assuming we do approve it in
6 the remainder of this meeting, that would be fantastic.

7 Mr. Cardona, is there anything else in your
8 presentation? I think we interrupted you.

9 MR. CARDONA: No. The interruptions are
10 welcome. It is better than my presentation, actually.

11 And no, it is basically -- the presentation is
12 basically, as I said, the memo on June 3rd.

13 I was going to begin with the responsibilities
14 of a financial and oversight committee, which we
15 received three comments, if you want to proceed that
16 way. One was from Martha Minow, the other one was from
17 Robert Grey, and the other one was from Jonann Chiles.

18 CHAIRMAN MADDOX: That would be fantastic.

19 MR. CARDONA: And then we responded there.
20 Then in response to those comments, a new paragraph was
21 drafted which more clearly emphasizes the more critical
22 points that all of the listed duties of a finance and

1 an audit committee must be performed by financial
2 oversight committees, and that the financial oversight
3 committees needs to have a financial expert or access
4 to a financial expert. And the changes are shown there
5 in your board book in blue.

6 CHAIRMAN MADDOX: Yes. I see that. That's on
7 page 3 and 4, I take it?

8 MR. CARDONA: That is correct.

9 CHAIRMAN MADDOX: Well, that language strikes
10 me as fine. I know Martha is not with us. Robert,
11 those comments, does that additional language satisfy
12 your concern that you raised in April? Robert Grey?

13 MR. GREY: Yes, it does.

14 CHAIRMAN MADDOX: Fantastic.

15 MR. CARDONA: Then the next -- if we move
16 along, the next comments were on the section on
17 property. And this was chapter 2, section 2-2.4,
18 Property, page 13.

19 The OIG comment was that since capitalization
20 is going to be to \$5,000, it might be necessary to
21 include accounting for sensitive assets. Some assets
22 needs to be on the inventory; not because of

1 depreciation but because you want to track them for
2 other reasons -- sensitivity of the data that may be
3 contained on them, the ease of perverting for personal
4 use.

5 This could easily be added to the inventory
6 section. We proposed the new change, and that was made
7 in blue, to satisfy the concerns of the Inspector
8 General.

9 CHAIRMAN MADDUX: All right.

10 MR. CARDONA: Okay. Moving along, chapter 3,
11 court -- third, it is -- we're still on chapter 2,
12 Court-Awarded Attorney's Fees. There was a public
13 comment made by Mr. Robert Stein, chair for the
14 Standing Committee of the Legal Aid and Indigenous
15 Defendants, American Bar Association.

16 The comment suggests that, "Given the
17 elimination of the restriction on the claiming,
18 collection, and retention of attorneys' fees, it would
19 be helpful if there would be an explanation of what
20 attorneys' fees are permitted."

21 So the response from management is, "It is
22 correctly noted that the restriction on the claiming,

1 collecting, and the retaining of attorneys' fees (Part
2 1642) has been eliminated and that there is no language
3 in the change in section 2-2.6 stating that in what
4 situation attorneys' fees are permitted.

5 "The question on when attorneys' fees are
6 permitted to be collected from the opposing party is
7 generally a matter of state and federal law, as
8 interpreted by the judge deciding the case. LSC does
9 not have a regulation that sets forth when attorneys'
10 fees are available.

11 "It is noted that the recipients of LSC funds
12 are not allowed to accept fee-generating cases unless
13 an exception applies, as set forth in 5 CFR Part 1609.
14 Therefore, no change to that particular section is
15 suggested."

16 PROFESSOR KECKLER: This is Charles Keckler.
17 I have a brief question on that section.

18 MR. CARDONA: Yes, sir?

19 PROFESSOR KECKLER: It says in there that
20 they're going to be allocated in proportion to the
21 extent to which the representation was supported by the
22 LSC as opposed to other funds.

1 MR. CARDONA: That is correct.

2 PROFESSOR KECKLER: Do we collect sort of
3 sufficient data? Is that a regular report such that
4 each representation, that it would be clear or
5 regularly reported as to that allocation?

6 MR. CARDONA: I know we review that on site,
7 when our accountants go on site. But I would ask one
8 of the accountants here from OCE if that is disclosed
9 in the audited financial statements as well.

10 MR. CRITTENDEN: Just the total amount
11 received.

12 MR. CARDONA: Sorry. Identify --

13 MR. CRITTENDEN: Just the total amount
14 received that's in the fund that financed the case.
15 There's no determination, or they might just mention
16 the allocation methods, but not particularly about
17 attorneys' fees and how they're allocated among the
18 funds.

19 MR. MEITES: Vic, this is Tom Meites. Can I
20 respond to this point?

21 CHAIRMAN MADDOX: Absolutely.

22 MR. MEITES: Yes. I think it's a bad idea,

1 the allocation idea, regardless of whether it could be
2 done or not. After all, it's our grantees' attorneys
3 who do the work. They appear in court, and they obtain
4 the fee. Whether part of their salary comes from
5 United Way or from us, I see no reason why it shouldn't
6 all go into the general operating fund for LSC rather
7 than some complex allocation.

8 CHAIRMAN MADDOX: I think I agree with you on
9 that, Tom. I think that we have to be careful about
10 creating such complexity for our grantees and their
11 staff that it's overwhelming. Unless there's some
12 provision in the statute that requires that sort of
13 allocation, I'm not sure why we need to impose it
14 ourselves.

15 MR. GREENFIELD: Vic, this is Chuck Greenfield
16 from Office of Program Performance. That section is in
17 a current regulation, 1609.4. So if we were to change
18 that, we would have to do that through the regulatory
19 rulemaking effort. So this is simply repeating that
20 regulation.

21 MR. MEITES: We didn't change that when we --

22 MR. GREENFIELD: Yes. You moved it to a

1 different section. It had been in 1642, but that
2 subsection was moved to a different section in 1609.
3 So, Tom, it remains in effect. So all this section is
4 doing is simply noting that that exists. That was in
5 response to the public comment by Linda Perle of CLASP
6 and NLADA.

7 MR. MEITES: Vic, I think we're stuck, then.

8 CHAIRMAN MADDOX: Sounds like we are. I don't
9 want to go through the process of (audio blip) those
10 regulations rescinded.

11 PROFESSOR KECKLER: This is Charles Keckler.
12 We might well take that up, but my only concern is,
13 given that it was following regs, do they have the
14 information available so that they can actually do it?

15 If they happen to get attorneys' fees later on, can
16 they go back and look at things on a matter-by-matter
17 basis and figure out what the right percentage is?

18 MS. COHAN: This is Mattie Cohan. Yes, they
19 can, because the timekeeping regulation requires them
20 to keep their time so they know what they worked on.
21 And then, at the end of the year, they have to account
22 for where their funds went.

1 So the funds supporting which case and which
2 attorneys are, by the end of the year, allocated. So
3 they would know how much of a particular litigation was
4 supported by a particular set of funds so that they can
5 then allocate the proportion of the attorneys' fees
6 back to the appropriate funds.

7 And aside from this being in the regulation,
8 then this has been in the regulation for years. So
9 this is nothing new. Grantees have been doing this for
10 years. And then there's the fact that by having the
11 allocation, it's easier to keep track of derivative
12 income because income that's derived from the use of
13 LSC funds is treated essentially as LSC funds when it
14 comes back.

15 Does that help?

16 PROFESSOR KECKLER: Yes. It does help. I
17 mean, obviously the issue is that we want to recover
18 and purpose these fees towards LSC purposes to the
19 extent that's appropriate.

20 CHAIRMAN MADDOX: So if I understand where we
21 are, we have the revision, which simply makes reference
22 to the existing regulation. And we are not really

1 effecting any operational change in the way the
2 grantees go about their business; we're simply
3 effectively advising them that the attorneys' fees
4 regulation is no longer in effect.

5 MR. CARDONA: That is correct.

6 CHAIRMAN MADDOX: Tom, I think that that's
7 probably where we need to leave it.

8 MR. MEITES: Yes. I agree.

9 CHAIRMAN MADDOX: Next?

10 MR. CARDONA: Next. Okay. There was a public
11 comment made by Linda Perle from the Center for Law and
12 Social Policy. And the comment was, "Since there is a
13 requirement for the accounting of attorneys' fees, it
14 is suggested that there should be a reference to the
15 provision and accounting for attorneys' fees now set
16 forth in 45 CFR 1609.4," which we discussed right now.

17 The response is, in response to this comment,
18 "2-2.6 has been amended as set forth below. In
19 addition, given the decision by the LSC board of
20 directors at its April 17, 2010 meeting to issue a
21 Final Rule on claiming, collection, and retention of
22 attorneys' fees, a reference to the Final Rule is

1 included. The new wording is in blue."

2 CHAIRMAN MADDOX: Any discussion?

3 (No response.)

4 CHAIRMAN MADDOX: We can move on.

5 MR. CARDONA: Okay. We're then at point No.
6 4, 2-2.6, Court-Awarded Attorneys' Fees. There was an
7 OIG comment. "The document, first sentence, refers to
8 the March 15" -- I'm sorry? I'm reading the comment
9 from the OIG. It says, "The first sentence refers to
10 the March 15, 2010 Interim Final Rule. On page 18,
11 2-3.1, last paragraph, last sentence, refers to interim
12 guidance on attorneys' fees dated December 17, 2009.
13 Did the March 15th document supersede the December 17th
14 guidance?"

15 The response is, from management, "The purpose
16 of the reference to Program Letters 2-3.1 is to let
17 grantees know that the letters themselves contain
18 additional cost allocation and financial management
19 information. The compliance guidance and interim
20 guidance on attorneys' fees issued on December 17, 2009
21 as Program Letter 09-03 mostly discusses issues
22 unrelated to attorneys' fees.

1 "The attorneys' fees discussion is limited to
2 interim guidance, and by its terms applies only until
3 LSC board action on the issue. The interim guidance
4 remains applicable during the period until the board
5 acted. After reviewing the program letter, there
6 appears to be nothing inconsistent between the interim
7 guidance and the board's later action."

8 So there is another OIG comment. Page 23, the
9 Fundamental Criteria. "The Statement of Enterprise
10 Risk Management seems misplaced, or at least not fully
11 developed. The Fundamental Criteria incorporate the
12 five COSO control elements.

13 "The manual states that there is an expanded
14 enterprise risk management, which includes risk
15 assessment and risk management, but nothing more. Does
16 the manual include or incorporate this expanded
17 enterprise risk management framework? What is a
18 grantee supposed to do with this information?"

19 The response: "As a result of this comment,
20 we have reviewed Section 3-5. The new wording is in
21 blue." And there is the entire section. And further
22 on page 8 of your book, there is the new addition made

1 in response to the OIG comment.

2 MR. JEFFRESS: I think it's pages 25 and 26.

3 MR. CARDONA: Sorry. I'm reading from a memo
4 of the presentation.

5 PRESIDENT FORTUNO: This is Vic Fortuno. I
6 don't know whether you want to take these up as we go
7 along and see if there's any discussion. I take it
8 that if there is no comment, that there's no
9 disagreement with the management response and that
10 we're proceeding.

11 I just wasn't clear, so I thought I'd raise
12 the point. Do we want to address them point by point
13 as we go along, or just go through the entire process?

14 (Pause)

15 PRESIDENT FORTUNO: Mr. Chairman, do you have
16 a preference as to how to proceed? Are we still
17 connected?

18 CHAIRMAN MADDOX: I'm sorry. Can you hear me?

19 PRESIDENT FORTUNO: Yes. Yes. No, I was just
20 asking if you have a preference as to how to proceed.

21 CHAIRMAN MADDOX: I was saying that I think
22 that your suggestion is a good one. I think that we

1 ought to proceed point by point. If we have comments,
2 I'm sure that the individual committee members will
3 raise them.

4 And what I was saying -- I had the mute button
5 on accidentally -- I was saying that it looks like, in
6 the section we've just discussed, that we've provided a
7 pretty fulsome expansion of the intention of that
8 language in those guidelines, fundamental guidelines,
9 so that the question, what are the grantees supposed to
10 do, is pretty well answered there. And that seems to
11 be satisfactory from my perspective.

12 Any other thoughts on that?

13 (No response.)

14 CHAIRMAN MADDOX: If not, I think we can just
15 proceed with the rest of the recommendations.

16 MR. CARDONA: Sure. I will.

17 There is another OIG comment that says, "I
18 still think that contracting should be included in the
19 Fundamental Criteria. If it is in there, I missed it.

20 Please let me know. Contracting is a big ticket item
21 and has been identified where a lot of fraud occurs."

22 Response: "In response to this comment, the

1 following new section in the Fundamental Criteria,
2 which specifically addresses contracting, has been
3 drafted." And there it is in blue.

4 MR. JEFFRESS: What page, Danilo?

5 MR. CARDONA: I don't know the page. I'm
6 reading from my memorandum.

7 CHAIRMAN MADDOX: Page 9.

8 MR. CARDONA: Thank you.

9 PRESIDENT FORTUNO: Nine and ten of the
10 memorandum. And that's what we're going by here.
11 Danilo is tracking the memorandum of -- what's the
12 date -- June 3rd?

13 MR. CARDONA: That's what I said at the
14 beginning.

15 MS. CHILES: This is Jonann Chiles. Is the IG
16 satisfied with that language on contracting? Is it
17 sufficiently detailed?

18 MR. SCHANZ: Yes, it is, Jonann. As I stated
19 earlier, we have made recommendations to try to
20 strengthen the document so it can be the end-all/be-all
21 so the grantees don't have to search anywhere else. So
22 when we mention COSO or the Treadway Commission, they

1 know what it is, and some of the elements related to
2 those commission reports are embedded in this document.

3 So yes, we are satisfied there. We have found
4 in numerous of the grantee audits that we've done that
5 contracting is a big ticket item. In fact, in the
6 federal government community, there's a National
7 Procurement Fraud Task Force, and I think procurement
8 and contracting will always be a high-risk area.

9 MS. CHILES: Right. Okay. And so you're
10 satisfied with the language here. That's good.

11 The only thing that caught my attention is the
12 language under Types of Contracts, "contracts that
13 should receive special attention, including consulting,
14 personal services, and sole source." And I agree those
15 deserve special attention. I'm just wondering if the
16 grantees will know what sort of special attention those
17 kinds of contracts require.

18 MR. SCHANZ: If we wanted to wordsmith,
19 instead of "special attention," additional oversight?

20 PRESIDENT FORTUNO: Closer.

21 MR. SCHANZ: Closer attention?

22 MS. CHILES: That might make me feel better.

1 "Oversight" packs more punch than "special attention."

2 Butt I don't want to get down to the level of
3 wordsmithing, either, because I think we're moving
4 towards a good document here.

5 CHAIRMAN MADDOX: Are you asking, Jonann, that
6 we amend the language in that section under Criteria
7 for Types of Contracts?

8 MS. CHILES: If it's not going to throw a
9 wrench into our recommending this document be approved
10 by the board, then yes. But if it's going to create
11 trouble, then no.

12 CHAIRMAN MADDOX: Yes. And the language would
13 be "contracts that should receive special oversight"?
14 Is that -- rather than "special attention"?

15 MS. CHILES: I would say "additional
16 oversight."

17 CHAIRMAN MADDOX: Additional oversight. Is
18 there any objection to modifying the language in the
19 draft in front of us to strike "special attention" and
20 add "additional oversight"?

21 (No response.)

22 CHAIRMAN MADDOX: If not, is there a motion to

1 do so?

2 M O T I O N

3 MS. CHILES: So moved.

4 CHAIRMAN MADDOX: And a second?

5 MR. GREY: Second.

6 CHAIRMAN MADDOX: Then all in favor?

7 (A chorus of ayes.)

8 CHAIRMAN MADDOX: It sounds like our motion is
9 agreed to. And if the staff would make that additional
10 change to page 9 in the table under Criteria for Types
11 of Contracts.

12 MS. CHILES: Before we move away, I just want
13 to say I think the IG's office has added tremendous
14 value to this document, and I appreciate it.

15 CHAIRMAN MADDOX: I concur.

16 MR. SCHANZ: Thank you. Those are other audit
17 services that we provide to the board.

18 (Laughter.)

19 CHAIRMAN MADDOX: Continuing, Mr. Cardona?

20 MR. CARDONA: Thank you. Well, here is more
21 from the OIG.

22 "I have completed a review of all our audit

1 work over the last several years to answer
2 congressional questions we got from the Hill. One
3 thing struck me: allocation systems. While allocation
4 is covered in the Fundamental Criteria, nothing
5 specifically talks about documenting the methodology.

6 "You can conclude that it is the intent that
7 it is to be documented, but nothing is said about the
8 degree of documentation required. I believe it should
9 be documented in such detail that it can be understood
10 and tested by an oversight body."

11 Response: "The proposed new change is in
12 blue."

13 CHAIRMAN MADDOX: That looks appropriate from
14 my perspective.

15 Moving forward?

16 MR. CARDONA: Okay. We now go into the board
17 of directors, Fraud Prevention. Comment by the board
18 member, Mr. Keckler. And it's a long comment. I will
19 read it, and the response.

20 "I wanted to have one sort of particular issue
21 that I noted within the Accounting Guide that I hope
22 that they would speak to as well as their overall

1 views. And maybe you can also comment on your thoughts
2 on this." This is on page 5 of the Accounting Guide.

3 "It is right there at the very end. Indeed,
4 it is the very last thing. But I think it's enough
5 importance that I would like a bit more clarification
6 going forward, which it says, 'Have a policy for what
7 to do if you uncover fraud. Maintain a list of things
8 to do, including contacting the LSC's Office of the
9 Inspector General, the police'" --

10 CHAIRMAN MADDUX: Mr. Cardona, can I just
11 interrupt? I think we can -- I mean, the comment is
12 there and we can read it.

13 MR. CARDONA: Okay. The response is the
14 following. Thank you. The response is --

15 PROFESSOR KECKLER: I hope that everybody can
16 interpret the comment. It's a bit discursive.

17 MR. CARDONA: Very good.

18 CHAIRMAN MADDUX: Yes. And I think it's
19 appropriate, Charles. I think we have the gist of it,
20 and probably will recall it from the April meeting.

21 MR. CARDONA: Very good. The response is, "In
22 response to this comment, No. 25 has been changed to

1 more specific instructions to grantees in the event
2 forward is discovered. This same language is found in
3 LSC's Grant Assurance No. 15 for 2010 grants, which is
4 signed both the board chair and the executive director.
5 The changes are in blue."

6 PRESIDENT FORTUNO: And those changes appear
7 at page 13 and 14 of the memo.

8 CHAIRMAN MADDOX: Charles does that seem to
9 satisfy your concern?

10 PROFESSOR KECKLER: Yes, Vic. I think that
11 that's -- I assume that this has come in with input
12 from the IG's office, and it does satisfy my concerns
13 in providing a greater level of direction to boards
14 when they're confronted with concerns about friend.
15 That was my central concern, and I think that that has
16 been addressed.

17 CHAIRMAN MADDOX: Yes. I think it's a big
18 improvement as well, and it gives the grantees a
19 specific structure to follow and a 48-hour deadline,
20 which I think is appropriate.

21 Going on?

22 MR. CARDONA: Going on, there is an OIG

1 comment. That one is very short. It is, "Item 23 is
2 the only one in the list that does not start with a
3 verb." So I think the verb was introduced there
4 somewhere.

5 CHAIRMAN MADDOX: Yes. It's been modified.
6 No. 23, "Involve the board." So I think that's fine.

7 MR. CARDONA: Okay. Thank you. Moving along,
8 we have a comment from the board nominee Julie Reiskin.
9 And the response -- the comment you all have. The
10 response is, "In response to this comment, an
11 additional sentence addressing this issue has been
12 placed in the second paragraph. The addition is in
13 blue."

14 CHAIRMAN MADDOX: All right.

15 MR. CARDONA: Okay. The next one is an OIG
16 comment. And there is the OIG comment. The response
17 is, "See proposed new changes in blue, which change the
18 retention for mentioned financial and financial-related
19 information to seven years, to make this section
20 consistent also with 45 CFR Part 1630 and the grant
21 assurances. The changes are in blue."

22 PRESIDENT FORTUNO: If I may -- this is Vic

1 Fortuno -- just for the record, I would ask if Laurie
2 Mikva has joined the call.

3 MS. MIKVA: Thank you. Yes, I have.

4 PRESIDENT FORTUNO: Thank you very much.

5 CHAIRMAN MADDOX: That looks fine. I don't
6 see any need for discussion on that. It looks to me
7 like those are appropriate changes, and I think that --

8 MR. MEITES: Vic, this is Tom Meites. I have
9 a question. In our litigation, we are constantly
10 getting into tangles with electronically stored
11 documents. Most entities have an automatic deletion
12 policy. And I don't know if all our grantees have
13 reached that point, but some of them are quite
14 sophisticated and I'm sure they have.

15 Under these policies, typically e-mails and
16 other documents are automatically deleted after X
17 amount of time. And it might be something to consider
18 whether our grantees are told in this guidance that
19 they should review their electronic document retention
20 policy to make sure they conform to these guidelines.

21 CHAIRMAN MADDOX: Well, the language at the
22 bottom of 14 under Retention Times for Nonprofit

1 Records says, "The document retention policies should
2 include guidelines for handling electronic files and
3 voicemail. Electronic documents and voicemail messages
4 have the same status as paper files in
5 litigation-related cases."

6 Is that inadequate for purposes of --

7 MR. MEITES: Well, it's kind of the next
8 sentence, that they have an affirmative obligation to
9 review their electronic retention policies. It may
10 be -- it's here. I agree. But we find in our
11 litigation, at least, that often entities just have an
12 IT department that does things on its own without
13 really being aware of what the rest of the world
14 thinks it should be doing.

15 CHAIRMAN MADDOX: And that's certainly our
16 experience as well. And I just wonder if we -- how
17 much we can do in the language here to overcome that
18 sort of state of affairs out in the real world.

19 MR. MEITES: Yes. I'm willing to leave it as
20 it is, or "Consider an affirmative obligation to review
21 electronic retention policies at least once a year," or
22 something like that. But that may be too niggling to

1 get involved with here.

2 MS. SARJEANT: Vic, this is Karen Sarjeant.

3 At the July board meeting, we will be bringing to the
4 board the 2011 proposed grant assurances. And we're
5 all trying to recall here -- we've been working on it.

6 But I think we've added some language on electronic
7 records. And so we'll take a look at that and make
8 sure we have something in there that addresses some of
9 this.

10 CHAIRMAN MADDOX: I think that's a good idea.

11 Tom, can we just leave the language we have here for
12 now and see what we get in July?

13 MR. MEITES: That's fine with me. Thank you.

14 CHAIRMAN MADDOX: Very good.

15 Moving forward?

16 MR. CARDONA: Moving forward, there is another
17 OIG comment on page 85, item 19. "Not sure if you
18 meant to based on our conversation, but you left a
19 'monthly reporting' requirement to a board committee in
20 the second sentence."

21 The response is, "The monthly reporting to the
22 finance committee was intended and is consistent with

1 the Section 1-7 discussion about role No. 2 of the
2 finance committee: 'Reviews monthly management reports
3 (including budgeted and actual income and expenses,
4 variances, and a statement of cash on hand), with chief
5 financial officer, controller, and/or CPA.'

6 "We will change the second sentence from, "Is
7 a cash flow statement submitted monthly to the finance
8 committee of the board of directors and quarterly to
9 all board members?' to, 'Is a statement of cash on hand
10 or a cash flow statement submitted monthly to the
11 finance committee of the board of directors and
12 quarterly to all board members?' This uses the
13 'Statement of Cash on Hand' reference as discussed in
14 Section 1-7, 3-5.9(b), and Appendix I-B."

15 CHAIRMAN MADDOX: Is somebody typing on a
16 keyboard next to their phone? So could you maybe mute
17 the button or something?

18 Mr. Cardona, just to go back to that, the
19 substantive effect of that change was to change from a
20 monthly reference to a quarterly reference?

21 MR. CARDONA: Yes. The substantive change is,
22 "Is a statement of cash on hand or a cash flow

1 statement submitted monthly to the finance committee of
2 the board of directors and quarterly to all board
3 members?" That's the question to assess the risk, yes.

4 CHAIRMAN MADDOX: Right. Okay. That seems
5 appropriate.

6 Our next comment?

7 MR. CARDONA: The next comment was from a
8 board nominee, Julie Reiskin, that in the personnel
9 section, there should be something about a
10 nondiscrimination policy and a signed statement from
11 every employee that they understand this
12 nondiscrimination policy.

13 The response is, "In response to that comment,
14 a new No. 14 has been added to Appendix VII-B. The
15 addition is set forth below in blue."

16 CHAIRMAN MADDOX: Very well.

17 PRESIDENT FORTUNO: This is Vic Fortunio. And
18 I'd just -- while I think it's certainly a good idea to
19 have that, I'm just not entirely convinced that the
20 accounting manual is the place for it. So I just
21 thought I'd call attention to that.

22 With no comment, Danilo, would you -- the next

1 comment.

2 MR. CARDONA: The next comment? Well, this is
3 the accounting -- yes. You have to be careful with the
4 accounting manual not to include many, many, many, many
5 things. We thought that this was -- since it was just
6 a nondiscriminatory policy, we thought that it was all
7 right to leave it in the accounting manual.

8 But we have to be very careful that the
9 accounting manual doesn't become a compendium of all
10 other things because then -- and I think the Inspector
11 General will agree -- nobody will read it and it will
12 become too expansive. That's my own personal opinion
13 about it.

14 CHAIRMAN MADDOX: Well, it looks to me like
15 the additional language is consistent with the other
16 sorts of requirements and whatnot the payroll and
17 personnel section includes. So unless there's a big
18 objection, I think that we can go forward with that
19 language.

20 MR. CARDONA: The next comment, then, is an
21 OIG comment. "I would suggest that not only the
22 process be documented but the process include a

1 requirement that each procurement action, above a
2 reasonable level, be fully documented by maintaining
3 the bids received and the approvals given. This would
4 include written justification for sole source purchases
5 above a certain level."

6 And we responded that we have added a new No.
7 12 to the Procurement section. "Is each purchase above
8 a reasonable level fully documented by maintaining the
9 bids received and the approvals given?" That's a
10 question. "In the event that there is a sole source
11 purchase above a specified dollar amount, is there
12 written justification for such purchase?"

13 CHAIRMAN MADDUX: All right. I gather that
14 satisfies the OIG?

15 MR. SCHANZ: Yes, sir. It does.

16 MR. CARDONA: Okay. So can I move?

17 PRESIDENT FORTUNO: Yes.

18 MR. CARDONA: Thank you. Thank you. There's
19 another OIG comment. This is, "What does 'properly
20 executed' mean in this context?"

21 And, "We have changed No. 2 in Legal
22 Consultants/Contract services from, 'Are contracts

1 written so that the services to be rendered are clearly
2 defined and properly executed?' to the following three
3 sentences: 'Are contracts written so that the services
4 to be rendered are clearly defined? Are contracts
5 properly signed by authorized persons?' And, 'Have all
6 contract terms and modifications been complied with?'"

7 CHAIRMAN MADDOX: That looks fine.

8 MR. CARDONA: Okay. There is another OIG
9 comment. "There is nothing to specifically address
10 cash received from an individual while at the office;
11 it is all set up for receiving 'money' through the
12 mail. This was a problem in a fraud the OIG looked at
13 in a certain program."

14 Response: "In response to this comment, we
15 have added a new section to Controls Over Cash
16 Receipts, page 93, to include the following questions:

17 "Are there procedures to ensure that cash
18 received in the office is properly handled?

19 "Is there an employee/employees who is
20 specifically authorized to receive cash?

21 "Is a receipt provided to the person paying
22 the cash, with a duplicate receipt maintained by the

1 program?

2 "Is a cash receipts log maintained?

3 "Are there procedures to ensure that cash
4 receipts are not commingled with the petty cash fund?

5 "Are cast receipts promptly deposited in a
6 program bank account?

7 "Is there a procedure to reconcile cash
8 receipts with the receipt log on a frequent basis?

9 "Is there notice to clients about the
10 program's cash receipts policy? Does the notice state
11 that the client is entitled to a receipt for cash
12 provided?

13 "Is there a policy to require all checks and
14 money orders received to be restrictively endorsed?"

15 MR. SCHANZ: As part of good
16 governance -- this is the IG -- we feel that, at a
17 minimum, these procedures should be recognized by the
18 governing boards.

19 CHAIRMAN MADDOX: I'm sorry. What was the
20 last -- recognized by --

21 MR. SCHANZ: The governing boards, whether it
22 be management or the board of directors.

1 CHAIRMAN MADDOX: Thank you. Well, that
2 certainly seems appropriate to me.

3 Does that bring us to our last section?

4 MR. CARDONA: I think so. And these were
5 comments on the need for training by the vice chair,
6 Martha Minow, by Julie Reiskin, board nominee, and by
7 Mr. John Levi, the board chair.

8 And the response from management is that:

9 "LSC's Fiscal Advisory Group intends to
10 continue to look at how best to support and develop
11 training to encourage sound fiscal policies among
12 grantees. The goal is to make training easily
13 accessible to grantees.

14 "Further, LSC plans to develop and cosponsor
15 training programs for recipient boards of directors on
16 issues of board governance, including financial
17 oversight. We have a board governance working group
18 that is currently working on how best to develop and
19 cosponsor board governance trainings.

20 "This group is looking at several training
21 possibilities, including sponsoring or cosponsoring
22 board training at existing national training

1 conferences, stand-alone training national and regional
2 events, partnering with other organizations using
3 existing nonprofit management resources, having
4 training available through webinars and access to video
5 clips on LSC websites.

6 "LSC recently cosponsored an all-day training
7 session at the Equal Justice Conference on May 12, 2010
8 in Phoenix on board governance. The event, entitled,
9 'Board Development: The Legal Aid Context,' included a
10 session on board financial and regulatory oversight
11 from LSC's perspective.

12 "Several sections of the accounting guide were
13 used in the training. The training was attended by 21
14 participants, the majority of whom were LSC grantee
15 clients and attorney board members.

16 "It is recognized that some of the accounting
17 terms and concepts need to be explained in more
18 commonly used language. Rather than change those terms
19 in the accounting guide, where many terms have
20 industry-wide definitions, it is suggested that
21 additional explanation of terms be used in future board
22 training materials and training events."

1 MS. CHILES: I have a question. Who are these
2 cosponsors?

3 MR. GREENFIELD: I can talk to that. This is
4 Chuck Greenfield. That was cosponsored with the
5 Center -- oh, you mean the one at the Equal Justice
6 Conference, Jonann? Or are you talking about who else
7 might cosponsor?

8 MS. CHILES: Well, yes. The Equal Justice
9 Conference. Who was the cosponsor there? And then in
10 the first paragraph of the response, "LSC plans to
11 develop and cosponsor training programs." Is that the
12 same cosponsor or a different cosponsor?

13 MR. GREENFIELD: We don't know. I can tell
14 you who the cosponsor was for the Equal Justice
15 Conference. It was the Center for Legal Aid Education
16 out of Boston. And we're looking at a variety of
17 possibilities to cosponsor other events. We've also
18 met with Management Information Exchange as well. And
19 the board governance committee, headed by Evora Thomas
20 here at LSC, we've looked at several options but we
21 haven't made a decision or recommendations.

22 MS. CHILES: Okay. I agree that the training

1 on this is important, and I agree that it needs to be
2 easily accessible. And I also agree that it needs to
3 be affordable for our grantees. And I worry, when you
4 start involving a cosponsor, an outside cosponsor, that
5 cosponsor usually is going to want to charge fees to
6 the grantee. And I will tell you that troubles me.

7 And also, on these contracts, I'm assuming
8 they're going to be consulting-type contracts. Please
9 make certain that all of the LSC contracting rules are
10 observed. I want to make sure we don't have any sole
11 source contracts, and that the recommendations of the
12 board governance working group are actually forward.

13 I guess the bottom line is I agree training is
14 very important, and I want to make sure that this is
15 done properly.

16 MR. GREENFIELD: Thank you.

17 CHAIRMAN MADDIX: On that front, just to
18 follow up, who is on the board governance working group
19 that is referred to in this language, and what's the
20 status of that?

21 MR. GREENFIELD: Evora Thomas is here and
22 could probably tell us those that are on the working

1 group. Chuck Greenfield is a member. Evora is the
2 chair of the group. She's going to join me here.

3 MS. THOMAS: Good morning.

4 CHAIRMAN MADDIX: Good morning.

5 MS. THOMAS: My name is Evora Thomas, and I'm
6 one of the program counsel in the Office of Program
7 Performance.

8 The committee at present is composed of
9 representation from three offices. Along with Program
10 Performance, we also have representation from the
11 Office of Compliance and Enforcement and from the
12 Office of Information Management.

13 This is the second year of the group's
14 existence, and at this point we are looking at
15 instruments both in terms of things that can be
16 utilized individually by each program as well as things
17 that might be available either through a national or
18 regional forum.

19 We are exploring the possibilities of
20 utilizing the online capacities of all of our programs
21 at this point, and hope to have a concrete proposal
22 finalized by this fall.

1 The second thing that we're looking at beyond
2 a training module or a series of training modules is
3 that we would develop a program letter that would also
4 provide guidance to the programs on what are viewed as
5 effective strategies for efficient board governance.

6 So those things are being worked on currently
7 by subcommittees of the broader working group.

8 Questions?

9 CHAIRMAN MADDOX: Is there anything on the LSC
10 website about the working group, or any background
11 information or --

12 MS. THOMAS: At present there isn't anything
13 posted, no.

14 CHAIRMAN MADDOX: Well, thank you.

15 MR. GREY: Hey, Vic --

16 MS. CHILES: I have one -- oh, I'm sorry.

17 MR. GREY: Jonann, go ahead. This is Robert.
18 I'll go after you.

19 MS. CHILES: I have just one brief question.
20 I noticed a list of members of the fiscal advisory
21 group. Was Gerry Singesen a member of that group or
22 not?

1 MR. GREENFIELD: This is Chuck Greenfield.

2 No, he was not.

3 MS. CHILES: What role did he play with
4 respect to this group, or any subcommittee of the
5 group, or the drafting of this accounting manual?

6 MR. GREENFIELD: He provided suggestions as to
7 changes in the accounting guide, as did a number of
8 other people, both at the National Legal Aid and
9 Defenders November conference of last year, and the
10 Management Information Exchange administrators
11 conference, which is primarily CFOs from grantees, in
12 January of this year, as did people following
13 publication of the proposed accounting guide in the
14 Federal Register on the 2nd of February.

15 MS. CHILES: So he was not a member of the
16 group?

17 MR. GREENFIELD: No, he was not.

18 MS. CHILES: Did he ever meet with the group?

19 MR. GREENFIELD: No.

20 MS. CHILES: Okay. So --

21 MR. GREENFIELD: I'm sorry. Let me modify
22 that. I think he may have been on a telephone call at

1 one point to the group and make a presentation on some
2 comments he had. I think he might have been on a call.

3 Jonann, I can't remember precisely, but I think he
4 might have been.

5 MS. CHILES: Okay. Was he involved in the
6 training at the Equal Justice Conference?

7 MS. CHILES: Yes, he was?

8 MR. GREENFIELD: Yes, he was.

9 MS. CHILES: And what did he do exactly?

10 MR. GREENFIELD: He did part of the
11 presentation, on roles and responsibilities -- I don't
12 have the materials in front of me. I did part of the
13 presentation as well, on the financial oversight. He
14 did a -- this was a one-day training, a full-day
15 training. He did several modules. A number of them
16 dealt with the roles and responsibilities of board
17 members and how those roles might conflict.

18 He also led off several of the case examples,
19 where we had potential for duties within -- the various
20 duties that board members have to the organization
21 conflicting, based on certain factual patterns of
22 things that happen within an organization.

1 MS. CHILES: If he was on one conference call,
2 then why was he a faculty member training our grantees
3 on our accounting manual?

4 MR. GREENFIELD: He was brought in by the
5 Center for Legal Aid Education. LSC did not bring him
6 in. We did a section that was specifically, Jonann,
7 geared towards LSC -- well, almost everybody but one
8 person was an LSC grantee.

9 But we did a section -- I did a section on
10 financial oversight that was geared towards LSC
11 grantees. And then included within that was a section
12 on regulatory compliance and the provisions where our
13 regulations require the boards of directors of grantees
14 to do certain acts.

15 And so we focused specifically on the
16 obligations that board members, grantee board members,
17 have under LSC laws, grant assurances, grant
18 conditions, et cetera. And the Center for Legal Aid
19 Education did a more broad training on general roles
20 and responsibilities, duties, et cetera, of a nonprofit
21 board member.

22 MS. CHILES: Did we pay the Center for Legal

1 Aid Education --

2 MR. GREENFIELD: I don't know that answer.

3 MS. CHILES: -- to perform those services?

4 I'm sorry. I didn't hear your answer.

5 MR. GREENFIELD: I'm sorry. I'm referring to

6 Vic, I think, who's going to respond to that.

7 PRESIDENT FORTUNO: I believe there was a

8 contract that subsidized the training. I'm trying to

9 think of what it was referred to as. But there was a

10 memorandum of understanding executed that provided

11 support for the training. So LSC --

12 MS. CHILES: Is that the same contract that

13 the IG is looking into right now?

14 PRESIDENT FORTUNO: Yes. I believe so.

15 MR. SCHANZ: Yes.

16 MS. CHILES: Okay. Then I'll stop asking

17 questions about that, then.

18 And is CLAE one of the entities, I

19 guess -- well, you already answered that question. It

20 is one of the entities you're looking at for

21 cosponsoring future training?

22 MR. GREENFIELD: Yes. This is Chuck

1 Greenfield responding. One of the possibilities,
2 Jonann -- we haven't made any decisions, as Evora said;
3 we're studying that possibility as well as cosponsoring
4 with other organizations.

5 MS. CHILES: Okay. I'll just go ahead and
6 tell you, I have great respect for Evora's judgment.
7 And so I'll be interested to hear what she has to say
8 on the subject in the future.

9 And not to belabor the point, but I'm also
10 concerned about the money that's being used for the
11 training. Where is the money coming from? Where is
12 the money to come from in the future? And those types
13 of questions. But I'll save those for a later day.

14 That's all I have. Thank you.

15 CHAIRMAN MADDOX: Thank you, Jonann.

16 Is there any further discussion on item No. 15
17 on the comments that we've been discussing?

18 (No response.)

19 CHAIRMAN MADDOX: If not, anything else in
20 your presentation, Mr. Cardona?

21 MR. CARDONA: No, sir.

22 MR. MEITES: Vic, this is Tom Meites. Before

1 you let him go, I've been debating whether to raise
2 this point during this call, but I think I should. If
3 I can direct people's attention back to page 4 of the
4 memo we've been discussing, and in particular, point 6
5 under the duties of the audit committee, which reads,
6 "Risk assessment, governance, compliance, and ethics."

7 I reviewed before this meeting the charter of
8 our audit committee. And let me read you items 13 and
9 15 of what we are charged with doing.

10 "13. Shall review all regulatory and internal
11 control matters that may have a material effect on the
12 Corporation's financial statements." And,

13 "15. Shall review any significant
14 deficiencies in internal controls over financial
15 reporting identified by management, the IG, or the
16 external auditors, and ensure that corrective action is
17 taken by management."

18 Now, I suppose that both of those ideas are
19 packaged in the word "compliance." But I think that we
20 have found on the audit committee that maybe our most
21 important job is to go beneath the surface on issues
22 that are brought to our attention or which we identify

1 ourselves.

2 Now, I'm not sure that I would be as detailed
3 in these accounting procedures as we are in our audit
4 committee charter. But I think simply listing the word
5 "compliance" in a list of other items may understate
6 the key role that the audit committee, an audit
7 committee, plays in ensuring that management is
8 following internal controls and is accurately reporting
9 the financial affairs of the Corporation both
10 internally and externally.

11 I open that for discussion. If you all think
12 that putting compliance in No. 6 is enough to alert an
13 audit committee or a finance committee which has an
14 audit function to what its responsibilities are, I can
15 go along with that. But an alternative is to take the
16 word "compliance" out of 6 and perhaps make it a
17 separate point with a little amplification.

18 MS. CHILES: Tom, this is Jonann. I think
19 your comments are good ones and I would be in favor of
20 doing that, of beefing up that section.

21 MR. GREENFIELD: This is Chuck Greenfield. I
22 can speak on behalf of the fiscal advisory group when

1 we considered that.

2 Actually, that section was added on the
3 request of LSC's OIG to list those specific provisions.

4 And so I would defer to them as to whether they think
5 that's appropriate. They did not recommend that
6 earlier, but perhaps they are now based on the board's
7 concerns.

8 MR. SCHANZ: This is the IG. As I talked
9 about earlier, anything we can do to strengthen this
10 document to make it, as much as we can, a cookbook
11 approach to how to govern and how to be accountable for
12 federal funds would be, I think, very helpful and very
13 advisable.

14 I can allow somebody to work with the language
15 on that, or I can get back to the management on the
16 language on that. But I think the point is very well
17 taken.

18 CHAIRMAN MADDOX: Are you suggesting that we
19 ought to create an item No. 7 that would specify along
20 the lines of items 13 and 15 in our own charter?

21 MR. MEITES: Yes, I am, although, given the
22 brevity of the other bullet points here, I would

1 envision a much shorter statement. And I'd be happy to
2 let the IG and management see if they can come up with
3 something.

4 CHAIRMAN MADDOX: Well, I don't think that
5 that's a bad idea, either. I guess in light of how we
6 proceeded thus far, do you have a suggestion or a -- a
7 practical suggestion about what we do with our document
8 today?

9 MR. SCHANZ: I have something better than a
10 suggestion. I have the assistant inspector general for
11 audit, Dutch Merryman, ready to talk to us about the
12 proposed language.

13 CHAIRMAN MADDOX: All right.

14 MR. MERRYMAN: This is Dutch Merryman. I just
15 want to call out that -- I don't have it in front of
16 me, but we need to get the correct definition of what
17 "compliance" means in this context because when you
18 look at corporate governance, compliance policies are
19 not necessarily just the issues dealing with compliance
20 with regulations and those types of things.

21 I don't have the definition here, but we do
22 need to make sure that we are defining the term

1 correctly when we start looking at changing the
2 wording, what the intent was by the word compliance in
3 corporate governance.

4 MR. MEITES: Vic, this is Tom. An idea is
5 that between now and the board meeting, if they can
6 come up with some language which they can circulate
7 when we start the board meeting in, I guess -- oh, just
8 start right away? We don't have an hour break. I'm
9 sorry. I thought we took time off. That suggestion
10 won't work.

11 CHAIRMAN MADDOX: Yes. I believe we're
12 starting up at noon. At least, that was the plan. I'm
13 perfectly agreeable to beefing up the language. I'm
14 just not sure, as a practical matter, how -- thus far,
15 we've made some fairly modest oral modifications that
16 we've all agreed to and moved and seconded, et cetera.

17 I'm not sure we're in a position to do that
18 now on this language. And if not, I gather we're not
19 in a position to actually move the document.

20 PRESIDENT FORTUNO: Well, if I may -- Vic, if
21 I may, this is Vic Fortunato. You could probably go
22 ahead and act on the document subject to one possible

1 modification. When you present it to the board -- the
2 board meeting is scheduled to start in six minutes or
3 so -- hopefully we'll have some language for you that
4 you can consider at that point with your
5 recommendation, that is, that if the recommendation is
6 to adopt the manual as it's been discussed this
7 morning, then that's how you proceed.

8 And if we have language that's satisfactory,
9 maybe the committee could note that it's subject to
10 that one possible revision, and it could be taken up
11 when the board takes up the manual.

12 That way you'll have the option, if we come up
13 with some language quickly enough for you, when you
14 make the recommendation to the board, to note that
15 you're recommending adoption of the manual with this
16 one caveat. And if we've got language that satisfies
17 everyone, you can incorporate that at that time.

18 CHAIRMAN MADDOX: I think that's probably the
19 best practical approach. Tom, does that satisfy you?

20 MR. MEITES: Yes. I think that's a very
21 sensible approach.

22 CHAIRMAN MADDOX: Well, let's do that, then.

1 I think, in the interest of staying on
2 schedule, unless there's other comments on the overall
3 process we've forward, that brings us to the public
4 comment section on our agenda.

5 Is there any public comment?

6 (No response.)

7 CHAIRMAN MADDOX: I don't hear any. Is there
8 anybody in the room there who's signaling they'd like
9 to make a comment?

10 MS. PERLE: No.

11 CHAIRMAN MADDOX: If not, then we can, I take
12 it, consider and act on other business. Or actually,
13 we're going to go back up to No. 3 and act on the
14 revision itself, which would be to adopt a motion that
15 would approve the manual, the accounting procedures, as
16 we have them presented and as we have modified them in
17 today's meeting, subject to the possibility of further
18 modifying the language in the section we just
19 discussed, item No. 6, relating to compliance.

20 Is there a motion? Do I hear a motion?

21 M O T I O N

22 MR. MEITES: This is Tom Meites. I so move.

1 CHAIRMAN MADDOX: Okay. And a second?

2 MS. CHILES: Jonann Chiles seconding.

3 CHAIRMAN MADDOX: All in favor, then, of
4 approving the revisions to the accounting -- actually,
5 the new accounting procedures that we have presented,
6 the LSC Accounting Guide for LSC Recipients, as orally
7 modified by our joint committee at today's meeting,
8 with the caveat just discussed, all in favor will say
9 aye.

10 (A chorus of ayes.)

11 CHAIRMAN MADDOX: Any opposed?

12 (No response.)

13 CHAIRMAN MADDOX: Then the motion is agreed to
14 and the revisions are accepted.

15 Is there any other business before the joint
16 committee?

17 (No response.)

18 CHAIRMAN MADDOX: Is there a motion to
19 adjourn?

20 M O T I O N

21 MR. MEITES: So moved.

22 CHAIRMAN MADDOX: Second?

1 MS. CHILES: Second.

2 CHAIRMAN MADDOX: All in favor?

3 (A chorus of ayes.)

4 CHAIRMAN MADDOX: I take it, then, our meeting
5 is adjourned, and I thank everyone for their
6 participation.

7 (Whereupon, at 11:57 a.m., the meeting was
8 adjourned.)

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