

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
AUDIT COMMITTEE

OPEN SESSION

Monday, April 13, 2015

1:37 p.m.

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

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

Charles N.W. Keckler
Victor B. Maddox
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
Rebecca Fertig Cohen, Special Assistant to the
President
Patrick Malloy, Grants Management/Legislative Fellow,
Executive Office
Wendy Rhein, Chief Development Officer
Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Mark Freedman, Senior Assistant General Counsel,
Office of Legal Affairs
Stefanie Davis, Assistant General Counsel, Office
of Legal Affairs
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, Office of
Government Relations and Public Affairs
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General
John Seeba, Assistant Inspector General for Audit,
Office of the Inspector General
Daniel O'Rourke, Assistant Inspector General for
Investigations, Office of the Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General
Joel Gallay, Special Counsel to the Inspector
General, Office of the Inspector General
Roxanne Caruso, Director of Audit Operations, Office
of the Inspector General
Magali Khalkho, Director of Management Operations,
Office of the Inspector General

STAFF AND PUBLIC PRESENT (Cont'd):

Daniel Sheahan, Program Evaluation Analyst, Office of
the Inspector General
Lora M. Rath, Director, Office of Compliance
and Enforcement
Megan Lacchini, Deputy Director, Office of Compliance
and Enforcement
Lisa Watson, Deputy Director for Fiscal Compliance,
Office of Compliance and Enforcement
Sheila Mashhadishafie, Program Counsel, Office of
Compliance and Enforcement
William Carl Isler, Program Counsel, Office of
Compliance and Enforcement
Kia Ashley, Program Counsel, Office of Compliance and
Enforcement
Helga Merz-Hafezi, Fiscal Compliance Specialist,
Office of Compliance and Enforcement
Shanda Gottlieb, Fiscal Compliance Specialist, Office
of Compliance and Enforcement
Thomas Enright, Fiscal Compliance Specialist, Office
of Compliance and Enforcement
Chinnamma Mathew, Administrative Assistant, Office of
Compliance and Enforcement
Janet LaBella, Director, Office of Program
Performance
Traci Higgins, Director, Office of Human Resources
Peter Campbell, Chief Information Officer, Office of
Information Technology
Eric Jones, Network Engineer, Office of Information
Technology
Robert E. Henley, Jr., Non-Director Member, Finance
Committee
Robin C. Murphy, National Legal Aid and Defender
Association (NLADA)
Terry Brooks, American Bar Association Standing
Committee on Legal Aid and Indigent Defendants
(SCLAID)
Dominique Martin, Law99.com

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1 PROCEEDINGS

2 (1:37 p.m.)

3 CHAIRMAN MADDOX: All right. We're going to
4 call the public session of the Audit Committee meeting
5 to order. And the first item on our agenda is the
6 approval of the agenda. Is there a motion?

7 MOTION

8 MR. KORRELL: So move.

9 PROFESSOR VALENCIA-WEBER: Second.

10 CHAIRMAN MADDOX: Gloria, second. All in
11 favor?

12 (A chorus of ayes.)

13 CHAIRMAN MADDOX: Opposed?

14 (No response.)

15 CHAIRMAN MADDOX: So the approval of the
16 agenda is agreed to.

17 Item number 2 is approval of the minutes of
18 our Committee's January 22, 2015 meeting. Is there a
19 motion?

20 MOTION

21 PROFESSOR VALENCIA-WEBER: So move.

22 CHAIRMAN MADDOX: Gloria. Second?

1 MR. KORRELL: Second.

2 CHAIRMAN MADDOX: All in favor?

3 (A chorus of ayes.)

4 CHAIRMAN MADDOX: Opposed?

5 (No response.)

6 CHAIRMAN MADDOX: The minutes are approved.

7 Item number 3 is a briefing by the Office of
8 Inspector General. I recognize Jeffrey Schanz, the
9 Inspector General. Welcome.

10 MR. SCHANZ: Thank you, Mr. Chairman. I would
11 like to draw your attention to a couple of the emails
12 that I forwarded to you. And I learned something
13 today. I think it was Mr. Sandman that said you have
14 to make your website proactive, not expecting people to
15 visit it.

16 So what I do for the Board is I notify you
17 every time I issue a report. I heard a recommendation
18 already today that I will accept readily, is to
19 identify to you the importance of the report and what
20 it's generally about.

21 And then I'd draw your attention once again to
22 our website because there's a plethora of information

1 in there as far as fraud prevention and some of the
2 things we've been doing in the background that don't
3 necessarily make the semiannual report.

4 One example of that is I did send to you
5 recently the results that we call on a capstone report,
6 but the results of our QCR initiative, where we assess
7 the quality of the IPA, independent public accountant,
8 reports that are done of each and every grantee.

9 So some of them are deficient and they don't
10 meet GAGAS. So we have a contract, an ongoing
11 contract, with -- we're recompeting it because we've
12 completed the cycle of all the IPA reports that come in
13 quarterly -- well, not quarterly, but I mean in the
14 course of over four years, we take a quarter of them
15 and take a look at the IPA reports on a quarterly -- or
16 once a year.

17 So that has totaled that we've completed the
18 cycle of all IPA reports. And then I put together --
19 or I didn't put together but my staff put together a
20 report that shows where the IPAs should have done more
21 work or should have drilled down or should have looked
22 for fraud in a different way than in which they did.

1 And we feel like that gives us ultimate
2 coverage of what's happening in the field, between
3 Management's OCE and OPP reviews, between the IG
4 reviews, and audits and investigations which we follow
5 up on hotline calls. And then the last part of it is
6 the QCR, quality control review, of what the IPAs are
7 doing.

8 So that information was provided to you, and I
9 would draw your attention to it. I know you're busier
10 than I am, but -- maybe. So anyway, I appreciate your
11 time and attention to take a look at the things that we
12 do produce.

13 A lot of the questions that have been asked in
14 the last two days are in fact on our website as far as
15 the reports that we issue, as far as the QCR report,
16 and as far as what I believe are very good,
17 independent, and objective audit reporting.

18 And that's what I have, Mr. Chairman. Any
19 questions?

20 CHAIRMAN MADDOX: Thank you, Jeff. I do think
21 it would be helpful if, at least for me and maybe for
22 others on the Board, when you forwarded a report that

1 you had posted to the website, you maybe provided a
2 short abstract, executive summary, just because in my
3 case, I get your reports in my emails. I'm in the
4 middle of something else. I put it in a file labeled
5 OIG, and then at some point a month down the road,
6 maybe, or a few weeks, I actually get to read it.

7 But it would be helpful, I think, if you could
8 provide some --

9 DEAN MINOW: Headline.

10 CHAIRMAN MADDOX: -- headline, thank you, just
11 highlighting why this report is important, what its
12 significance is in your view. Now, it may well be that
13 all of that is there in your cover letter, which
14 typically accompanies the reports.

15 MR. SCHANZ: Correct.

16 CHAIRMAN MADDOX: Even so, it's always nice to
17 have an executive, high-level summary in the email. So
18 that would just be a thought for how to help make that
19 reporting more user-friendly for me.

20 MR. SCHANZ: Message received, Mr. Chairman.
21 I can do new and improved.

22 CHAIRMAN MADDOX: I know.

1 MR. SCHANZ: And try to put some -- I don't
2 know what they're called -- graphics on the message,
3 but --

4 CHAIRMAN MADDOX: Just leave the emoticons
5 out, please.

6 MR. SCHANZ: That's what I was looking for.
7 Thank you.

8 CHAIRMAN MADDOX: No emoticons.

9 MR. SCHANZ: But yes, we can do that. And
10 obviously, or maybe not so obviously, but I'm used to
11 doing that with the Department of Justice reports that
12 could total 2- to 300 pages.

13 CHAIRMAN MADDOX: Sure.

14 MR. SCHANZ: So we always did --

15 CHAIRMAN MADDOX: Well, again, this is not to
16 -- following the Korrell principle -- I'm going to give
17 it a more sophisticated title. Following the Korrell
18 principle, I don't want to be creating work for you or
19 your staff. But if you've put the reports together,
20 you probably already know how you would headline it.
21 So that would be great.

22 Any other questions for Jeff on this or any

1 other topic? Gloria?

2 PROFESSOR VALENCIA-WEBER: Yes. This was --
3 and I just had to cruise through it very fast, so I
4 could be asking an inadequately phrased question here
5 -- but this is on the IPAs that are hired by our
6 grantees, and you look at a quarter of them.

7 And the difficulties that you found, are they
8 related to the IPAs that our grantees are hiring,
9 whether they have problems finding a IPA that can do
10 the kind of audit for a nonprofit? Or is it something
11 else that these IPAs say they're doing an appropriate
12 audit but in fact have not?

13 MR. SCHANZ: It would be the latter. John is
14 here to protect my flanks again, so I thank you, John.

15 But what we take a look at is, are they doing an audit
16 according to standards? And can the grantee or LSC
17 Management rely on that?

18 And in some cases, we find out that no, not
19 only is the work insufficient, but we've moved to
20 suspend and debar two IPAs in the last two years
21 because their work just isn't up to any standard. And
22 with that, I'll turn it over to John, who has more

1 details.

2 MR. SEEBBA: This is John Seeba. Basically,
3 Jeff nailed it. These are reviews of the IPA, the work
4 that they do. And because of the regulatory
5 environment that we're in, there's a lot of special
6 things that they need to do for us. And a lot of times
7 they skip over those areas or don't do a complete job.

8 So these checks and balances basically help us
9 make sure that they're getting a quality audit. And
10 then if they don't do it, we actually go back and make
11 them complete the audit, and make sure they do it
12 properly.

13 PROFESSOR VALENCIA-WEBER: Does that include
14 your recommending that they find another IPA?

15 MR. SEEBBA: The only situation where that
16 happens is if they get debarred. And then they
17 actually have to go back and redo the audit.

18 MR. SCHANZ: And as a matter of course,
19 Gloria, we wouldn't do that anyway because that would
20 be stepping in the grantee management's decisions. And
21 that's something we do not do.

22 CHAIRMAN MADDOX: Jeff, I've got one more

1 question. Just to follow up on something that we've
2 talked about previously, in the list of OCE actions
3 regarding your referrals, there's a reference to the
4 Minnesota grantee, NorthEastern Minnesota, and your
5 office found that the IPA had determined that the
6 grantee did not have an internal control system
7 designed to provide for the preparation of the
8 financial statements. And you noted that this was a
9 prior year finding as well.

10 OCE's response was basically to say this was a
11 small grantee with a small staff. And so the matter
12 was closed, with OCE effectively pledging to continue
13 to provide assistance. I'm just wondering if from your
14 perspective there needs to be anything more done in
15 that situation, and is there some sort of systemic
16 issue whereby small grantees, however that may be
17 defined, effectively don't have internal controls?

18 We saw in the Dakota Plains grantee almost
19 \$100,000 over a four-year period that has been
20 questioned, and effectively because of the lack of
21 controls, given the size of the staff. It seems like
22 that's a large number, and it seems like this issue

1 crops up a lot.

2 Julie, I know, has suggested to me that in her
3 organization, which is a nonprofit, they have a very
4 small staff, I think six people overall full-time,
5 Julie --

6 MS. REISKIN: Fifteen paid, six full-time,
7 one-third financial. And we manage to do all of those
8 controls.

9 CHAIRMAN MADDOX: Yes. So I'm just wondering,
10 is there an issue there that we need to be concerned
11 about or that OIG needs to be giving more thought to?
12 Are you satisfied with OCE's response to that situation
13 in Minnesota and generally?

14 MR. SCHANZ: Well, I can give you a general
15 answer, and the specific answer, I don't have enough
16 details on that. But my staff meets with OCE and OPP
17 on a biweekly basis, so these issues can be vetted at
18 that time.

19 To me, I don't know if I've established a
20 reputation here, but to me, the size of the grantee
21 doesn't matter. It's the issue and the subject matter
22 that I pursue.

1 And the prior Board, when I first started
2 seven years ago, my recommendation was, if you're too
3 small to have an audit staff or an audit committee,
4 then you could use a board member. You could refer it
5 to a board member, who could take a look as somebody
6 who's a CPA on the board that would step into that
7 role.

8 So as far as I'm concerned, internal controls
9 are endemic in every single grantee we have, regardless
10 of the size. And I would have to defer to Management
11 and my auditors to give you more information on the
12 details of the discussion, but I do want to highlight
13 that if something falls through the cracks, Jim and I
14 meet biweekly and --

15 CHAIRMAN MADDOX: I'm not suggesting
16 anything's falling through the cracks. I just wonder
17 if there's, A, a different of philosophy about this --
18 and I don't know, Jim, if you want to chime in, of
19 course please do -- I just would hate to find out a
20 year or two from now that we've lost \$300,000 because a
21 small grantee had set up phony vendors and had
22 duplicated problems we've seen people go to jail for.

1 So I guess the real question is, is there any
2 difference of opinion between Management and your
3 office about the seriousness of this issue and whether
4 it needs to be addressed more systemically?

5 MR. SCHANZ: Well, I can speak from my point
6 of view, which I just did for the record. I believe
7 that internal controls are necessary for every program,
8 no matter what size. At the last Friday meeting, I
9 mentioned there's an inverse relationship between your
10 reliance on internal controls and the amount of
11 substantive testing that you do.

12 So if we find no separation of duties, or the
13 same person that does account receivables is doing
14 accounts payable, that's a problem. And like I said,
15 regardless of the size, you can make ways for -- I
16 recommended one, have the board of directors step in,
17 somebody with a financial background.

18 We have examples here with -- we have subject
19 matter experts on the Finance Committee for -- you make
20 a decision to go forward, but you never get away from
21 the basic criteria that you need to have the internal
22 controls. You have to have separation of duties. And

1 the answer from my point of view, Vic, is very
2 emphatically no. That would not make a difference for
3 the OIG.

4 CHAIRMAN MADDOX: Well, I just highlight the
5 issue because it seems like we hear about it a lot.
6 Thank you, Jeff.

7 Any other questions for Jeff?

8 MR. HOFFMAN: Vic, it's David. I've got a
9 couple of questions.

10 CHAIRMAN MADDOX: Sure, David. Go ahead.

11 MR. HOFFMAN: The first one, Jeff, is
12 following up on what Vic was asking. I know that,
13 again, it's a theme of what we ask about regarding the
14 interactions and interplay between your office and OCE.

15 And obviously, one of the things that we have
16 typically been doing in these meetings is hearing from
17 OCE with this chart that goes over the referrals from
18 the IG's office and what OCE has done about them.

19 And just as example -- I'm looking at page 195
20 of the book, where on the second line the referral
21 number from the IG is 2014-703030 -- so in October
22 2014, the IG issued a referral finding that the IPA

1 found that the program did not properly record revenue
2 and assets. So it sounds like a significant
3 deficiency.

4 What this OCE chart says is that their initial
5 review did not find a similar deficiency. And then it
6 goes on to say they're still looking at it again.
7 They're looking at it again. And it's been six months.

8 So here's my question for you. When we see
9 this -- you presumably see this chart as well, and
10 you're presumably up to speed at least as much as we
11 are, and hopefully more, in terms of what OCE's
12 reaction is to your findings. And there are times when
13 they are disagreeing with you.

14 Is it part of your plan in communicating with
15 us as a committee to bring to our attention those
16 instances where the IG's office disagrees with or has a
17 concern about OCE's conclusions?

18 I understand, and we think it's a valuable
19 thing that the first point here is the tremendous
20 communication between the two offices, and presumably
21 if there are differences of opinion, that there can be
22 communications between the two offices to try to figure

1 out whether there's really a disagreement or not.

2 But when there is a disagreement, are you
3 bringing it to our attention if you find it
4 significant? Because of course we're spending time
5 questioning OCE about, well, why did you at times
6 disagree with the IG's office here. But it's important
7 to us, if you have a concern, that you're bringing it
8 to us.

9 Is that part of what you plan to do when you
10 communicate with us?

11 MR. SCHANZ: As of this date, I can certainly
12 do that. I have not in the past. I delegate, and not
13 everything to me rises to the level of the IG to the
14 President. But I do keep that option and those avenues
15 of communication open on a regular basis.

16 Now, if Jim and I have scheduled meetings, I'm
17 getting a little bit beyond your point here. But I do
18 want to let you know that this is an OCE chart. This
19 is not an IG chart. So until right now, I haven't
20 really scrutinized it, which is bad on me, and I will
21 start doing that to make sure.

22 But Management has the ultimate authority on

1 any IG referral. And as you know as a former IG, I
2 can't step into Management's shoes on many, many
3 issues, and this may be one of them. But I will
4 certainly flag, and I would probably say John Seeba and
5 Lora Rath will flag, any issues where there's a
6 disagreement to bring to my attention.

7 MR. HOFFMAN: Yes. And just to cut to the
8 point about it -- I appreciate what you said and I
9 think that would be helpful -- obviously, the situation
10 that the Committee would like to avoid is a situation
11 where the IG does an audit or an information, finds
12 something problematic, refers that to the OCE.

13 OCE looks at it independently, finds no
14 problem, and when the IG learns that the OCE found no
15 problem even after meetings with OCE or the President,
16 you disagree and you think it's significant.

17 What we want to avoid is that it just sort of
18 falls into a black hole and the disagreement is noted
19 and nothing happens because those are important
20 situations to ensure that -- and it may just be a
21 difference of opinion.

22 But if you feel like there's a problem with a

1 grantee that OCE missed and is wrong in not taking
2 action, I don't know of any way for it to avoid the
3 black hole except for you to raise it with us or do
4 something similar.

5 So I think if that's on the IG office's mind
6 and we know it's on the OCE's mind, I think we're
7 minimizing the likelihood that things will fall in the
8 black hole.

9 MR. SCHANZ: I understood where you're coming
10 from. But I can assure you that I follow up on most --
11 when we were talking a little bit earlier about why
12 every IG report isn't the first on the Board's reading
13 list, I was shocked.

14 But notwithstanding my feeble attempt at
15 humor, no. We stand by our reports. And I think a
16 clear example would be a questioned cost proceeding.
17 And I won't give if we have the evidence that says our
18 questioned costs are appropriate and relevant and
19 supported.

20 It is Management's, then, decision to do their
21 own. I agree there's some duplication there, and there
22 may be some streamlining efficiencies that we could

1 look at. But I believe that that would be Management's
2 decision on doing their questioned cost proceeding.

3 We've given them our best evidence. You heard
4 a little bit earlier that we've provided OCE with our
5 working papers. And we're always available to meet
6 with them on the discussions.

7 We have a different standard than OCE does,
8 which is why independent IGs were created, so it's not
9 all couched in Management's jurisdiction. And I
10 believe we meet that standard by providing independent
11 and objective reports.

12 And our leading example, I guess on that, is
13 Inland Counties. That was open for way too long, but
14 we weren't giving on the questioned cost. There were
15 \$1.2 million, as I recall, of questioned cost. And
16 then we refer it to Management for action, and we
17 follow up.

18 And there was a reference earlier to an
19 agreement that we have now with Management on timelines
20 for followup that try to tighten up the procedures.

21 MR. HOFFMAN: Well, I can just close it out.

22 And Vic, I think this is similar to some of the

1 discussion we've had. To make these discussions
2 efficient, I think the situations that are most
3 important for us to hear are ones where the IG's office
4 has found a problem. They've raised a red flag. And
5 then OCE has disagreed. And after their discussions,
6 the IG still feels like, no, OCE, you're wrong. There's
7 a red flag.

8 I think if the IG says, okay, we're done; we
9 tried our best and OCE didn't agree, I guess there's
10 nothing more to do about the red flag, then there's a
11 concern that a problem continues to exist that might
12 grow and so on.

13 So I think that we don't have a lot of time in
14 these meetings. And between the two offices, if those
15 situations are being brought to our attention in a very
16 efficient manner, I think we're using our time best in
17 these meetings. And I think we would need both,
18 really, the IG and the OCE to help us get to that point
19 if the Committee agrees that would be a good, efficient
20 process.

21 CHAIRMAN MADDUX: Thank you, David. I think
22 it would be a good process. And Jeff, just as a matter

1 of governance, I think you report to the Board, not to
2 the President. And if you and the President disagree
3 and it's a matter of significance in your judgment,
4 then I guess I assume that you would bring it to the
5 Board's attention.

6 MR. SCHANZ: I would not only bring it to the
7 Board's attention, but by means of my semiannual report
8 to Congress, I'd bring it to Congress's attention also.

9 CHAIRMAN MADDOX: Sure. But I wouldn't want
10 the Board to necessarily have to wait until the
11 semiannual report. It might be six or seven months.

12 MR. SCHANZ: Right.

13 CHAIRMAN MADDOX: So I echo David's thoughts
14 and comments, and I think it's very helpful.
15 Obviously, it's a matter of judgment. There's a
16 continuum of things. Maybe you have a mild
17 disagreement on some point. It's not worth bringing it
18 to anyone else's attention. You've done your best.

19 But if it's a major disagreement, you don't
20 necessarily have to salute and stand at attention. And
21 I wouldn't think that that would be in your nature.

22 So I would encourage you to do that. I think

1 the Committee probably agrees. If there's any
2 disagreement, speak now. But otherwise, I think that's
3 a great approach, and I look forward to you guys
4 incorporating that into your ongoing operations.

5 Any other questions?

6 MR. HOFFMAN: Vic, I've got one more, and I'm
7 going to try to do this very, very quickly.

8 I think, Jeff, a similar that I want to
9 understand is I read your March -- I think it was your
10 March 13th memo regarding the IPA reviews. And I
11 think, as a former Fiscal Task Force member, we know
12 that your reviews of the IPAs is critical because the
13 IPA reviews of the grantees are critical. The IPAs,
14 for the most part, are the front-line defense. So if
15 the IPAs are doing their job well, that really is a
16 great safeguard for LSC funds.

17 So I thought your report was -- it was a
18 four-page report. I thought it was a very good
19 summary. It shows that there are numerous instances in
20 a minority of the cases where the IPAs have some
21 deficiencies in their audit processes that led to some
22 deficiencies that you noted.

1 And then you have recommendations for IPAs.
2 And it was consistently noted that those IPAs who
3 provided specific signoff and a reference from the
4 compliance supplement generally achieved the
5 objectives. "We recommend that the IPAs take care in
6 documenting assurance that each direct and material
7 compliance supplemental element is addressed."

8 There are a few other recommendations, and the
9 deficiencies seem significant. There weren't proper
10 interviews that were conducted at times. The people
11 who needed to be interviewed at times weren't.

12 My question for you is about recommendations
13 for IPAs. I take it that give your use of the word
14 "recommendation," an IPA who's been advised by you that
15 they have deficiencies could listen to your
16 recommendation and then not follow it. It's a
17 recommendation. It's up to them.

18 I'm wondering whether the system, the LSC
19 system in which the IG is really the lead office, the
20 LSC system for reviewing the IPAs to make sure they're
21 doing a sufficient job is tight enough, in a way,
22 because instead of recommendations, you could of course

1 require them as a condition of their audit being
2 accepted -- and actually, that's a question.

3 Could you require them to fulfill certain
4 conditions or certify or establish to your satisfaction
5 they are doing things differently? I wanted to get
6 your view on that because I think you're doing a real
7 good job. I want you to be able to be as firm as is
8 appropriate with the IPAs so that the LSC is getting
9 the maximum benefit from that.

10 MR. SEEBBA: This is John Seeba. Basically,
11 when we respond back when they have to do work, we
12 basically tell them, the IPA, that we will not accept
13 their report until they complete these particular
14 deficiencies.

15 So in a way, I don't view them as
16 recommendations. They're basically, they have to do
17 them. And I don't think I know of a circumstance where
18 they have not done them. And they actually provide us
19 copies of their work papers to show the work that they
20 actually completed.

21 So I think we're pretty firm in most regards
22 with making sure that they do a complete and thorough

1 audit.

2 MR. HOFFMAN: Well, John, that sounds good,
3 although that seems inconsistent with what your March
4 13th memo -- that seems firmer than the way you wrote
5 it in the March 13th memo, which is a memo to all
6 executive directors and all IPAs, where the words you
7 used were "recommendations," and it wasn't as you
8 describe.

9 If the reality is as you describe, I'm in
10 favor of that. It sounds like your memo to them should
11 say that.

12 MR. SCHANZ: Well, David, this was a capstone
13 report, a summary. When we deal with IPAs on a
14 one-on-one basis, it's much more forceful, and we won't
15 accept the audit until they do A through Z. This is
16 just a summary report, and as you correctly noted, it
17 was sent to all grantees, all EDs, and all IPAs so they
18 can see what the universe looks like.

19 And on a specific and one-on-one basis, we
20 don't give an inch and won't accept the report unless
21 they go back --

22 MR. HOFFMAN: So Jeff, let me just shortcut

1 this because I think that's very helpful. And I'm
2 interested in this in part because of the way you
3 communicate with the Committee so that we can
4 efficiently grasp, to the maximum degree possible, the
5 good work you're doing.

6 So one of the things you said earlier was you
7 send us emails to show the things that you post on the
8 website. So we review them, and this is something that
9 you apparently posted on the website regarding your IPA
10 review.

11 I think this may be a situation where if this
12 is all we see regarding the work you're doing on IPA
13 reviews, we may be left with the perspective that I
14 had, which now that I asked you questions, it doesn't
15 sound like I have a full understanding of how robust
16 you are in your oversight of the IPAs for the reasons
17 that you and John just said.

18 But I don't think that gets communicated to us
19 by merely emailing us your website summary. Now, it'll
20 be up to you to figure out how to give us a briefing
21 that gives the more thorough and robust understanding.

22 But we should have that thorough and robust

1 understanding because it sounds like you're being
2 firmer with them, and that's good. It's just that this
3 summary doesn't communicate that.

4 MR. SCHANZ: In addition, we put this in our
5 semiannual report. I know that's not an immediate
6 answer to your question. But we try to ventilate it as
7 much as we can without getting down into the weeds.

8 I am happy to get down into the weeds with the
9 Committee on these. But yes, I don't shirk any
10 responsibilities within the IG, so everything that you
11 know from your background and I know from my 40-plus
12 years in the environment, there's a fine line between
13 too much information and enough information.

14 And I haven't dealt with a board until this --
15 well, this job. So maybe I'm over-cautious in
16 over-burdening you with too much information. But it
17 is available. And like I said earlier --

18 MR. HOFFMAN: Yes. And just again, I think --
19 like let's take this topic of having the Audit
20 Committee understand what you're doing to oversee the
21 IPAs. So what you provided us is basically a
22 publicly-available four-page summary report that we can

1 look at, and it takes five minutes to look through.

2 It's helpful.

3 But another five or ten minutes of information
4 because you provide a summary one-pager or a slide or
5 examples of the kind of individualized reports that
6 you're -- that doesn't take us long to review.

7 I just think it's in your office's interests,
8 and I think it's in the Committee's and the Board's
9 interest, that you just make sure that we have a full
10 understanding of the thorough work you're doing.
11 Because I didn't have that from reading this, it sounds
12 like, and I think it would be more efficient if you
13 just send it to us. And if you need to go beyond
14 what's posted on your website, that's perfectly
15 appropriate.

16 MR. SCHANZ: I'm reading my communication to
17 the Board. Sorry.

18 MR. HOFFMAN: And Vic, I'm done with that. I
19 just wanted to make that point.

20 I think, Jeff another -- you all are doing
21 fantastic work, and I think that I want to be checking
22 during these meetings about the level of oversight of

1 different aspects that are strong regarding grantee
2 fund review, and this is one of them. So I think if
3 you think about what I've said and can provide us a
4 little more information on the IPA review going
5 forward, that would be helpful.

6 Thanks, Vic.

7 CHAIRMAN MADDOX: Thank you, David. And thank
8 you, Jeff. If you've got any other comments, feel
9 free. I don't want to shortcut you, but --

10 MR. SCHANZ: Well, no. I'm just gauging how I
11 can say "new and improved" in --

12 CHAIRMAN MADDOX: You already said it.

13 MR. SCHANZ: Yes. So --

14 CHAIRMAN MADDOX: No. I want to echo David's
15 comments as well, and I think the Committee does, that
16 you guys are doing great work. We think that the OIG's
17 office is being very responsive. You've changed
18 procedures, you've brought on personnel, and the
19 operation seems to be much improved from five years
20 ago.

21 But we just think the communication level can
22 always be a little bit more improved. What were your

1 three C's, again?

2 MR. SCHANZ: Communication, cooperation, and
3 coordination.

4 CHAIRMAN MADDOX: There you go. All right.
5 Well, thank you very much. I want to try to keep us
6 moving.

7 The next item on our agenda is a briefing by
8 General Counsel regarding the update of the risk
9 management matrix. And I recognize Ron Flagg.

10 MR. FLAGG: Thank you. I will be brief. This
11 is obviously a quarterly report, and now, with a format
12 that the Committee's familiar with, I would really just
13 make, I think, maybe two points.

14 One is that while we give this report to the
15 Audit Committee every quarter, obviously it has
16 application to all of the Board Committees. And even
17 in really just the last 24 hours, while the Committees
18 have been meeting, we've had oversight reports to each
19 of the Committees.

20 Ops and Regs heard reports on enforcement
21 mechanisms, human capital management, performance
22 management. The Governance Committee heard about the

1 compilation of sources of authority. The Delivery of
2 Legal Services obviously had -- virtually its entire
3 meeting was an oversight occasion on a report from OPP.

4 The Finance Committee, really every time it
5 meets, gets a report on the status of our funding
6 levels. And this Committee just heard on electronic
7 data, and always gets a report in very granular detail
8 on the relationship between the IG's office and OCE.
9 So I'd just make that observation.

10 Management uses this matrix as a tool to
11 identify where we might do additional reports. And we
12 certainly invite the Committee chairs, although I think
13 they are already aware of the invitation and have taken
14 advantage of it, to tell us where they would like
15 additional reports.

16 The only other point I'd make is, upcoming at
17 the next meeting, without having given additional
18 thought, and there will be additional reports, I'm
19 sure, as we move toward July, we will do a periodic
20 review of our regulations since I believe July is when
21 we're going to do our regulatory agenda.

22 And I expect that our new contract manual will

1 be in use at that point, and we will share with
2 probably the Ops and Regs Committee an example of how
3 our new tool that we're going to be using in
4 contracting will work.

5 With that, I just would be happy to entertain
6 any questions.

7 CHAIRMAN MADDOX: Are there any questions for
8 General Counsel?

9 (No response.)

10 CHAIRMAN MADDOX: If not, thank you, Ron, for
11 your report. It's helpful as always.

12 MR. HOFFMAN: Hey, Vic, just FYI, I'm having
13 trouble hearing you again. It's very, very faint. I
14 was able to hear Ron, however.

15 CHAIRMAN MADDOX: I'm just a shrinking violet.

16 (Laughter.)

17 MR. HOFFMAN: There you go. It's some
18 connection. It was going in and out. But now I could
19 hear you just at the end.

20 CHAIRMAN MADDOX: So we're going to move to
21 item 5 on our agenda, which is the briefing about
22 referrals from the Office of Inspector General to the

1 OCE, including matters from the annual independent
2 public accountants' audit of grantees. And I recognize
3 the Director of the Office of Compliance and
4 Enforcement.

5 MS. RATH: Thank you, Mr. Chairman. Thank you
6 to the Committee for allowing me this opportunity to
7 give our quarterly update on OCE's activities related
8 to referrals from the Office of Inspector General,
9 specifically from the audit division.

10 Starting at page 185 in your briefing book, I
11 have provided one memo explaining the following chart,
12 which are the questioned cost referrals from the audit
13 division. And then immediately following that is the
14 chart related to the independent public auditor
15 findings.

16 I'd like to briefly go over the memorandum to
17 just let you know what we've worked on since we last
18 spoke in January. At the beginning of calendar year
19 2015, there were two referrals from the audit division
20 that remained open. During the quarter, an additional
21 one was referred to us. During the quarter, we were
22 able to close one referral, so there are now currently

1 two referrals open.

2 To update some of the information in the memo,
3 the first one that was open at the beginning of the
4 year and remains pending is Legal Services New York
5 City. I spoke to them -- not yesterday, late last
6 week, and we have agreed upon the amount of derivative
7 income to be questioned, and it actually won't be
8 questioned.

9 They've agreed to restate it into their LSC
10 funds because as derivative income, it wasn't misspent,
11 so we shouldn't actually recoup it. But instead, they
12 will transfer the money from a non-LSC funding line
13 into the LSC funding line going forward.

14 So we've agreed to that amount. It's about
15 \$286,000 because when OCE readjusted the numbers, it
16 went up from what the OIG had initially referred.

17 CHAIRMAN MADDOX: Let me ask you about that.

18 MS. RATH: Yes?

19 CHAIRMAN MADDOX: That's in comparison to the
20 \$196,000?

21 MS. RATH: Yes.

22 CHAIRMAN MADDOX: So it went up by \$100,000 or

1 so, or \$90,000?

2 MS. RATH: About \$90,000, yes.

3 CHAIRMAN MADDOX: I wanted to ask you about
4 the resolution you have underway. First of all, I
5 challenge anyone to diagram the last sentence in that
6 paragraph, the one that starts, "The Vice President
7 entered into initial conversations," because --

8 MS. RATH: It's a little long.

9 CHAIRMAN MADDOX: -- it is a challenge to
10 follow. But tell me exactly. You're transferring
11 money from non-LSC funds to the LSC funding line.

12 MS. RATH: Yes.

13 CHAIRMAN MADDOX: And this is because they
14 didn't -- let me make sure I understand. They received
15 awards of attorneys' fees. They didn't allocate those
16 fees or some part of those fees to the LSC line.

17 MS. RATH: Correct.

18 CHAIRMAN MADDOX: Even though the cases that
19 they got the fees on were funded in part with LSC
20 funds.

21 MS. RATH: Correct.

22 CHAIRMAN MADDOX: So the money hasn't been

1 misspent. It hasn't disappeared. It's just there in
2 the accounting world, and it's not properly allocated.

3 So you're just going to --

4 MS. RATH: Move it.

5 CHAIRMAN MADDOX: -- move that money as an
6 accounting mechanism to properly reflect the LSC
7 contribution. Is that right?

8 MS. RATH: Correct. And we will also be
9 working with them to ensure that they have the accurate
10 policies and procedures in place to make sure that does
11 not happen again the future. They're working on that.

12 CHAIRMAN MADDOX: Yes. That may be the bigger
13 question. Is this something that other grantees may be
14 doing improperly?

15 MS. RATH: That's a case-by-case basis. We
16 usually look at attorneys' fees when we're onsite.
17 This is the first one that the OIG referred to us.
18 There's actually that same issue in West Virginia, a
19 much smaller amount, so it is something that OCE will
20 be paying greater attention to in the future. The regs
21 are fairly clear about derivative income and how it
22 should be allocated.

1 CHAIRMAN MADDOX: And when you say derivative
2 income, you mean attorneys' fees awards?

3 MS. RATH: No. Derivative income is any
4 income, extra income, that stems from LSC funds. So
5 derivative income could be if they used LSC funds to
6 purchase real property, and when they sold it, they
7 made --

8 CHAIRMAN MADDOX: Capital gain?

9 MS. RATH: Yes. So they --

10 CHAIRMAN MADDOX: But it also includes
11 attorneys' fees?

12 MS. RATH: Yes.

13 CHAIRMAN MADDOX: And that's relatively new
14 because attorneys' fees weren't allowed until a few
15 years ago. Right?

16 MS. RATH: Exactly. Exactly.

17 CHAIRMAN MADDOX: All right. I'm sorry. Go
18 ahead.

19 MS. RATH: So hopefully, with their agreement,
20 we should be able to move forward on getting that money
21 moved. So hopefully that will be resolved by our next
22 meeting.

1 The new referral that remains open is Legal
2 Aid of West Virginia. We have the materials and we're
3 reviewing them, so we'll be making a recommendation to
4 the vice president as to whether to initiate a
5 questioned cost or not and how to proceed with that.

6 Then we were able to close Nevada Legal
7 Services; it had been pending since August 18th.
8 Through informal negotiations with the program, w were
9 able to determine from information that they provided
10 to the OIG and that they provided to us that they
11 needed to return \$1222, which they did. They provided
12 us with a check.

13 The resolution time for that was 214 days.
14 And I mention that because as was alluded to before,
15 there is now an agreement in place for what will happen
16 when a referral comes, when we will ask for
17 information. And the target timeline for completing
18 OIG referrals is 270 days. So that information will be
19 provided to the Committee at each report so that we can
20 keep track of how we're doing with meeting those
21 targets.

22 CHAIRMAN MADDOX: And that agreement is

1 between you and OIG?

2 MS. RATH: It's between Jim and effect, so
3 yes. So if there are any questions about the memo or
4 the first chart, I would be happy to answer those.

5 CHAIRMAN MADDUX: Martha?

6 DEAN MINOW: Just very helpful. Thank you.

7 MS. RATH: Thank you.

8 CHAIRMAN MADDUX: I agree.

9 Gloria?

10 PROFESSOR VALENCIA-WEBER: Yes. The charts
11 have gotten more helpful. There is on this chart,
12 though, a number of grantees that do not have the state
13 they're in. And if it's not in the title of the
14 grantee, then we don't know always where they're from.

15 MS. RATH: Oh, I'm sorry. Yes. For the IPA
16 referral, the audited financial statements, you are
17 correct. I neglected to add some of the states in. I
18 will correct that for the next meeting.

19 PROFESSOR VALENCIA-WEBER: And on -- let's see
20 -- I'm sorry. It looks like I missed the note that I
21 posted, that I put down. So that's okay.

22 MS. RATH: Well, and with the IPAs, while

1 you're looking for that, Gloria, if you want, you'll
2 notice that there's approximately 35 referrals pending
3 for 15 grantees. Several of them, or a few of them,
4 are grantees with multiple referrals.

5 These are programs that both OPP and OCE are
6 working with to solve, cure the deficiencies. And in
7 many cases they've been lingering and staying open
8 because we want to be able to make sure that the
9 corrective action that the program said they were going
10 to take has been taken, that it's being taken on a
11 sustained basis, before we close it out because we
12 don't want to say it was done and then somebody else
13 comes behind us and it really wasn't. So that's why
14 some of them are lingering for so long.

15 PROFESSOR VALENCIA-WEBER: On the whole, the
16 reports look better than from the first version that
17 you had. And I was noting also, what were the longest
18 existing difficulties that are on here? And there's
19 just the Appalachian still from 2013, but by and large,
20 we are moving faster.

21 There is, in the Inland Counties still, a
22 follow 2012. But then they're related to later ones,

1 so I understood that from reading it.

2 MS. RATH: Yes. That's one of the reasons for
3 keeping them open, to see whether --

4 PROFESSOR VALENCIA-WEBER: Because -- yes.

5 MS. RATH: -- it's an ongoing issue. And in
6 relation to Inland Counties, we were just there. We
7 went there in January. So we'll see what the findings
8 of the report are with that, whether we're going to
9 need to implement any special grant conditions, or
10 whether things are resolved.

11 And for AppalReD, we are actually doing a
12 technical assistance review to that program at the end
13 of the month to try and help them with some of these
14 issues that have been ongoing.

15 PROFESSOR VALENCIA-WEBER: Well, the chart
16 does a better job of connecting those older and newer
17 ones.

18 MS. RATH: Yes. I tried putting them all
19 together rather than having a long list.

20 CHAIRMAN MADDOX: John?

21 MR. LEVI: Well, separate from the one we
22 discussed earlier, there was another at least one or

1 two of these that were small grantees with the internal
2 control problem.

3 I just wonder if -- we keep seeing that --
4 that we maybe have to be more even -- we discussed this
5 earlier. But it just seems like an area in which maybe
6 we have to even be somewhat more proactive.

7 MS. RATH: And I agree with you, sir. And one
8 of the things now, I think the Board is aware that in
9 August we hired a deputy director specifically for
10 fiscal compliance. She's still in the process of
11 learning the whole system. But as these systemic
12 issues come up, I am hoping that she will be able to
13 help me come up with how we should address it. So it
14 is on our radar.

15 CHAIRMAN MADDOX: Yes. I was going to --
16 John, you preempted me. I'm glad because I was going
17 to ask you, Lora, about the NorthEastern Minnesota
18 issue. There is a case where OIG said inadequate
19 internal controls, and OCE closed the referral simply
20 by saying, well, we'll follow it. We'll give them some
21 guidance. Basically, nothing concrete was done by OCE.
22 Correct?

1 MS. RATH: Correct. We have contacted the
2 program, and we recognize that they're a small program.
3 Recommendations were made about hiring additional
4 staff, which they don't have the money for. So it has
5 been listed.

6 In addition to us saying, unfortunately, we
7 have to close it, it is in the risk assessment chart
8 for something for us to keep our eye on, especially
9 when the next fiscal application is done. We ask them
10 to complete segregation of duties worksheets and other
11 things like that. So that will give us a better
12 picture. And if we need to go onsite and try and
13 strong-arm the fix, we will do so.

14 MR. LEVI: We heard, I think, earlier
15 discussion about a board member providing -- or some
16 checks and -- don't we get a suggestion as to how
17 they're going to address that? Okay, they don't have
18 the money to hire an employee, but here's what they'll
19 do?

20 MS. RATH: We do have that, and I just haven't
21 put all of the detail into the charts. If everybody
22 would like all the detail, we can add to the charts.

1 MR. LEVI: Well, "OCE will continue to provide
2 technical assistance to the program," it says. So that
3 may be one thing, that we're going to be the internal
4 control. But wow, that's almost -- that's a conflict.

5 MS. RATH: Well, no. The technical assistance
6 is to help them develop what is going to be their
7 system for checks and balances, to provide them
8 suggestions, see how whatever suggestion they take,
9 whether it works or not, and if it doesn't work,
10 provide them with another suggestion until the
11 deficiency is cured. It's not that we would be taking
12 over.

13 CHAIRMAN MADDOX: Lora, just for reference, do
14 you know how large this organization is in terms of
15 their accounting staff? What do you mean by a small
16 office or small grantee? Off the head. If you don't,
17 that's fine.

18 MS. RATH: I don't. I don't want to answer
19 without looking it up. I can get an answer back to
20 you.

21 CHAIRMAN MADDOX: Well, I think that John's
22 point is one that I share, which is that by and large,

1 we would like to know that you are taking some concrete
2 steps. And this chart doesn't exactly tell us that
3 anything concrete is being done.

4 And it may well be that that concrete step is
5 that you've had discussion with the executive director;
6 the executive director has talked to the board; the
7 board's aware, whatever that may be. But we don't want
8 to come back a year or two from now and see that
9 they're on the list of questioned costs because
10 \$200,000 is missing.

11 MS. RATH: Right. And so what I'll do is I
12 will leave this on the chart and I will add additional
13 detail for the next meeting to see that you are
14 comfortable with the activities that we've taken going
15 forward. Some of the times I'm trying to shorten the
16 information I'm giving.

17 CHAIRMAN MADDOX: Sure. I understand, yes.

18 MS. RATH: But if more information is needed,
19 I'm more than happy.

20 CHAIRMAN MADDOX: Gloria?

21 PROFESSOR VALENCIA-WEBER: We've spent time
22 trying to figure out just, in an ad hoc way, what's a

1 small grantee. I was wondering if we could get from
2 you and Lynn just a quick breakdown by cohort of what
3 the size staffing you know among our grantees, from the
4 smallest to whatever would be the largest, and break it
5 down into cohort groups that make sense to you.

6 MS. RATH: Yes. We can do that.

7 PROFESSOR VALENCIA-WEBER: Because what
8 Julie's response was is that her organization can
9 handle this. And I'm on the board of another small
10 organization in a certain way, but one of the things
11 that we excel at, which makes a lot of difference for
12 not only the state and city funds for which we have to
13 provide the audit, but also for the Annie Casey and the
14 Robert Wood Johnson because we have a lot of external
15 ones.

16 And we have put a CPA on our board, and that
17 makes a lot of difference. So when we have the city
18 come, they say, we're just going to meet and have
19 coffee because you people always have clean audits.
20 And that's what we want.

21 CHAIRMAN MADDOX: Thank you, Gloria.

22 Any other questions?

1 MR. LEVI: I was just going to say, it did
2 seem to me -- and it would be helpful, maybe, also for
3 other grantees; I don't know -- but if a board member,
4 just like our board here, added expertise to this
5 committee, can they help their own grantees when this
6 kind of thing is flagged to them, use their own
7 networks to get somebody to pro bono the proper check
8 and balance?

9 Are we giving them examples of, you could do
10 this, you could do that, and incidentally, we're not
11 just going to give you the examples, but in two weeks
12 we'd like to know what you're thinking about, and in
13 another two weeks what you decide?

14 MS. RATH: So we are giving the examples. And
15 one thing I'd like to point out is, as part of the last
16 go-round of fiscal applications, when we saw that there
17 were deficiencies, for example, in the audit charter or
18 that somebody said that they didn't have a fiscal
19 expert on staff, we followed up with those programs,
20 whether there were special grant conditions required or
21 not. We followed up with them with a separate letter.

22 We're not doing, as of yet, the level of

1 followup after that that you suggest. But we can
2 definitely try and figure out how to do that.

3 MR. LEVI: Well, I understand we're making
4 work, and I want to be mindful of Harry's principle
5 here. But at the same time, these are places where,
6 unfortunately, we've had issues. I don't mean this
7 specific -- any program.

8 MS. JENNINGS: This is Lynn Jennings. Just a
9 general comment. Many of the things that we've
10 discussed in this Committee and in the DLS Committee
11 all -- we see trends and patterns developing.

12 Over the past couple of years, and Jim's
13 tenure and your tenure, we've been working on some
14 issues that were pointed out before in terms of
15 management. And now we're improving our oversight and
16 getting that done to a level where everybody is
17 pleased.

18 Now, the next phase is to really engage in
19 taking these trends, seeing where the deficits are, and
20 doing some capacity-building. So in that phase, I
21 would like to ask you all for some help. We're trying
22 to work within the resources we have to do the

1 technical assistance that we need, but it's not nearly
2 what it needs to be.

3 And so as you prepare for your Institutional
4 Advancement Committee work, when you do talk to
5 foundations or other funders, it would be very helpful
6 to get some ability to have some capacity-building
7 grants. The Hewlett Foundation is big on
8 capacity-building, and so that's just a pitch I'm going
9 to make.

10 That's what we really need to do to take a
11 group of smaller grantees, where we've seen some
12 deficits, and provide ongoing technical assistance to
13 them as a group. So we need to reorganize some resources
14 internally, but I don't think that, as it is now, that
15 it would be sufficient to address all of the trends and
16 deficits that we've seen.

17 CHAIRMAN MADDUX: Martha?

18 DEAN MINOW: That's certainly a great
19 priority. It does strike me that there might be a way
20 to take a lesson from our Fiscal Oversight Committee
21 and look for some volunteer services. And I'm
22 particularly thinking of retired financial people, and

1 the We Serve Corps, and other kinds of programs for
2 retired people. I think this is just a perfect project
3 to pitch to them.

4 CHAIRMAN MADDUX: And Julie?

5 MS. REISKIN: Just a question. When you're
6 talking about capacity-building, are you talking about
7 some kind of funding or program to provide
8 capacity-building to the field, or capacity-building at
9 LSC to better help the field? And part two is, would
10 this be an ongoing need or a project that has an end
11 date?

12 MS. JENNINGS: Well, both would be great. But
13 generally, what the Hewlett Foundation does is they
14 give capacity-building grants to their grantees when
15 they see a deficit. So that's something that I'd like
16 to model.

17 To have a little seed funding to pay for a
18 couple of FTEs to be able to do technical assistance
19 full-time would be great. As I said, Jim and I are
20 having those discussions internally, how to make it
21 happen.

22 But really, to be as robust as we want and

1 need to be, I think that there are additional resources
2 that are needed. And that would be -- my idea would be
3 a one-time infusion to work for two years to really get
4 something up and running.

5 CHAIRMAN MADDOX: Thank you, Lynn.

6 Lora, is there anything else from you?

7 MS. RATH: No. Nothing from me, unless
8 there's any other questions.

9 CHAIRMAN MADDOX: No. Thank you. That was
10 very helpful. We look forward to hearing from you at
11 our next meeting.

12 The next thing on our agenda is to consider
13 and act on other business. Is there any other
14 business?

15 (No response.)

16 CHAIRMAN MADDOX: Well, I'll just note that
17 there is a memo from Traci Higgins regarding the 403(b)
18 Thrift Plan. It's simply an update, and it effectively
19 says that all of the Thrift Plan funds are doing well.

20 So those of you with money in the 403 Thrift Plan, you
21 can sleep easy tonight.

22 There was no action item or no Management

1 report. So the memo is there for your review.

2 Is there any public comment?

3 (No response.)

4 CHAIRMAN MADDIX: Seeing and hearing none, the
5 only other thing I would say in other business is I
6 would note for the Committee that it's been two or
7 three years now since our charter was revised. And I
8 would like to ask everybody on the Committee to think
9 about how well the charter has been working, and maybe
10 we can discuss that at our next meeting, and if there
11 are any suggestions for how better to implement the
12 charter.

13 I had suggested some time ago, when we
14 initially adopted it, that we would have some systemic
15 review on a regular basis of various items in the
16 charter. I'm not sure if we've ever put that into
17 place. I just think it's worth five minutes of our
18 discussion at the next meeting. So we'll look for that
19 in July.

20 If there's no other business, I would
21 entertain a motion to adjourn.

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M O T I O N

PROFESSOR VALENCIA-WEBER: So moved.

CHAIRMAN MADDOX: And a second?

MR. KORRELL: Second.

CHAIRMAN MADDOX: All in favor?

(A chorus of ayes.)

CHAIRMAN MADDOX: Opposed?

(No response.)

CHAIRMAN MADDOX: And hearing none, the motion's passed and the meeting's adjourned. Thank you.

(Whereupon, at 2:36 p.m., the Committee was adjourned.)

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