

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
AUDIT COMMITTEE
Volume II

Saturday, August 2, 2008
9:15 a.m.

Sheraton Suites Hotel
422 Delaware Avenue
Wilmington, Delaware

COMMITTEE MEMBERS PRESENT:

Herbert S. Garten, Chairman
Jonann C. Chiles (by telephone)
Thomas R. Meites
Frank B. Strickland, ex officio

OTHER BOARD MEMBERS PRESENT:

Lillian R. BeVier
Thomas A. Fuentes (by telephone)
David Hall
Michael D. McKay
Bernice Phillips-Jackson
Sarah Singleton (by telephone)

1 STAFF AND PUBLIC PRESENT:

2 Helaine M. Barnett, President

Karen M. Dozier, Executive Assistant to the President

3 Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

4 Mattie Cohan, Senior Assistant General Counsel

David L. Richardson, Treasurer and Comptroller,

5 Office of Financial and Administrative Services

Patricia D. Batie, Manager of Board Operations

6 Charles Jeffress, Chief Administrative Officer

Karen J. Sarjeant, Vice President for Programs and

7 Compliance

Jeffrey Schanz, Inspector General

8 Laurie Tarantowicz, Assistant Inspector General and

Legal Counsel, Office of the Inspector General

9 Ronald "Dutch" Merryman, Assistant Inspector General

for Audit, Office of the Inspector General

10 David Maddox, Assistant Inspector General for

Management and Evaluation, Office of the Inspector

11 General

John Constance, Director, Government Relations and

12 Public Affairs Office

Stephen Barr, Media Relations Director, Government

13 Relations and Public Affairs Office

Douglas B. Canfield, Executive Director, Legal Services

14 Corporation of Delaware

15

Linda Perle, Center for Law & Social Policy (CLASP)

16 Charles A. Wynder, Jr., Vice President for Programs,

National Legal Aid and Defenders Association

17 (NLADA)

Hillary Evans, Civil Associate, National Legal Aid

18 and Defenders Association (NLADA)

19

20

21

22

C O N T E N T S

1		
2	OPEN SESSION	PAGE
3	2. Approval of the minutes of the	
	committee's April 26, 2008 meeting	4
4		
	4. Consider and act on new protocol for	
5	the acceptance and use of private	
	contributions to LSC	4
6		
	8. Report of management on	
7	risk assessment plan	7
8	9. Consider and act on development of a	
	work plan for the committee	10
9		
	10. Public comment	11
10		
	11. Consider and act on other business	11
11		
	12. Consider and act on adjournment of meeting	11
12		
13		
14		
15		
16	Motions: 4, 7, 11	
17		
18		
19		
20		
21		
22		

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

2 (9:15 a.m.)

3 CHAIRMAN GARTEN: Good morning. I'd like to
4 call to order the continuation of the audit committee
5 meeting.

6 I'm advised that there was one order of
7 business yesterday that we might have overlooked, and
8 that was item 2, the approval of the minutes of the
9 committee meeting of April 26, 2008. I'll entertain a
10 motion to approve.

11 M O T I O N

12 MR. MEITES: So moved.

13 MS. CHILES: Second.

14 CHAIRMAN GARTEN: Any discussion?

15 (No response.)

16 CHAIRMAN GARTEN: If not, all in favor, aye,
17 please.

18 (A chorus of ayes.)

19 CHAIRMAN GARTEN: At this point, we're going
20 to get some comments and followed by a vote for the
21 adoption of the new protocol.

22 Vic, will you report to the committee on the

1 changes that have been made?

2 MR. FORTUNO: Yes. I'd be happy to. For the
3 record, Victor Fortuno, general counsel.

4 The protocol, the draft protocol, that was
5 considered yesterday by the committee, and under
6 Section A labeled "Solicitation," a discussion of
7 private contributions not being solicited by directors,
8 officers, or staff without prior approval.

9 So what was done was I revised it to read just
10 that: "Private contributions to LSC may not be
11 solicited by directors, officers, or staff of LSC
12 without prior approval of the board of directors."

13 A point that was mentioned afterwards -- I
14 don't think it was on the record, so I'll put it on the
15 record now -- was there was some concern expressed
16 about would this preclude possibly some solicitation of
17 local merchants for modest donations of either goods or
18 funding for in-house staff events, and fundraising
19 among LSC staff for charitable causes like United Way.

20 So what we could do is add either a clause at
21 the beginning or a sentence following the one that I
22 just read which would essentially except from this

1 requirement that there be prior authorization by the
2 board of directors those two activities, that is,
3 soliciting directed to local merchants for modest
4 donations of goods or funding for in-house staff
5 events, and fundraising among LSC staff for charitable
6 causes.

7 Those two, of course, would require -- either
8 of those two would require approval by the president,
9 so that there would not be those kinds of activities
10 without express authorization by the president of the
11 Corporation.

12 I would go ahead and add that language. With
13 that, I think you have the protocol.

14 CHAIRMAN GARTEN: All right. So is the
15 committee prepared to submit a recommendation to the
16 board for the adoption of the protocol, with the
17 changes that Vic has alerted us to? And you'll have a
18 copy for the board?

19 MR. FORTUNO: Yes, I will, at some point
20 before the board meeting. And so I will make these
21 changes and I'll have copies to distribute to all board
22 members.

1 CHAIRMAN GARTEN: Fine. Are there any -- I'll
2 take a motion.

3 M O T I O N

4 MR. MEITES: I so move.

5 MS. CHILES: Second.

6 CHAIRMAN GARTEN: All right. Ready to vote?

7 All in favor, aye, please.

8 (A chorus of ayes.)

9 CHAIRMAN GARTEN: All right. Now we'll go on
10 to item 8, report of management on risk assessment
11 plan.

12 MR. JEFFRESS: Thank you, Mr. Chairman. This
13 is Charles Jeffress, the chief administrative officer.
14 I'll be giving you the staff report on those management
15 plans that you'll find in your board book on page 24, a
16 memo on the subject, on the activity that we've engaged
17 in in pursuing the risk management plan since the GAO
18 report.

19 I'm not going to go over each of the items in
20 that. There are several items in that we've gone over
21 with board members before. But I would like to update
22 you of things that have happened in the past two weeks

1 since this memo was prepared in terms of the next steps
2 on this management program.

3 I attended a session -- the last item in the
4 memo refers to a session run by Grant Thornton on the
5 internal controls for my own education to help this
6 process. David Richardson has been to a similar
7 session last year for a CPA continuing education
8 program on internal controls.

9 Since then, we've done some further research
10 on good models to follow for LSC for internal controls.
11 There is a model plan that the Nonprofit Risk
12 Management Center has put together as a model plan for
13 nonprofits. And while it's primarily directed at
14 people who deliver direct services, it's nevertheless a
15 little better than the financial models that are
16 financial models alone that are put out most often for
17 risk management programs.

18 So it appears today, and I ran it through the
19 executive team, that we take this nonprofit risk
20 management plan as the model favored to LSC and that we
21 run a process, starting with the executive team, like
22 we ran for strategic directions, where we do a pretty

1 thorough assessment of our mission and whether we've
2 started achieving it, I think, and what the strategies
3 are for avoiding and minimizing those risks, taking
4 advantage of the opportunities.

5 We'll run that with the executive team in the
6 next six weeks. Then we'll get input from staff on
7 that process and on the risk management plan. Then
8 we'll come back to the board at the October meeting
9 with a draft of what a risk management plan for LSC
10 might look like.

11 Again, this is our hope, and this was our plan
12 prior to getting the letter from Senator Grassley
13 yesterday. So that may affect some of our activities
14 in the next six weeks.

15 Our goal would be to bring to you in October a
16 draft of this plan, and give you all some time to think
17 about it, with the intent of having a final risk
18 management plan for the Corporation at the January
19 board meeting.

20 CHAIRMAN GARTEN: All right. We'd like that
21 sent to us in advance of the October meeting.

22 MR. JEFFRESS: We'll certainly send you what

1 we have in advance of the October meeting. But we will
2 not be looking for action at the October meeting.
3 We'll only look for feedback and comment so we can
4 incorporate that in the final proposal for January.

5 CHAIRMAN GARTEN: And this is just for -- but
6 you don't need any action today?

7 MR. JEFFRESS: That's correct.

8 CHAIRMAN GARTEN: Okay. Any questions?

9 (No response.)

10 CHAIRMAN GARTEN: Thank you very much.

11 The next item is consider and act on on the
12 development of a work plan for the committee. Needless
13 to say -- and I think you've heard a lot about the
14 activities of this committee, which have been very,
15 very substantial in terms of time and attention and
16 business and interviews since our last meeting.

17 And I would invite suggestions from management
18 as well as the inspector general on the development of
19 a work plan. We will continue -- we will be getting
20 involved with the annual audit with the inspector
21 general. And there are other matters that undoubtedly
22 we will be considering.

1 So if staff or anyone else would like to make
2 some suggestions, and we'll do that internally
3 ourselves, we would welcome it.

4 The next item is -- unless there's comments
5 from the committee members on item 9?

6 (No response.)

7 CHAIRMAN GARTEN: We'll move on to public
8 comments. Is there anybody here who would like to
9 address us?

10 (No response.)

11 CHAIRMAN GARTEN: I do not any hands raised.
12 We'll move on to the other item.

13 Is there any other business that should come
14 before the committee? Jonann? Tom?

15 MR. FUENTES: No, thank you.

16 MS. CHILES: I have nothing, thank you.

17 CHAIRMAN GARTEN: All right. At this point,
18 I'll accept a motion to adjourn the meeting.

19 M O T I O N

20 MR. MEITES: So moved.

21 CHAIRMAN GARTEN: Tom Meites?

22 MR. MEITES: Move to adjourn.

1 CHAIRMAN GARTEN: Jonann?

2 MS. CHILES: Second.

3 CHAIRMAN GARTEN: Second. All in favor?

4 (A chorus of ayes.)

5 CHAIRMAN GARTEN: The meeting is adjourned.

6 Thank you very much for your attention.

7 (Whereupon, at 9:25 a.m., the committee was
8 adjourned.)

9 * * * * *

10

11

12

13

14

15

16

17

18

19

20

21

22