

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
AUDIT COMMITTEE

OPEN SESSION

Thursday, January 22, 2015

2:25 p.m.

Westin Colonnade Hotel
180 Aragon Avenue
Coral Gables, Florida 33134

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

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

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Lynn Jennings, Vice President for Grants Management
Wendy Rhein, Chief Development Officer
Rebecca Fertig Cohen, Special Assistant to the
President
Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Mark Freedman, Senior Assistant General Counsel,
OLA (by telephone)
Stefanie Davis, Assistant General Counsel, OLA
(by telephone)
Atitaya Rok, Staff Attorney, OLA
David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services
Carol A. Bergman, Director, Office of Government
Relations and Public Affairs
Carl Rauscher, Director of Media Relations, GRPA
Marcos Navarro, GRPA
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, OIG
John Seeba, Assistant Inspector General for Audit,
OIG (by telephone)
Daniel O'Rourke, Assistant Inspector General for
Investigations, OIG
David Maddox, Assistant Inspector General for
Management and Evaluation, OIG
Janet LaBella, Director, Office of Program
Performance
Lora M. Rath, Deputy Director, Office of Compliance
and Enforcement
Sophia Mason, Office of Human Resources
Herbert S. Garten, Non-Director Member, Institutional
Advancement Committee
Frank B. Strickland, Non-Director Member,
Institutional Advancement Committee
Allan J. Tanenbaum, Non-Director Member, Finance
Committee
Nikole Nelson, Executive Director, Alaska Legal
Services Corporation

Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Robin C. Murphy, NLADA
Lisa Wood, American Bar Association SCLAID Chair

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

2 (2:25 p.m.)

3 CHAIRMAN MADDOX: I'll call the meeting of the
4 Audit Committee of the Legal Services Corporation to
5 order. And we have with us today here in Miami Gloria
6 Valencia-Weber, Harry Korrell, and myself. And is
7 anyone on the phone?

8 MR. SNYDER: Hi, Vic. Paul Snyder.

9 CHAIRMAN MADDOX: Hi, Paul, Paul Snyder is
10 attending on the phone.

11 David? David Hoffman, are you there?

12 (No response.)

13 CHAIRMAN MADDOX: I'm told David is dialing
14 in. Oh, we are early? Thank you. We're on a tight
15 schedule.

16 MR. FREEDMAN: Mr. Chairman, this is Mark
17 Freedman from the Office of Legal Affairs.

18 CHAIRMAN MADDOX: Hi, Mark. Thank you for
19 joining us. Thank you for your email earlier today
20 also, which was very helpful.

21 All right. Well, we'll get some of the
22 preliminaries out of the way, and David can probably

1 join us before we get to anything substantive.

2 So I note the presence of a quorum. And the
3 first item on our business is the approval of the
4 agenda. Is there a motion? Gloria?

5 M O T I O N

6 PROFESSOR VALENCIA-WEBER: I move approval of
7 the agenda.

8 CHAIRMAN MADDOX: And a second?

9 MR. KORRELL: Second.

10 CHAIRMAN MADDOX: Harry, thank you. All in
11 favor?

12 (A chorus of ayes.)

13 CHAIRMAN MADDOX: Opposed, no?

14 (No response.)

15 CHAIRMAN MADDOX: Approval of the agenda
16 carries.

17 The second item is the approval of the minutes
18 of the Committee's open session meeting of October 6,
19 2014. Is there a motion to approve those minutes?
20 Gloria?

21 M O T I O N

22 PROFESSOR VALENCIA-WEBER: So moved.

1 CHAIRMAN MADDOX: Paul? Second?

2 MR. SNYDER: Second.

3 CHAIRMAN MADDOX: Seconded by Paul. All in
4 favor?

5 (A chorus of ayes.)

6 CHAIRMAN MADDOX: And hearing no opposition,
7 the motion is agreed to and the minutes are approved.

8 The next item is discussion of the Committee's
9 evaluations for 2014 and the Committee's goals for
10 2015. We have summaries of the Committee evaluation
11 responses beginning at page 81 in our Board book, and
12 it seems that there is either strong agreement or
13 agreement that the Committee's goals are being met, and
14 its resources are adequate, and it functions well, et
15 cetera. So I don't see any need for significant change
16 there.

17 Ideas for improvement were that the Committee
18 needs to be run more efficiently by the Chairman;
19 that's a continuing recommendation.

20 MR. LEVI: Do you know which Chair?

21 CHAIRMAN MADDOX: I think that's me. And so I
22 take that to heart. I reserve the right during today's

1 meeting to rap the gavel to anyone who goes more than
2 10 minutes, including the staff and Management.

3 Other than that, are there any comments or
4 discussion about the evaluations? Gloria?

5 PROFESSOR VALENCIA-WEBER: Among the
6 suggestions, some of which resound to what were on our
7 total Board feedback, is about how to make best use of
8 our time, and in terms of the amount of time we spend
9 in hearings and panels.

10 But for this Committee, I thought the
11 suggestion to perhaps set time limits in advance for
12 certain testimony we know we are going to have before
13 the Committee, and to ask our people to operate in a
14 certain time period -- and we're going to be having
15 this for some time to come as we keep developing the
16 coordination between the IG's Office and the Office of
17 Compliance as we're trying to tie together more
18 efficiently that whole cycle of reporting and
19 monitoring.

20 So I thought that was an interesting
21 suggestion to consider, allocating among our minutes
22 how much for which topic because we will be having

1 those.

2 CHAIRMAN MADDOX: Yes. I think that's a good
3 suggestion, Gloria. It's one that may be easier in the
4 abstract than it is in the application. But I just
5 recall at our last meeting we had a panel of Janet
6 LaBella, Lynn Jennings, and Lora Rath, and there was a
7 lot of material that we could have discussed
8 productively, and there just wasn't time to do it So I
9 was forced to wrap that to a conclusion.

10 But I'll try to do that more effectively in
11 the future. And I agree with you completely that
12 having more time for discussion and questioning is
13 helpful.

14 PROFESSOR VALENCIA-WEBER: Well, I don't think
15 you should beat yourself so much of not being an
16 efficient Chairperson. I think part of this is we are
17 delving into substantive issues that have lain there
18 uninvestigated for some time. And it's part of our way
19 of making better what we just previously discussed, how
20 to be prepared to operate as a Board.

21 CHAIRMAN MADDOX: Sure.

22 PROFESSOR VALENCIA-WEBER: And so I think we

1 should be prepared -- if there is still something more
2 to be discussed, a different topic, that we choose to
3 delay that discussion purposefully for the next
4 meeting, even if it's going to be by telephone, so we
5 don't end up frustrated that we didn't get to X, and X
6 was important.

7 CHAIRMAN MADDOX: Right. Well, I appreciate
8 that, and I'll try to do that. I do try to send the
9 agenda out some weeks in advance, and if anyone has
10 suggestions for areas that we might focus more on and
11 devote more time to rather than less, I certainly
12 welcome those suggestions.

13 I understand that David Hoffman has joined us.
14 Welcome, David.

15 MR. HOFFMAN: Thank you. Yes, I didn't want
16 to interrupt in the interest of efficiency.

17 (Laughter.)

18 MR. SNYDER: But Vic, also, just real quick if
19 I could, but Gloria's comment reinforced it, I don't
20 think you should beat yourself up on this. I don't
21 think it's critical of the Chairman's role. I think we
22 have a very short time frame to try to work through the

1 agenda, and sometimes that time frame just may not be
2 adequate. So I think the idea of --

3 CHAIRMAN MADDOX: Well --

4 MR. SNYDER: -- the agenda out may be helpful.

5 CHAIRMAN MADDOX: I appreciate that, Paul.

6 I'm not beating myself up too much. I think the
7 comment that the Chairman needs to run the meetings
8 more efficiently may be my own.

9 (Laughter.)

10 CHAIRMAN MADDOX: It has a ring of familiarity
11 to it.

12 On the future focus section, the last item is
13 acceleration of the LSC's process to conclude on
14 matters raised by the IG, and continue to enhance the
15 relationship with the IG. I think that's an area where
16 we will profitably focus our time this year, and I know
17 we'll discuss that some more today when we look at the
18 OIG/OCE referral issues. So we'll try to keep that as
19 one of our goals of bringing to some appropriate
20 resolution in the next six to nine months, I guess.

21 Anything else on that topic?

22 (No response.)

1 CHAIRMAN MADDOX: If not, we'll move on to
2 item number 4, the presentation of the fiscal year 2014
3 annual financial audit. And I understand John Seeba,
4 Assistant IG for Audits, and Nancy Davis with
5 WithumSmith+Brown -- Nancy is probably on the phone.

6 MR. SEEBA: Actually, this is John Seeba, AIG
7 for Audit. Unfortunately, Nancy could not attend
8 today. She some conflicts with attending. So I will
9 be reporting in her stead.

10 CHAIRMAN MADDOX: John, just one second.

11 Jeff, could I ask you to move down so that I
12 can actually see you? Thanks. You can take the center
13 stage. Sorry about that.

14 All right. I'm sorry, John. Go ahead.

15 MR. SEEBA: On January 13th, Jeff had sent out
16 a copy of the audit opinion issued by WithumSmith+Brown
17 to all the Board members. So hopefully you have seen
18 that and have taken a look at that.

19 The good news is that the issued a clean
20 opinion on the financial statements, and also issued
21 their reports on internal controls and compliance with
22 laws and regs and found no noncompliance issues to

1 report.

2 So basically, it's a very clean report, and
3 everything went very smoothly this year. Kudos to
4 David Richardson and his staff for providing all the
5 information, and it went extremely smooth this year.
6 So I'd like to thank David for all of that cooperation
7 with our staff and with the staff of WithumSmith+Brown.

8 That concludes my comment.

9 CHAIRMAN MADDOX: Any questions from anyone on
10 the Committee?

11 MR. LEVI: I understand she had a conflict.
12 But I wouldn't like them to get into the habit, if
13 they're our continuing firm, of not sending a delegate
14 to represent them with respect to the Committee meeting
15 of the Audit Committee when the audit is presented.

16 And I don't know whether they actually
17 presented -- how does it get presented to the Board?
18 Do they normally -- or it just comes from the Audit
19 Committee, I think?

20 CHAIRMAN MADDOX: Well, in the past, Nancy or
21 someone at the outside audit firm has attended this
22 meeting and presented, either in person or by phone. I

1 wasn't aware that there wouldn't be anyone here today.

2 MR. LEVI: I appreciate that. This was not a
3 comment about the Chairman or --

4 CHAIRMAN MADDOX: No. Trust me, I'm not that
5 thin-skinned. I did have a conversation with Nancy on
6 December 18th as part of the closeout process. She
7 reported that there was a clean audit, that there would
8 be no management letter, that they were pleased, by and
9 large.

10 She asked if I had input, questions, concerns,
11 as Chairman of the Committee. I reported to her that
12 as far as we were aware, the processes work well.
13 We're not aware of any concerns for fraud or conflicts
14 of interest by Management, and that the OIG seems to be
15 working very well with Management. So it was a
16 positive discussion.

17 I think I circulated that document, my notes
18 of that conversation, to the Committee.

19 MR. LEVI: But her firm's name is Withum, and
20 I hope she'll be with us occasionally.

21 (Laughter.)

22 MR. LEVI: That was bad.

1 CHAIRMAN MADDUX: Barump-bump-ching.

2 All right. Well, if there are no other
3 comments on that, thank you, John.

4 MR. SEEBA: You're welcome.

5 CHAIRMAN MADDUX: And we'll move now to item
6 number 5, review of LSC's Form 990 for FY 2014. And
7 I'll recognize the Corporation's comptroller, David
8 Richardson. Welcome, David.

9 MR. RICHARDSON: Thank you, sir. Included on
10 Google Docs on the website was the analysis that was
11 completed of the Form 990 comparing it to the financial
12 statements. I could not confirm that earlier today, so
13 I did send you an email. So hopefully you've got two
14 copies of it. I also have a hard copy, if you'd like
15 to see it.

16 CHAIRMAN MADDUX: Is that the email that was
17 sent at 2:12 p.m. today?

18 MR. RICHARDSON: Correct. I couldn't get
19 somebody to confirm that it was on Google Docs, so I
20 went ahead and sent it -- panicked, you might say, to
21 make sure that you had it for the meeting.

22 CHAIRMAN MADDUX: Yes. I appreciate that.

1 MR. RICHARDSON: I hope you've had an
2 opportunity to look at it. I know today's email was
3 received late, but it was included on Google Docs.

4 As I was saying, we have compared the
5 materials from the 990 to the financial statements.
6 The analysis shows that I have taken where it is
7 included on the Form 990 and I've shown it in our
8 financial statements so that you could track it in
9 looking at it.

10 We've identified everything on the financial
11 statement and the functional expenses, and I'll be glad
12 to answer any questions you may have about that at this
13 time.

14 CHAIRMAN MADDOX: Are there any questions from
15 the Committee?

16 MR. SNYDER: No. This is a schedule, I think,
17 that's really well done, and it was really helpful to
18 link the two. So thanks, David.

19 CHAIRMAN MADDOX: Paul, I'm sorry. I had
20 trouble hearing you; maybe others did, too. Could you
21 repeat that?

22 MR. SNYDER: I was just saying that I think

1 this reconciliation is extremely helpful. Don't always
2 see it with other organizations, and to tie the 990 to
3 the financial statements is really helpful.

4 MR. RICHARDSON: Thank you, sir.

5 CHAIRMAN MADDOX: Is that the extent of your
6 report, David?

7 MR. RICHARDSON: That is, sir.

8 CHAIRMAN MADDOX: No other questions from the
9 Committee? Anyone on the Board have questions for
10 David on that?

11 MR. KORRELL: Mr. Chairman, maybe we should
12 handing out little gold stars for efficient
13 presentations.

14 CHAIRMAN MADDOX: Yes.

15 (Laughter.)

16 MR. KORRELL: Mr. Richardson gets one.

17 CHAIRMAN MADDOX: I'm banking all this extra
18 time. Thank you, David.

19 MR. RICHARDSON: Thank you, sir.

20 CHAIRMAN MADDOX: We'll move now to item
21 number 6 on our agenda, which is the briefing by the
22 Office of the Inspector General. And I see our

1 Inspector General, Jeffrey Schanz, is with us, and I so
2 recognize you.

3 MR. SCHANZ: Thank you, Mr. Chairman. I do
4 want to add, as far as the physical presentation of the
5 audited financial statement, these meetings were
6 normally in Washington. And in the interest of
7 economy, we could have the entire audit team present
8 the audited financial statement audit.

9 This is the first year that we've adjusted
10 that, so therefore we felt, in the interest of economy
11 and efficiency, that a verbal briefing would be
12 sufficient. And that's why we did that. But I do
13 recognize your point, John, that it's their product;
14 they should present it. So we'll see what we can do in
15 the future.

16 MR. LEVI: Just be on the phone. That's fine.

17 CHAIRMAN MADDUX: Yes. This isn't the first
18 year we've met outside Washington in January. I think
19 in maybe our third year, isn't it, we were in San Diego
20 and New Orleans?

21 DEAN MINOW: Well, after we had several
22 snowstorms that made it difficult to get in and out --

1 MR. LEVI: After Laurie and I almost ended up
2 in the ditch.

3 DEAN MINOW: Yes.

4 CHAIRMAN MADDOX: Right. After I spent eight
5 hours on the runway at Washington National.

6 DEAN MINOW: I spent two days on a train.

7 (Laughter.)

8 CHAIRMAN MADDOX: But actually, Jeff, I think
9 this may be our fourth annual meeting outside of
10 Washington in January. Well, well enough. Anyway, we
11 appreciate it, and I think John's point is that the
12 phone line runs all the way to wherever we might be.

13 MR. SCHANZ: I do want to talk to you just for
14 a minute. I think at the last Board meeting, Gloria
15 was wondering about staff credentials for the OIG audit
16 staff. We compiled those, and several staff members
17 have numerous degrees, but I'll give you a laundry list
18 of them real quickly.

19 First, they all have to have 24 hours in
20 accounting to be hired as an auditor in the government
21 or the nonprofit world. Of our 11 professional
22 auditors, we have four masters degrees, three CPAs,

1 three certified internal auditors, two certified fraud
2 examiners, one certified systems auditor.

3 We have a JD thrown in amongst the mix. We
4 have one individual certified in financial forensics.
5 We have one chartered in global management accountancy.

6 We have one certified in risk management assurance.

7 And we have an additional certified internal controls
8 auditors.

9 So we've done fairly well hiring in the
10 Washington area, and I'm very proud of the audit staff.

11 We've reconfigured a little bit that we'll talk about
12 when John's here.

13 John is not here because he looks like a
14 hockey player with his shoulder surgery and would not
15 be able to make it onto an airplane without taking up
16 two seats. So I will do my best to present what we're
17 doing in the Audit Committee in open session, and I can
18 discuss with you further in front of the Board.

19 As you noted in my performance appraisal, we
20 had a peer review, and we followed up on that with all
21 the training taking place by December 18th of the past
22 year. But never being one to rest on the laurels, and

1 I thought this was a shot across the bow, what we've
2 engaged in since that time is something I will call
3 continuous monitoring.

4 We've identified an individual who will, on my
5 request if I see anything wrong or, short of my
6 request, every six months, do a followup of the
7 training that we've provided to staff. The first one
8 was very thorough and very complete, and I've talked to
9 John Seeba, the AIGA, Assistant Inspector General for
10 Audit. And I want to make sure that we have a zero
11 tolerance for anything that's moving along too slowly
12 in my opinion or in the opinion of the person who's
13 doing the continuous monitoring.

14 IGs, as you've heard me say before, we're the
15 last bastion of financial control in spending
16 government funds. So I take that job very seriously,
17 and we've been able to follow up in a timely manner.
18 And then in addition to that, we're doing spot checks,
19 as it were, of a hot issue.

20 So I'm looking at every draft audit report.
21 I'm signing every final draft audit report. So I've
22 gotten involved earlier in the process to make sure

1 that we're fully functioning within the requirements of
2 the GAGAS.

3 That's all I have as the IG report for the
4 Audit Committee, unless there's any questions.

5 CHAIRMAN MADDUX: Jeff, just let me ask you:
6 On the peer review findings and corrective actions, was
7 there some sort of formal closeout of that peer review
8 and its recommendations? You've provided us a
9 spreadsheet of the recommendations and corrective
10 actions and the completions date. Was there some
11 closeout letter with the peer reviewer, or any way that
12 that is noted?

13 MR. SCHANZ: That has not been part of the
14 process, and I've been involved in the process since
15 day one 20-some years ago, having drafted the first
16 memorandum of understanding of how this process will
17 work with VA, Commerce, and AID.

18 So the immediate answer is no. They come in.
19 Of course -- I've mentioned this at the last Board
20 meeting -- they follow up on the previous year's
21 findings. But this is supposed to be a collegial
22 process instead of a hard and fast audit. It's a peer

1 review. It's a different animal.

2 So no, they do not followup. And in the IG
3 community, myself included, I took this very seriously.

4 So I'm not going to let anything languish, and we
5 expect that of our colleagues. So there hasn't been a
6 formal followup written into this process.

7 CHAIRMAN MADDOX: But all those
8 recommendations have been met and corrective actions
9 have been taken?

10 MR. SCHANZ: And continuous monitoring of
11 those to make sure we don't backslide.

12 CHAIRMAN MADDOX: Thank you very much.
13 Harry?

14 MR. KORRELL: I have a quick question. Mr.
15 Inspector General, there's a reference on page 86 to
16 OIG performing attestations in engagements. Could you
17 just tell me what that is? I didn't understand that.

18 MR. SCHANZ: Well, I wish -- and maybe John's
19 still on the line because I am not --

20 MR. SEEBBA: Yes. I'm still here.

21 MR. SCHANZ: Okay. I'm not a CPA. I'm a JD
22 with a boatload of audit experience. But John, you

1 want to talk about an attestation review, please?

2 MR. SEEBA: Basically, they are special
3 reviews where the auditor looks at a particular
4 performance characteristic of an organization to make
5 sure that they're actually doing something in
6 compliance with a certain regulation or some type of
7 process.

8 We would be essentially giving an opinion on
9 that, that they are meeting the requirements of that
10 process or those goals, that type of thing. That's
11 basically what an attestation is.

12 We don't really plan on doing those, and
13 they're usually pretty far and few between in most IG
14 offices. But it is in the Yellow Book that we have for
15 government auditing standards, and the peer review
16 wanted us to include that in our own internal guidance
17 and policies.

18 MR. SCHANZ: Harry, we have not done any since
19 I've been the IG of LSC. I can go back in time to DOJ
20 --

21 MR. KORRELL: I was just curious. Those kinds
22 of things --

1 MR. SCHANZ: Well, an attestation is a
2 different animal. All the standards do not apply, but
3 what you're doing is certifying as an auditor that, to
4 my knowledge and belief, this has occurred without the
5 necessary documentation that you would drill down under
6 GAGAS.

7 So an attestation, as John mentioned, is in
8 the Yellow Book. It's when if the President or the
9 Chairman of the Board wanted me to look at something
10 within the Corporation that didn't meet the standards
11 of an audit, it would be an attestation. I can give
12 you the back stories.

13 MR. KORRELL: No need for that.

14 MR. SCHANZ: Oh, yes.

15 MR. KORRELL: You're looking for a gold star
16 for efficiency.

17 (Laughter.)

18 MR. SCHANZ: I know that. I know that. And I
19 don't want him to get a big head here. Attestation
20 reviews came up in the concept of internal control
21 reviews under OMB A-123.

22 MR. KORRELL: You're losing your gold star for

1 efficiency.

2 (Laughter.)

3 MR. SCHANZ: I wasn't promised that. So
4 anyway --

5 MR. KORRELL: Thank you for that.

6 MR. SCHANZ: -- but it is a formal procedure
7 that auditors are qualified to do by the Yellow Book.

8 CHAIRMAN MADDOX: Thank you, Jeff.

9 Any other questions for the Inspector General?

10 (No response.)

11 CHAIRMAN MADDOX: If not, thanks so much.

12 We'll move on to item number 7 now, Management
13 update regarding risk management. And I recognize Ron
14 Flagg, General Counsel of the Corporation.

15 MR. FLAGG: Thank you. You have in your
16 materials the risk management matrix that has typically
17 been appearing at these meetings. I would supplement
18 that with just a remark or two about how it is items
19 are reported on or how we identify what items are
20 reported on.

21 They basically fall into two categories, or
22 maybe three. One category is what I would call

1 recurring reports; so for example, I think this
2 Committee has properly identified the relationship
3 between the IG and OCE as a very significant area
4 generally, and certainly a significant area of risk
5 management. So every meeting there's a report on that;
6 that's reflected on this chart.

7 Then in addition to recurring issues, we have
8 obviously issues that are selected for reporting at a
9 given meeting. And that can be at the instance of
10 Management because of new developments within the
11 organization, and on a number of occasions, Committee
12 chairs have asked us for a report on a particular
13 topic.

14 So, for example, at this meeting of the Board
15 and its Committees in Miami, we've already heard a
16 report on management transitions to the Governance
17 Committee. The Delivery of Legal Services Committee is
18 going to hear a report also on management transitions,
19 but hear management transitions within our grantees,
20 which is a critical area of risk management, obviously
21 a critical area for our grantees, and you will be
22 hearing a panel on that.k

1 Coming up at the April meeting, we've already
2 identified at least two areas that Management would
3 like to report on that we consider quite significant
4 and worthy of additional reporting.

5 One is on procurement and contracting;
6 probably, of all of our areas of operation, I think
7 from what the IG tells us and what we ourselves see,
8 it's an area of significant risk and we've made -- and
9 you will see in April, I think -- substantial advances
10 on how we're doing procurement and contracting. And
11 you'll get quite a substantial report n that and see
12 what will be our new policy and new electronic tool to
13 help us do that better.

14 Likewise, and the Board has heard about this
15 over the course of the last couple years, performance
16 management is an area of significant importance and
17 risk. And we've devoted a lot of time and new
18 procedures and policies to that, and there will be a
19 report on that.

20 So I just wanted to give that for context, and
21 with that, I'm happy to answer any questions.

22 CHAIRMAN MADDOX: Thank you, Ron, for that

1 report.

2 Are there any questions for Mr. Flagg?

3 MR. KORRELL: Are we going to talk about the
4 risk management matrix? Is that a separate topic, or
5 is that --

6 CHAIRMAN MADDOX: That's what we're talking
7 about.

8 MR. FLAGG: No. That's what we're talking
9 about.

10 MR. KORRELL: I just didn't know if you were
11 going to walk -- I just had a question about the
12 management system risks entry on page 2. And it
13 identifies examples of performance management, and
14 potential failures are failure to achieve performance
15 goals, performance of defined goals including
16 implementation of fiscal oversight and Pro Bono Task
17 Force reports.

18 I would have expected to see the strategic
19 plan referred to there, and maybe not the Pro Bono Task
20 Force report. I guess I view that as -- that was a
21 large group of us and a lot of information came out of
22 that, but I guess I didn't view that as imposing

1 directives on LSC's Management.

2 There were some ideas in there. There were
3 some interesting -- I'd invite Martha to weigh in. But
4 I guess I viewed that as a different kind of document
5 from a strategic plan that the Board has voted on and
6 adopted.

7 DEAN MINOW: I completely agree about the
8 strategic plan. It ought to be there. I think that
9 there were subparts of the pro bono report, and a
10 couple of the items did specifically direct Management
11 to take charge.

12 MR. KORRELL: I guess the question is, are
13 those items --

14 DEAN MINOW: And we voted them.

15 MR. KORRELL: So as adopted by the Board?

16 DEAN MINOW: Yes. As adopted by the Board.
17 But not the whole report, so you're right about that.
18 But there were some particular items that directed
19 Management to do things.

20 Ron, is that right?

21 MR. FLAGG: Yes.

22 MR. KORRELL: Then I would like to see the

1 strategic plan mentioned there, and maybe --

2 MR. FLAGG: We'll add that. That's a good
3 catch.

4 CHAIRMAN MADDOX: Thank you, Harry. That's a
5 good comment.

6 Anyone else have anything for Ron on that?

7 (No response.)

8 CHAIRMAN MADDOX: Anyone on the Board?

9 (No response.)

10 CHAIRMAN MADDOX: If not, Ron, we appreciate
11 it. You get a star.

12 We'll move on now to our next item, number 8,
13 briefing about referrals by the Office of Inspector
14 General to the Office of Compliance and Enforcement, et
15 cetera. And I see Lora Rath, and Jeff Schanz is
16 returning to the table. John Seeba is on the phone,
17 and Lynn Jennings is in waiting.

18 MS. JENNINGS: Just waiting in case you need
19 me.

20 CHAIRMAN MADDOX: I see that. So welcome to
21 you all. This has been an important ongoing issue for
22 the Committee, and I know that, Lora, you've worked

1 hard on it since our last meeting.

2 MS. RATH: Yes, sir.

3 CHAIRMAN MADDOX: Where I was something of a
4 Simon Legree. And I know the Paul Snyder has helped
5 work on some of the presentation of data and helped to
6 communicate some of the Committee's concerns and
7 whatnot. So I appreciate all that, and I'll turn it
8 over to you.

9 MS. RATH: Great. Thank you. Good afternoon.

10 As the Chairman said, Paul Snyder helped me a great
11 deal in putting together the memo that starts at page
12 102. I think it was a recommendation from one of the
13 Committee members or one of the Board members that
14 perhaps a cover memo would help the Board to understand
15 the charts.

16 So the memo goes through calendar year 2014
17 and everything that we were able to finish on the LSC
18 Management side. Coming into the year, we had five
19 pending referrals from the Audit Division of the Office
20 of the Inspector General. Throughout the year, we
21 received another five.

22 So in total we closed eight of the referrals

1 from the Audit Division. We have two pending that we
2 hope to be closed within the next 30 to 60 days. So
3 the memo goes through and gives a little bit more
4 detail than was in the charts, which we've also
5 provided in case you were used to the charts.

6 If anybody has any questions about the
7 information in the memo or has suggestions about a
8 better way to convey the information to you, I'd be
9 happy to hear them.

10 CHAIRMAN MADDOX: Lora, I thought the memo was
11 helpful and detailed, perhaps maybe a little too
12 detailed. I'm not sure. I know that Paul has maybe
13 had that same thought. But you've got to get there,
14 and maybe there'll be perhaps a way to shorten it.

15 One of the questions I had was, at the end of
16 each section you state the total time from the date of
17 the revised referral --

18 MS. RATH: Yes.

19 CHAIRMAN MADDOX: -- and the time from the
20 date of the Notice of Questioned Cost to a Management
21 decision. And there doesn't seem to be any particular
22 standard there. Sometimes it's 59 days. Sometimes

1 it's 359 days.

2 So I'm wondering, what use can we make of that
3 information? Do you have a goal in mind or some sort
4 of standard that you're using?

5 MS. RATH: Yes. Not to cut you off. So there
6 were two reasons for giving the goal or giving the time
7 frames, to let you see how long it took us from the
8 time we actually got the referral versus once we issued
9 the notice because the notice follows the regulations.

10 If it goes through all the steps of the
11 regulations, if the program appeals the Management
12 decision to the President, that can take a minimum of
13 150 days, and that's if they don't ask for any
14 extensions or if we don't need an extension. So that
15 was just to let you know what the minimum is.

16 As far as goals, yes. We've been working with
17 the Office of the Inspector General, and we met with
18 them once specifically to talk about our goal time
19 frames. And then just this past Tuesday, another
20 suggestion was made from the Office of the Inspector
21 General.

22 We're trying to put together what our goal

1 time frames will be from the time we get a referral to
2 when LSC Management will make a decision as to what
3 we're going to do with the referral, whether we're
4 going to do it through informal negotiations, whether
5 we're going to issue a Notice of Questioned Cost,
6 whether we're not going to do anything with it, which
7 we've not done to this point, so that we are in
8 agreement as to what the steps will be.

9 So hopefully by the next Board meeting we will
10 have something to show you as to what we've decided is
11 going to be our goal going forward. We do want it to
12 become a quicker process. We recognize that it's taken
13 too long. And I think some of it was trying to show
14 that in some instances, we are getting faster.

15 CHAIRMAN MADDOX: Right. And I appreciate
16 that. Right now, the information is interesting but
17 it's not particularly helpful because I don't know if
18 it should be shorter than the time stated or if you're
19 actually getting things done lickety-split.

20 So I'll look forward to that. I don't know if
21 the Committee has any thoughts on what we think is an
22 appropriate time frame. I'm not aware what the

1 regulatory scheme is. You suggested 150 days?

2 MS. RATH: Well, yes. And that's from the
3 time we issue the notice. There is no time frame, and
4 this is what we're trying to look at. There is no time
5 frame for us, LSC Management, to take action from the
6 time of an OIG referral. There is no time frame for
7 that. That's where we probably could improve in making
8 a decision.

9 But it depends a lot on the amount of the
10 referral, the issues involved in the referral, whether
11 we need to do extra research on our own to decide what
12 to do with the referral. It also has to do with our
13 staff resources because this is just one component of
14 what we do, and to have the staff available to dedicate
15 to that time.

16 So that's the area that we don't have any
17 deadlines or regulatory time frames. That's what we're
18 going to be looking at where we can make improvements.

19 The regulations at 1630 say that once the notice is
20 issued, the program has 30 days to respond.

21 Once we get the information back from them, we
22 have 60 days to respond. Then they have another 30

1 days to appeal to the President. Then the President
2 has 30 days. So that's where the 150 comes from. So
3 that's in the regulation. And then it of course says
4 for good cause, you can give them extra time, which is
5 where it could go over 150 days.

6 CHAIRMAN MADDOX: Gloria?

7 PROFESSOR VALENCIA-WEBER: First, I don't at
8 this point think the memo report has too much detail
9 because actually, we're moving in the direction of
10 transparency about what actually happens. And so as
11 the report is today, I get a much better feel for what
12 was the cycle for each of these grantees and what
13 happened.

14 I remain hopeful that now that we've been
15 trying to both restructure what happens within LSC at
16 the corporate enforcement arms that we have, the
17 different ones; that we don't run into any more
18 five-year statute of limitations problems; and I think
19 that right now, I see the value of the report as
20 descriptive.

21 But yet the question about what goals, given
22 what's in the regulation -- and then, as Lora has

1 explained, it depends on the nature of what are the
2 flaws or possible problems, and what might be the
3 approach that's going to differ among however many of
4 our grantees you're acting on referrals.

5 I think that will be very helpful once you and
6 Jeff come up with what you construct as how you
7 operate. Even though you have the regs, that doesn't
8 answer how you will see performing on any given
9 grantee. So I think that's one thing.

10 The other is, this is one of the first ones,
11 in the Idaho Legal Services on page 104, where we have
12 something involving unexpended TIG funds. And I don't
13 know if this is the place to discuss it. Maybe it's
14 more appropriate when we have the Board discussion.

15 But how TIG funds that are not expended on
16 whatever it is is the project, and that's assumed the
17 project is completed but you still have some unspent
18 funds, I'd like to understand how that works.

19 PRESIDENT SANDMAN: I can answer that very
20 briefly. We do a reconciliation at the end of each TIG
21 grant to see how much money was spent and what the
22 documentation was. And if there's money that wasn't

1 spent, it has to be returned to LSC. It goes into our
2 TIG fund and is then used for other TIGs. We recover
3 the unspent money.

4 PROFESSOR VALENCIA-WEBER: So assuming the
5 completion of what the project was, the unexpended
6 funds, for instance, could not be used for possibly
7 staff or training to maintain and take care of whatever
8 the project developed?

9 PRESIDENT SANDMAN: Not without LSC's
10 permission. The grantee might ask our permission to
11 use leftover TIG funds for a purpose like that, but we
12 would have to approve.

13 PROFESSOR VALENCIA-WEBER: Okay. As opposed
14 to just putting it into the grantee's general funds?

15 PRESIDENT SANDMAN: No. They cannot use it
16 for that purpose. It is granted for a specific
17 technology project, and we take account of what the
18 purpose of TIG is. It's to encourage innovation, not
19 mere maintenance of technology.

20 But there have been circumstances where we
21 have permitted a grantee to redirect TIG funds to
22 another technology purpose related to the underlying

1 purpose of the original grant.

2 PROFESSOR VALENCIA-WEBER: Thank you.

3 CHAIRMAN MADDOX: Thank you, Jim.

4 Anyone else? Julie?

5 MR. HOFFMAN: Vic --

6 CHAIRMAN MADDOX: I'm sorry. Julie and then
7 David.

8 MS. REISKIN: You said that it would be about
9 159 days with an appeal. Is it safe to assume that
10 there's almost always going to be an appeal, or is that
11 not a fair assumption?

12 MS. RATH: Well, if the amount that LSC is
13 determined to recoup is less than \$2500, then there is
14 no right to an appeal. So those would always be around
15 the 120-day mark.

16 I would say in the last couple years since
17 I've been in charge, the majority of programs do appeal
18 to the President to try and get the amount reduced.

19 CHAIRMAN MADDOX: Thank you, Julie.

20 David?

21 MR. HOFFMAN: Hi, Lora. So on the time frame
22 question, I'd say that my recommendation would be to

1 pick a presumptive completion date for your followup
2 investigative work after receiving a referral. And
3 then in the reporting to us, you would noting to
4 whether it then has gone beyond that presumptive date.

5 As you said, every information or followup is
6 different. And both depending on your resources and
7 what comes up as you look into it, it may turn out to
8 be beyond your control about how long it takes. But I
9 think the creation of default rules that are reasonable
10 will help guide us and the Board in determining what
11 feels like too long, or at least requires an
12 explanation. And of course, the explanation may
13 quickly make everyone understand why it is taking so
14 long.

15 And I think, as potential time frames for
16 that, what about 90 days? That seems like the IG has
17 done work. You're being asked to follow up. In a
18 world that moves pretty promptly, that seems like a
19 good time frame.

20 I think 180 days feels like at the outer edge
21 of what it should normally take in a normal situation,
22 and feels like it may be too long for a default rule.

1 But any default rule should be chosen, first of all,
2 just a guide -- not as an absolute deadline, obviously,
3 but just as a guide to help with reporting; and second,
4 as a number that feels comfortable, your office then to
5 Management.

6 Comments on that?

7 MS. RATH: Can I comment? This is Lora,
8 David. Actually, in what we've proposed right now,
9 we're using 120 days as a goal to strive for. Of
10 course, this still needs to go up through presidents
11 and Mr. Schanz.

12 But that's what staff has recommended right
13 now, for 120 days to decide whether to issue the Notice
14 of Questioned Cost. And that's based on what we think
15 we can get done. In our discussions last week, we
16 said, then after trying that out for a little while,
17 we'd see whether that number needed to be moved up or
18 could hopefully be moved down for the goal. So we're
19 in that --

20 MR. HOFFMAN: And Lora, I'm sorry, within the
21 report that you provide us, have some special
22 indication if your investigation had gone beyond 120

1 days?

2 MS. RATH: I'm sorry. I didn't really hear
3 you. Are you asking that we would then give an
4 explanation if we went past 120 days? Is that what you
5 said?

6 MR. HOFFMAN: Yes. I guess that I'm imagining
7 that the chart or report that you provide would list
8 those matters separately if they had gone beyond 120
9 days, and then you could proactively, either in the
10 chart or in front of the Committee, just provide a
11 quick explanation, and that would allow for any
12 discussion if there are any concerns.

13 And that would mean that if it's below 120
14 days, there won't be any particular reason to discuss
15 the timing of it because you're still within that time
16 frame. That's what I would envision being helpful in
17 terms of how the report would be organized. Does that
18 make sense from your perspective?

19 MS. RATH: It does. It does. I know what
20 you're asking for. I think, assuming it gets approved
21 by everybody, we could work it out that way.

22 MR. HOFFMAN: Yes. So to wrap this up, from

1 my perspective I think this is a good outcome, assuming
2 that Jim and others in Management agree with the time
3 frame, meaning that I think 120 days under the
4 circumstances seems like a reasonable time frame.

5 I think framing it so that there's a
6 difference between under and over 120 days in the
7 report and/or chart you provide to the Committee will
8 help us, and I think really streamline where we need to
9 focus on any concerns, if there are any, going forward.
10 So I think it's a good outcome.

11 CHAIRMAN MADDOX: Thank you, David. I think I
12 agree with you.

13 Just then to clarify, Lora, the 120 days is
14 from the date of the referral to OCE from OIG.
15 Correct?

16 MS. RATH: Yes, sir.

17 CHAIRMAN MADDOX: Thank you.

18 Gloria?

19 PROFESSOR VALENCIA-WEBER: This is more of a
20 curiosity question here. I notice that repeatedly in
21 this memo is grantees who have had questioned costs,
22 unallowable costs, relating to flowers and alcohol. Is

1 there something about our instructional materials,
2 whatever they are, that allows a confusion or a
3 misunderstanding about this? It goes from about
4 \$240-some to \$2800, but it's repeated.

5 So I'm just curious about what is the
6 understanding that our grantees get and where did they
7 get it from that results in this kind of repeated --

8 CHAIRMAN MADDOX: That's a good question.
9 Lora?

10 MS. RATH: So the regulations just talk about
11 what's reasonable and what's allowable, and it talks
12 about things that are necessary for the grant. This
13 has been a finding that's come up numerous times over
14 the last several years.

15 Programs want to argue things like, flowers,
16 it's goodwill for employees, so yes, it's reasonable
17 and necessary. The OIG, LSC Management, the OMB
18 Circular, all pretty much say that things like alcohol,
19 flowers, are not allowable.

20 What we're going to do, and I think we've
21 discussed before, that Jim sends out an annual
22 compliance update to point out to programs that we

1 haven't been to the issues that we've been seeing.
2 That is definitely at the top of our list under fiscal
3 issues, that LSC funds cannot be used for flowers,
4 alcohol.

5 PRESIDENT SANDMAN: Just to clarify, the types
6 of flower we're talking about is someone sends flowers
7 because of a death or the birth of a child. We've
8 concluded that that is a personal expense. That is
9 something that people should chip in for and not
10 something that appropriated tax money should be used
11 for. But we're not talking about people decorating
12 their offices with elaborate floral displays or
13 anything like that.

14 MS. JENNINGS: Right. And we are doing a full
15 court press on this because it happens so frequently.
16 And so all of our training materials when we're at
17 NLADA or anything of the like, we have pictures and
18 words to illustrate that that is not allowed. We are
19 on the anti-tchockke, anti-flower brigade.

20 (Laughter.)

21 CHAIRMAN MADDOX: ALL RIGHT. Thank you very
22 much.

1 Julie?

2 MS. REISKIN: I'm confused about bar dues. I
3 thought I had heard that those were allowed because
4 don't you have to be a member of the bar?

5 MS. RATH: This is for non-mandatory bar dues.
6 You cannot use LSC funds if you just want to be a
7 member of the local bar association.

8 MS. REISKIN: So there's mandatory and
9 non-mandatory?

10 MS. RATH: Yes.

11 MS. REISKIN: Okay. I didn't understand that.

12 CHAIRMAN MADDOX: Thank you. Just one
13 followup question, Lora. On the open referrals, the
14 LSNYC matter, it says you were expected to receive
15 information earlier this month. Did we get anything on
16 that?

17 MS. RATH: Actually, I've been going back and
18 forth with their comptroller. There was a little bit
19 of confusion as to what information I was seeking. I
20 last talked to them on Tuesday, talked to them and sent
21 them a written description. So I expect it in the next
22 week or so. They've been cooperating; it's just a

1 miscommunication as to what was needed.

2 CHAIRMAN MADDUX: Thank you very much.

3 Harry?

4 MR. KORRELL: Thank you, Mr. Chairman.

5 I for one like the memo and detail. I thought
6 it was helpful for me to see -- I feel like I have a
7 better understanding now of the process that the office
8 goes through when addressing one of these referrals.
9 That's the kind of detail that it's just not possible
10 to glean from the spreadsheet.

11 So I actually thought it was good. It's a
12 little longer than maybe some would like, but I can
13 handle seven double-spaced or large font pages as
14 opposed to the 6-point font on the chart. So I thought
15 it was useful.

16 I was happy to see that we're intelligently
17 negotiating with grantees when the amount is a couple
18 hundred bucks or a thousand or two thousand bucks. We
19 can have a conversation and can sort it out. And I'm
20 glad we're not spending a ton of time on an expensive
21 questioned cost proceeding there.

22 Two substantive things came to mind, and it's

1 related to the statute of limitations line. The number
2 that grabs everybody's attention -- I know Jeff has
3 mentioned this in the past -- if his office refers a
4 potential questioned cost or questioned costs of a
5 million and a half and then what we wind up recovering
6 is \$500,000, I understand there can be very good
7 reasons for getting to that decision, but that it can
8 raise eyebrows with somebody.

9 If 36 percent of it is due to statute of
10 limitations issues, I recognize that some of that might
11 be that what the OIG has uncovered is stale, and then
12 sometimes it's what he's uncovered took longer -- it
13 took us too long to get to a determination of whether
14 we were going to proceed, and so some things fell off.

15 So recognizing that there could be some
16 differences, one question is, is there a way for the
17 OIG to screen out -- should the OIG be screening out --
18 stale claims, if you will? If the thing is seven,
19 eight, ten years old and we know it, does it make sense
20 to include that in the original input? Maybe it does.

21 But if it makes the discrepancy look larger when it's
22 not a real discrepancy, I wonder whether that's useful.

1 That's question one, and maybe that's for the OIG.

2 Then, Lora, you may have answered this for me
3 before and I've just forgotten. But is there a way to
4 toll the running of the limitations period under the
5 regulations?

6 MS. RATH: No. There's currently not. I
7 believe that looking at 1630 is on the Ops and Regs, so
8 we'll --

9 MR. KORRELL: It just strikes me that if we
10 have a big one, if it's a million bucks, there ought to
11 be some way -- as in civil litigation, if you say --
12 yes.

13 MR. FLAGG: We have, as part of our rulemaking
14 agenda, a review of Part 1630, which addresses this.
15 And high on the list of items to look at is the issue
16 that you're referring to.

17 MR. KORRELL: I thought I had a recollection
18 of that, but it helps to have that confirmed.

19 Then, Jeff, your using a statute of
20 limitations filter, does that make any sense?

21 MR. SCHANZ: Well, it does. But we try to
22 portray a pattern. And if it goes back ten years, we

1 can prove that it's taken ten years for this ED to
2 figure out, before an IG visit, that this is an
3 inappropriate behavior, we can certainly question cost
4 within the statute of limitations.

5 But in this particular instance, I think the
6 behavior was so egregious that we presented going back
7 more than the statute.

8 MR. KORRELL: Presenting the facts makes sense
9 to me, to say to the office, it's been going on for ten
10 years. But do you question costs going back ten years
11 even if you know that the limitation period is only
12 five? And doesn't that create this gap that your
13 office is concerned about?

14 MR. SCHANZ: In this particular case, you're
15 correct, yes. We did that. But remember, I have
16 auditors, not all attorneys, out in the field. And
17 auditors see questioned cost, and they know that drives
18 the semi in a large part, and it drives a possibility
19 for changing behavior when someone gets slapped with a
20 very large questioned cost fine.

21 MR. KORRELL: It just seems that if your
22 office is concerned about the delta, that at least

1 keeping in mind what the limitations period is would
2 help with the size of the delta, that's all.

3 MR. SCHANZ: Yes.

4 MR. KORRELL: Thanks.

5 MR. SCHANZ: I said in this case it wasn't,
6 but it will be in the future. Thank you.

7 CHAIRMAN MADDOX: Any other questions?

8 MR. SNYDER: Hey, Vic?

9 CHAIRMAN MADDOX: Paul?

10 MR. SNYDER: Vic, Paul. Sorry, just real
11 quick. I think, following up on Harry's comment, one,
12 I think with Lora and Lynn, they worked hard to have a
13 memo that you could flow through the process and I
14 think gave better insight to why things took certain
15 periods of time.

16 So I do think, if we like it and agree this
17 top cover memo makes sense, those detailed schedules
18 below are really repetitive, whether or not we need
19 them going forward.

20 I would say also, I personally, on that 108 --
21 I think it's 108 -- schedule where the cost -- again,
22 back to Harry's point -- we started out at a million

1 six and then by the time we get to amount recouped,
2 it's basically 277,000, how did we get such a number, I
3 think that schedule, at least, helps me as a member of
4 the Committee understand how Management is pursuing
5 these.

6 So I would like, if the Committee has
7 suggestions for changes or if they believe we don't
8 need these schedules any more, at least we think about
9 that and communicate that to Lora and Lynn.

10 CHAIRMAN MADDUX: Thank you, Paul. I think
11 that's helpful.

12 If there's no other comments, thank you, Jeff,
13 thank you, Lora, and we look forward to continuing to
14 improve this process, make it better for everyone.
15 Thank you.

16 The next item on our agenda is number 9,
17 consider and act on the 403(b) Thrift Plan amendment.
18 I think we have Mark Freedman and Sophia Mason on the
19 phone. Is that correct?

20 MR. FREEDMAN: That is correct, Mr. Chairman.

21 This is Mark Freedman, and Sophia Mason is also on the
22 phone from the Office of Human Resources.

1 CHAIRMAN MADDUX: Welcome. There are memos in
2 your materials on these topics. And the memo from
3 Traci Higgins regarding the amendments to the 403(b)
4 Thrift Plan outlines the proposed amendments and
5 explains the reasons for the proposed amendments. I
6 assume everyone has read through that.

7 I didn't see any need for a presentation from
8 Traci or Mark today since the memo is self-explanatory.

9 Basically, there would be a change to allow partial
10 withdrawals for former employees. There would be
11 changes to the one-year marriage requirement. There
12 would be another change to the in-service withdrawals,
13 and finally, the way hours of service are calculated.

14 All of these amendments have been, I think,
15 reviewed thoroughly by both the Human Resources people
16 and by the Legal Office. Mark has explained to me that
17 in the one instance where there was action in technical
18 violation of the plan in the past whereby people were
19 making withdrawals, there shouldn't be any implications
20 for those past practices for going forward, and there
21 shouldn't be any sort of enforcement issues or reasons
22 for compliance concerns.

1 So it's my recommendation that the Committee
2 make this recommendation, for the resolution that
3 appears on page 121 in the Board book, which would be
4 adopted by the full Board at the meeting on Saturday.

5 PROFESSOR VALENCIA-WEBER: I move for adoption
6 of the resolution.

7 CHAIRMAN MADDOX: Any other comment before we
8 do that?

9 MR. KORRELL: I did have just one quick
10 question, and it's about the equivalency method, which
11 I had not heard of. But I assume we've looked -- and
12 this is maybe either for you, Vic, or for Mark on the
13 phone -- we've looked into whether there's any exposure
14 if by using the equivalency method we get it wrong or
15 we understate, in the estimate, the amount of time the
16 person worked.

17 From the employment law perspective, actual
18 hours matter, and estimates are great unless they work
19 to the detriment of the employee, and then you lose.
20 Is that something that we looked into, and are we
21 satisfied there's not --

22 CHAIRMAN MADDOX: Let's ask Mark, who I'm sure

1 has looked into that.

2 Mark, can you answer Harry's question?

3 MR. FREEDMAN: I can indeed. The equivalency
4 method is provided for as a standard method for
5 situations where you have employees who are not on an
6 hourly basis. So actually, as an example, one of the
7 standard things that the plan would allow by its
8 structure, and some employers do, is have all exempt
9 employees on an equivalency method and all FLSA-covered
10 employees on an hourly method.

11 We're not doing that. We're doing a much
12 smaller set of that. It's simply having these
13 project-based employees on the equivalency method. But
14 it's an established, accepted approach, and it's
15 acknowledging that actual hours are not what's required
16 for those employees.

17 MR. KORRELL: Thank you.

18 CHAIRMAN MADDOX: Does that answer your
19 question, Harry?

20 MR. KORRELL: Yes.

21 CHAIRMAN MADDOX: All right. Well, the
22 resolution is on page 121 and 122, and the motion,

1 then, would be that the Committee vote to recommend
2 this resolution to the full Board.

3 Is there any further discussion of the
4 resolution or the motion?

5 (No response.)

6 CHAIRMAN MADDOX: If not, is there a motion?

7 M O T I O N

8 PROFESSOR VALENCIA-WEBER: Well, I move again.

9 CHAIRMAN MADDOX: Thank you, Gloria. Second?

10 MR. KORRELL: Second.

11 MR. SNYDER: Second.

12 MR. HOFFMAN: Second.

13 CHAIRMAN MADDOX: Thank you, Harry, Paul, and
14 David. And all in favor?

15 (A chorus of ayes.)

16 CHAIRMAN MADDOX: All opposed?

17 (No response.)

18 CHAIRMAN MADDOX: None. So the motion is
19 agreed to, and the Committee will recommend the
20 resolution on amendments to the 403(b) Thrift Plan to
21 the full Board at Saturday's meeting. Anything else on
22 that?

1 (No response.)

2 CHAIRMAN MADDOX: All right. So that takes us
3 to item number 10 on our agenda, which is public
4 comment. Is there any public comment on today's
5 proceedings or anything else of interest to the general
6 public?

7 (No response.)

8 CHAIRMAN MADDOX: Seeing and hearing none,
9 we'll move to item number 11, which is consider and act
10 on other business. Is there any other business for the
11 Committee?

12 (No response.)

13 CHAIRMAN MADDOX: Seeing none, we'll then move
14 that the Committee go into closed session, I guess, is
15 what we need to do. Is there a motion? You guys will
16 have to dial back in, David and Paul. Is there a
17 motion?

18 M O T I O N

19 MR. KORRELL: So moved.

20 CHAIRMAN MADDOX: Second?

21 PROFESSOR VALENCIA-WEBER: Second.

22 CHAIRMAN MADDOX: Seconded. All in favor?

1 (A chorus of ayes.)

2 CHAIRMAN MADDUX: And the motion is agreed to,
3 and we'll now go into closed session.

4 (Whereupon, at 3:26 p.m., the Committee was
5 adjourned to Closed Session.)

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