

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

MEETING OF THE  
AUDIT COMMITTEE

OPEN SESSION

Friday, July 27, 2012  
9:27 a.m.

Sheraton Ann Arbor Hotel  
3200 Boardwalk Street  
Ann Arbor, Michigan 48108

COMMITTEE MEMBERS PRESENT:

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

OTHER BOARD MEMBERS PRESENT:

Robert J. Grey, Jr.  
Laurie Mikva  
Martha L. Minow  
Julie A. Reiskin

## STAFF AND PUBLIC PRESENT:

James J. Sandman, President

Richard L. Sloane, Chief of Staff & Special Assistant  
to the President

Rebecca Fertig, Special Assistant to the President

David L. Richardson, Comptroller and Treasurer, Office  
of Financial and Administrative Services

Jeffrey E. Schanz, Inspector General

Matthew Glover, Associate Counsel, Office of the  
Inspector General

Joel Gallay, Special Counsel to the Inspector General,  
Office of the Inspector General

David Maddox, Assistant Inspector General for  
Management and Evaluation, Office of the  
Inspector General

Carol Bergman, Director, Office of Government Relations  
and Public Affairs

Carl Rauscher, Director of Media Relations, Office of  
Government Relations and Public Affairs

Glenn Rawdon, Program Counsel, Office of Program  
Performance

Len Sanchez, Executive Director, Neighborhood Legal  
Services Michigan

Herbert S. Garten, Non-Director Member, LSC  
Institutional Advancement Committee

Allan Tanenbaum, Non-Director Member, LSC Finance  
Committee

Chuck Greenfield, National Legal Aid and Defender  
Association (NLADA)

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

2 (9:27 a.m.)

3 CHAIRMAN MADDOX: I think we're going to get  
4 started now. I apologize for the somewhat haphazard  
5 nature of the way we got this going here. It's 9:27  
6 a.m., Eastern time. And so I'm going to call the  
7 meeting of the Audit Committee of the Legal Services  
8 Corporation for July 27, 2012 to order.

9 Can I have a roll call, who all is present?

10 Professor Valencia-Weber: Maybe go from the  
11 members of the Committee. So Harry Korrell. Is Harry  
12 there?

13 (No response.)

14 Professor Valencia-Weber: David Hoffman?

15 MR. HOFFMAN: Yes. I'm here.

16 Professor Valencia-Weber: Oh, there's Harry.

17 CHAIRMAN MADDOX: We're just taking a roll  
18 call. Harry, are you here?

19 MR. KORRELL: I'm here.

20 CHAIRMAN MADDOX: David Hoffman?

21 MR. HOFFMAN: Here.

22 CHAIRMAN MADDOX: Paul Snyder?

1 MR. SNYDER: You're.

2 CHAIRMAN MADDOX: Gloria?

3 PROFESSOR VALENCIA-WEBER: Here.

4 CHAIRMAN MADDOX: And I'm here as well. So we  
5 have all members of the Committee present, and we have  
6 a quorum.

7 The first item on our agenda is to approve the  
8 agenda. Is there a motion?

9 M O T I O N

10 PROFESSOR VALENCIA-WEBER: I'll so move.

11 CHAIRMAN MADDOX: Second?

12 MR. KORRELL: Second.

13 CHAIRMAN MADDOX: All in favor?

14 (A chorus of ayes.)

15 CHAIRMAN MADDOX: Opposed?

16 (No response.)

17 CHAIRMAN MADDOX: The motion is agreed to, and  
18 the agenda is approved.

19 Item No. 2 is approval of the minutes of the  
20 Committee's June 25, 2012 meeting.

21 Is there a motion to approve?

22 M O T I O N

1 MR. KORRELL: So moved.

2 CHAIRMAN MADDOX: And second?

3 MR. HOFFMAN: Second.

4 CHAIRMAN MADDOX: Seconded. All in favor?

5 (A chorus of ayes.)

6 CHAIRMAN MADDOX: Opposed?

7 (No response.)

8 CHAIRMAN MADDOX: And the motion is agreed to,  
9 and the minutes of the Committee's June 25, 2012  
10 meeting are approved.

11 The next item and our first substantive item  
12 is the report on the 403(b) annual plan.

13 MS. HIGGINS: Good morning.

14 CHAIRMAN MADDOX: Traci, just --

15 MS. HIGGINS: As we all know, the market is  
16 continuing its bumpy ride.

17 CHAIRMAN MADDOX: Just a moment, Traci.

18 DEAN MINOW: Wait, Traci.

19 MS. HIGGINS: I'm sorry?

20 DEAN MINOW: Wait.

21 CHAIRMAN MADDOX: I'm just trying to get a  
22 clear record. We haven't identified you for the record

1 yet, and so it's going to be a little unclear.

2           So the next item on our agenda is report on  
3 the 403(b) annual plan review and update on the annual  
4 audit. And the Committee is pleased to recognize Traci  
5 Higgins, Director of Human Resources for the  
6 Corporation. Thank you, Traci.

7           MS. HIGGINS: Okay. Good morning. As we all  
8 know, the market is continuing its bumpy ride.  
9 Short-term trends for some of our funds demonstrate  
10 weakened performance. But the long-term view, the 3-,  
11 5-, and 10-year rankings of our funds among their peer  
12 funds, is still quite strong.

13           The aim is for our funds to be in the 50th  
14 percentile or better. So the lower the number, the  
15 better the ranking. And almost all of our funds have  
16 3- and 5-year rankings in the top 50th percentile, with  
17 the short-term activity of those funds that have missed  
18 that mark for the most part showing movement in the  
19 right direction.

20           So with the weakened performance of the funds  
21 sustained over time, our advisor might suggest a  
22 change. But at this point, he's recommending that we

1 hold pat and just ride out the rockiness.

2           As previously reported, Lord Abbett required  
3 continuing monitoring. Its 3-month ranking has  
4 improved over its year-to-date state ranking, but it  
5 still lags significantly behind its 3- and 5-year  
6 rankings.

7           BMO Small Cap is doing well over the 3- and  
8 5-year marks, and its short-term ranking has improved  
9 slightly. Our advisor proposes no further action for  
10 this fund. Likewise, short-term activity for  
11 Prudential Jennison is weak, but it's fine over the  
12 longer term.

13           Turning to the 403(b) plan audit, we did  
14 receive sample requests for the five tests indicated in  
15 the report. Sample sizes ranged from 2 to 11  
16 employees, with multiple documents being requested for  
17 each employee. All requested material has been  
18 submitted, and there currently are no outstanding  
19 requests. And the auditor has reported no issues to  
20 date.

21           And that concludes my report.

22           CHAIRMAN MADDOX: Traci, is there any



1 particular reason why there is an unusually high level  
2 of distribution activity? I assume that's just  
3 because --

4 MS. HIGGINS: Yes. Well, they were  
5 all -- well, I'll say with June activity, a couple of  
6 employees left so they rolled their funds over to other  
7 companies. And one employee took out a rather large  
8 distribution to invest in a different retirement  
9 vehicle. So it was all pretty standard activity, and  
10 nothing out of the ordinary. Out of the ordinary was  
11 the volume, but the activities that prompted, the  
12 withdrawals, were standard.

13 CHAIRMAN MADDOX: Any other questions from the  
14 Committee members?

15 (No response.)

16 CHAIRMAN MADDOX: If not, thank you for your  
17 report, Traci.

18 MS. HIGGINS: Thank you.

19 CHAIRMAN MADDOX: So the next item on our  
20 agenda is to consider and act on the revised Audit  
21 Committee charter. We have had a series of meetings to  
22 address the revisions to our charter. Most recently,

1 our June 25th meeting, which took place by telephone  
2 for about two and a half hours, we agreed to some  
3 changes to the Committee, and have a draft Committee  
4 charter that is among the materials in the book. I  
5 think we were prepared to vote on that at today's  
6 meeting.

7           On Friday, July 19, I received a copy of a  
8 memorandum from the Inspector General's office raising  
9 a number of objections to the draft charter, and  
10 suggesting that various aspects of the draft could be  
11 in conflict with certain statutes, including the D.C.  
12 Nonprofit Corporation Act, the Inspector General Act,  
13 and the LSC Act.

14           In light of those objections and given the  
15 fact that we need more time to consider those and come  
16 to an acceptable resolution, I'm going to ask  
17 for -- I'm going to suggest to the Committee that we  
18 table the motion to consider and act on our revised  
19 charter until such time that we're able to address  
20 those concerns raised by the Inspector General and come  
21 to an acceptable resolution, if that's possible.

22           Is there any comment from Committee members?

1 Gloria?

2 MR. KORRELL: This is Harry. Can you hear me?

3 CHAIRMAN MADDOX: I'm sorry, Harry. We've got  
4 Gloria first and then I'll go to you.

5 MR. KORRELL: I'm having trouble with the  
6 phone here. So can you hear me?

7 CHAIRMAN MADDOX: We can hear you, Harry. But  
8 Gloria has the floor, and when she's done, I'll turn it  
9 over to you next.

10 MR. KORRELL: Very good.

11 PROFESSOR VALENCIA-WEBER: Having read the  
12 Inspector General's memo and --

13 MR. KORRELL: Vic, can you ask Gloria to get  
14 closer to the phone, please?

15 CHAIRMAN MADDOX: Yes. I'm just not sure that  
16 her mike is on.

17 DEAN MINOW: Why don't you try the other mike.  
18 Yes, try another mike.

19 CHAIRMAN MADDOX: We're trying another mike.

20 DEAN MINOW: How's that one?

21 MR. KORRELL: Thank you.

22 PROFESSOR VALENCIA-WEBER: Can you hear me

1 now?

2 MR. KORRELL: Yes.

3 PROFESSOR VALENCIA-WEBER: Okay. I agree that  
4 we should postpone so we have time to consider what was  
5 submitted by the Inspector General and the response  
6 from the attorney for the Corporation so we can make a  
7 better decision about the charter.

8 CHAIRMAN MADDOX: Thank you, Gloria.

9 Harry?

10 MR. KORRELL: Yes. Thanks, Vic. We have been  
11 working on this since, I think, my first Board meeting  
12 with the Corporation, and we looked at the charter  
13 then. There are things that need to be addressed.

14 I don't know the exact timing, but it seems  
15 like it's been over a year, a year and a half, since we  
16 have been working on this. And I confess I am a little  
17 bit frustrated with the timing of the OIG's comments,  
18 giving what I perceive to be relatively minor changes  
19 in the language. These are issues that could have been  
20 productively raised a year ago or so.

21 With that, nothing further.

22 CHAIRMAN MADDOX: Paul or David, any comments?

1           MR. HOFFMAN: This is David. Do you want me  
2 to go ahead, Vic?

3           CHAIRMAN MADDOX: You have the floor.

4           MR. HOFFMAN: Yes. I think it's appropriate  
5 to take some additional extra time to consider the IG's  
6 comments. So I agree with you about tabling it.

7           I would say -- I would echo that -- I couldn't  
8 really hear Gloria very well. I would echo the  
9 comments of Harry. I note that their principal  
10 concern, or one of the principal concerns, relates to  
11 language that is not even language that is being  
12 changed in this charter, but was in the existing  
13 charter. And it may be that the other -- well, I guess  
14 the point about the other Board members is a new point.

15           So I think -- and, you know, obviously all of  
16 us have done -- including receiving lots of comments  
17 and having lots of discussions with the IG's office,  
18 this has obviously been going on for quite a long time.

19           I think it's been very productive and helpful to have  
20 all these discussions with the IG and others.

21           But obviously, this is a Committee that needs  
22 to do important work for the Board and for the

1 Corporation. My impression is that we've been spending  
2 a lot of time on the charter, appropriately, that  
3 otherwise could have been spent on the substantive work  
4 of doing Audit Committee work, and we've been waiting  
5 to wrap this up to really turn to that in a 100 percent  
6 way.

7           So I would just encourage us to adopt a  
8 schedule that is expeditious so that we can move this  
9 and find a resolution. Those are my comments.

10           MR. SNYDER: Vic, this is Paul Snyder. I  
11 would agree with David's comment. I think we need to  
12 move quickly so that we can be an effective audit  
13 committee. I've expressed to John Levi that with some  
14 of the changes that the OIG had suggested, if they are  
15 implemented, I'd question how effective we are as an  
16 audit committee because most of the things you would  
17 expect of an audit committee we would not be doing.

18           So we've just got to look very closely at  
19 that, as to how we are helping the Board perform its  
20 independent oversight function.

21           CHAIRMAN MADDIX: Thank you, Paul. I  
22 appreciate that, and I appreciate everyone's comments.

1 I think it's true that the Audit Committee as it  
2 currently exists was created as a result of the 2007  
3 GAO finding and recommendation that the Corporation  
4 needed an audit committee. And I think that that  
5 implies a modern and properly constituted and  
6 functioning Audit Committee.

7 I also share some of the frustration with the  
8 timing. I agree with everyone's concern that the  
9 Committee needs to move beyond process issues into  
10 substantive issues. And I'm hopeful that we can do  
11 that in short order.

12 I think it's appropriate, given the importance  
13 of the relationship between the Committee and the  
14 Corporation and the Board and the Inspector General,  
15 that we give appropriate regard to the Inspector  
16 General's concerns and that we resolve them to the  
17 fullest extent possible consistent with everyone's  
18 interests.

19 So I don't want to adopt a schedule today. I  
20 want to consult with all parties involved, including  
21 the Inspector General and his staff, Chairman Levi,  
22 Committee members, and legal counsel for the

1 Corporation.

2           And I'm going to recommend that we come up  
3 with a schedule so that we can get this resolved in the  
4 shortest possible time. I will probably be asking for  
5 another telephonic meeting where we can address this in  
6 advance of our meeting this fall so that it can all be  
7 put to bed.

8           So with that, I'm going to -- I'm sorry.  
9 Julie?

10           MS. REISKIN: This is not about the big  
11 controversy, but it's a small suggestion when you  
12 finally do get it done. And I'm sorry I didn't catch  
13 this before.

14           But on Membership, Section 3, it says, "To the  
15 extent practical, members of the Committee should have  
16 at least a basic understanding of finance and  
17 accounting." I would remove "To the extent practical."

18 I think that for an audit committee of this  
19 organization, members must be able to read financial  
20 statements and have that understanding.

21           CHAIRMAN MADDOX: Well, to some extent, that's  
22 a matter left to the President of the United States



1 because he appoints the Committee members. And if he  
2 chooses not to appoint people with the necessary  
3 expertise, we still have to have an audit committee.  
4 So that's part of the reason why we have -- but I  
5 appreciate your suggestion, Julie, and I think that "To  
6 the extent practical" is appropriate language, given  
7 the nature of the Board and the political process that  
8 we are all a part of.

9 I think that the point you've highlighted,  
10 though, is the reason why we asked David Hoffman and  
11 Paul Snyder to join us, because they provided  
12 outstanding work to our Fiscal Oversight Committee, and  
13 they bring immense talent and experience in the  
14 critical areas that the Committee functions in. So I  
15 think we've reached the best compromise possible there.

16 Before I close this item, I want to recognize  
17 the Inspector General to see if he has any comments.  
18 You're next on the agenda, Mr. Inspector General, but  
19 before we go there, if you have any comments on this  
20 topic, this is the opportunity now.

21 MR. SCHANZ: Well, I do, and it's a  
22 housekeeping item, very much following on what Julie

1 recommended.

2           If you look at the first page of the  
3 charter -- it says we're going to have to do this, I  
4 think, on most charters -- the Terms, paragraph IV,  
5 Roman numeral IV -- and this goes to Harry's point;  
6 he's been dealing with this for over a year now -- the  
7 terms of the Committee -- or, "Members of the Committee  
8 shall serve for a term of one year or until their  
9 earlier resignation, replacement, or removal from the  
10 Committee or the Board."

11           Thankfully, even though I share your  
12 frustration, no one's left. But that is a housekeeping  
13 item, I think, that we need to clarify on no -- I  
14 haven't looked at the other charters, but I'm certainly  
15 knee-deep in the Audit Committee charter. So I would  
16 recommend that the Board take a look at that language.

17           CHAIRMAN MADDUX: Thank you.

18           With that, I'm going to entertain a motion to  
19 table the Audit Committee charter until we can come up  
20 with a schedule and get it resolved at our next  
21 upcoming meeting.

22

M O T I O N

1           PROFESSOR VALENCIA-WEBER: Mr. Chair, I move  
2 to table until we have opportunity for discussion and  
3 reconsideration.

4           MR. SNYDER: Second.

5           CHAIRMAN MADDOX: Thank you. And Paul has  
6 seconded the motion. All in favor?

7           (A chorus of ayes.)

8           CHAIRMAN MADDOX: Opposed?

9           (No response.)

10          CHAIRMAN MADDOX: And the motion carries, an  
11 we would table that item.

12          So the next item on our agenda is to recognize  
13 the Inspector General for his briefing. Jeff?

14          MR. SCHANZ: Okay. Thank you, Mr. Chairman.  
15 For the record, this is Jeff Schanz, the Inspector  
16 General.

17          In the past two weeks, we've continued to work  
18 as hard as we always do, but the fruit of our efforts  
19 has been sent to the Board. We've issued two recent  
20 audit reports with a direct link. The reports tend to  
21 crash the system, so we've opted to post it on our  
22 website so it's publicly available, but also for the

1 Board to be able to take a look at the reports that  
2 we've issued.

3 And we continue to do that. And it's a  
4 work-around. We'd like to --

5 MR. HOFFMAN: I'm sorry to interrupt, Vic.  
6 This is David. I can hear about probably every other  
7 word. I can hear someone talking, but it's really  
8 difficult to pick up the content.

9 CHAIRMAN MADDOX: I'm going to ask Jeff to  
10 move closer to his mike, see if that helps.

11 MR. SCHANZ: Okay. Well, it reverberates in  
12 this room, so hopefully it translates over the wires.

13 CHAIRMAN MADDOX: Let's just do a test. David  
14 and Paul, does that help? Can you hear Jeff better?

15 MR. HOFFMAN: It's better. It's still --

16 MR. SNYDER: It is better, but --

17 MR. HOFFMAN: It's louder, but the quality is  
18 not great. It's still just really difficult to hear  
19 very well. But it's louder.

20 CHAIRMAN MADDOX: Okay. We're moving the Star  
21 Trek-looking device over to Jeff.

22 MR. SNYDER: By the way, we can hear you very

1 clearly, Vic.

2 CHAIRMAN MADDUX: Well, that may not be the  
3 case any longer. But anyway, I'm going to give it to  
4 Jeff again.

5 MR. SCHANZ: Okay. Well, we're playing  
6 musical microphones here, so hopefully -- I'll repeat  
7 what I said a little bit earlier.

8 The OIG has recently issued two audit reports,  
9 and we provide those first to the grantee because the  
10 GAO Yellow Book requires the views of responsible  
11 officials. And that's also due diligence as far as I'm  
12 concerned.

13 So we incorporate the grantee's comments into  
14 the report, assess those, and then, in our opinion, we  
15 issue the report. And it's publicly on our website and  
16 we send it to the Board and the President and the  
17 General Counsel of the Corporation. Once it's posted  
18 on our website very clearly, it's freely available  
19 publicly for anyone who cares to have interest to take  
20 a look at our reporting. So that's issue No. 1.

21 Issue No. 2, I apologize -- Dutch is unable to  
22 be with us today, so I will try to do my best Dutch

1 imitation on an agenda item that I think, David, you  
2 recommended about our continuous process of evaluating  
3 the annual -- or the CPA that does the annual audit of  
4 the Corporation's books and funding.

5 I'll just paraphrase Dutch as best I can in a  
6 little bit. To quote, our evaluation is a continuous  
7 process throughout the audit. We notified the Board of  
8 this statement on June 25th, so it's fairly recent. We  
9 also review relevant working papers, so we wanted to  
10 make sure that what they're doing and what they're  
11 saying is backed up by solid, concrete evidence and  
12 documentation before we transmit the audit report to  
13 the Board and LSC management.

14 We do our review work. It's conducted in  
15 accordance with GAO, and then CIGIE -- it is the  
16 Council for Inspectors Generals for Integrity and  
17 Efficiency -- standards and their financial audit  
18 manual.

19 So as reported in our transmittal memo to  
20 management and to the Board for the audit report, we  
21 disclosed no instances where the standards were not  
22 met. That's under the Nancy Davis CPA who did our last

1 one and did prior, two years prior to that, did the  
2 financial statement audit. So they have a bit of  
3 institutional knowledge about the LSC.

4 So as a practical matter, what we do, and  
5 instead of just reading it to you, I'll be happy to  
6 make this available to you if you would prefer that,  
7 but we awarded the contract to WithumSmith+Brown in  
8 August 2011 to audit our 2011 financial statements.

9 The award was based on the recommendations of  
10 an OIG panel, so much like the committee approach. I  
11 have cascaded that approach to some of the work that we  
12 do, so it's not unilateral; I use committees of  
13 experienced people.

14 So the OIG panel reviewed the price proposals  
15 and the technical qualifications, including prior  
16 auditing experience by the firms. We take a look at  
17 the author's capability, staff qualifications,  
18 understanding of work to be performed, certifications,  
19 and references. And as you may or may not know, but  
20 much like the IG, most of the CPA firms are always  
21 subjected to a peer review, usually on a 3-year basis.

22 In Section 20 of the contract that we have

1 currently existing with WithumSmith+Brown, it states in  
2 part, "At the option of the IG, this agreement may be  
3 extended to include the consolidated financial  
4 statement audit for LSC for the fiscal years ending  
5 September 30, 2012 and September 30, 2013, which at the  
6 IG's option will be conducted pursuant to the terms of  
7 this agreement."

8           And when I say we do our due diligence, we  
9 look at the working papers. We look at the peer review  
10 of the offering firm. Probably it's not transparent,  
11 but we had some problems with the prior auditor who did  
12 the 2010 statements, and they were not retained or  
13 rehired.

14           So we went back to -- and Smith+Brown  
15 had -- we had three offers for the contract, and we did  
16 our due diligence in reviewing their work papers, what  
17 they can offer to us. And we selected  
18 WithumSmith+Brown again. As I mentioned, they do have  
19 institutional knowledge of the LSC, so that certainly  
20 facilitates some of the upfront work that's done.

21           Any comments on that?

22           MR. SNYDER: Jeff, this is Paul Snyder. It



1 would be helpful, at least for myself, as I'm sure  
2 WithumSmith had a proposal and reply to the Request for  
3 Proposals that they provided with the IG, if you'd be  
4 willing to forward that to us. And we could just look  
5 and be able to familiarize ourselves with what other  
6 types of similarly situated institutions they do. Just  
7 to be able to read that would be helpful.

8 I hear what Dutch does and what you do, from  
9 oversight, from what the IG looks at, the inspection  
10 and the review of the work papers. But it would be  
11 helpful to familiarize ourselves with the firm, if  
12 you'd be willing to provide that.

13 MR. SCHANZ: I would, Paul. And my question  
14 would be, would the entire Committee like to see the  
15 proposal?

16 CHAIRMAN MADDOX: Yes. I think you ought to  
17 give it to the entire Committee. Thank you, Jeff.

18 MR. SCHANZ: I'll do that when I get to the  
19 office, which won't be till next week; today is Friday.

20 MR. SNYDER: Okay. Thank you.

21 MR. HOFFMAN: Jeff, this is David. I  
22 appreciate and thank you for the explanation. I had a

1 similar thought to Paul, wanting to review some of the  
2 background on the firm. I think it would be helpful  
3 for us to be on the same page with you. And I think  
4 Paul is right that their reply to the RFP would be  
5 helpful.

6           The only other document that I had in mind  
7 that I thought it would be nice to take a look at would  
8 be the contract that you've entered into. As the new  
9 Board member, that may be something that -- or  
10 not -- I'm sorry, as a new Audit Committee member,  
11 relatively new, that's something that you may have  
12 already provided to board members in the past, but I  
13 think that the Audit Committee would be useful to look  
14 at that contract, unless you see some problem with  
15 that.

16           MR. SCHANZ: No. That will be very easy for  
17 us to do, and you can expect it next week.

18           MR. HOFFMAN: And then the other question I  
19 had, which again may be solely because I probably  
20 wasn't on the Audit Committee at the time, but at the  
21 time when you have this -- and when you say the  
22 committee, evaluation committee, is it other IG

1 employees or are you using people from outside the IG's  
2 office for that?

3 MR. SCHANZ: It's other IG employees, but not  
4 just from the audit division. We also have a COTR on  
5 board, contracting officer technical representative  
6 that we use. We use some investigators, as it may be.

7 So we have a plethora of opinions to make sure it's  
8 not just audit-driven. We want to make sure that we're  
9 getting the best bargain and the best quality services  
10 that we can possibly get. We do that not just for the  
11 audit contract. We do that for any contract that the  
12 OIG lets. And we do use staff persons within the IG.

13 MR. HOFFMAN: And would the committee have  
14 written a report or a memo or something, providing you  
15 with a recommendation to confirm that it was  
16 suggesting, or what its findings were about its  
17 evaluations of the various firms?

18 MR. SCHANZ: That I don't have an answer for  
19 yet. I said I'm speaking for Dutch. We're a small  
20 shop, David, and we don't formalize a lot of that. I  
21 am briefed pretty much every step of the way, and I  
22 make a determination on every step of the way, i.e. how

1 many proposals do we have? Please rank them for me.

2 So we do that on a regular basis. But I don't  
3 document that process. And maybe that's a best  
4 practice that I could consider.

5 MR. HOFFMAN: And I just have one more  
6 question, which goes to the information that the Board  
7 or the Audit Committee would have received at the time  
8 you were making the decision that this was the right  
9 firm. I'm just trying to figure out how the process  
10 works.

11 It sounds like this year is a renewal. But in  
12 the past when you were choosing between multiple firms  
13 and you need decided that this was the best firm, were  
14 you coming to the Board or the Audit Committee and  
15 saying, here are the different firms that we've  
16 reviewed, giving their names or at least summarizing  
17 them; here's why we've chosen Firm X; here's what the  
18 proposal is; or was it just, we've decided and we're  
19 going to go with this firm?

20 MR. SCHANZ: Well, interestingly enough,  
21 David, and Herb Garten, I don't believe, is in the  
22 room, but he is the former chair of the Audit

1 Committee. And being in Baltimore, we were able to  
2 present to him on a regular basis every step of the  
3 contracting process. He was very interested in what we  
4 did and very engaged, and I welcome that level of  
5 interaction with the chair of the Audit Committee.  
6 And -- I'm sorry. Go ahead.

7 MR. HOFFMAN: I was just going to say, so  
8 those were, it sounds like, meetings, discussions, not  
9 presentations to the Board at the Board meetings or  
10 Audit Committee at the Audit Committee minutes, but  
11 discussions separately with the Audit Committee chair.

12 MR. SCHANZ: Correct. Usually in my office.

13 MR. HOFFMAN: Okay. Those are my questions.  
14 Thank you very much.

15 CHAIRMAN MADDOX: Anything else from the  
16 Committee?

17 (No response.)

18 CHAIRMAN MADDOX: Does that complete your  
19 report?

20 MR. SCHANZ: Yes, sir.

21 CHAIRMAN MADDOX: Thank you very much.

22 So the next item on our agenda is public

1 comment. Is there any public comment?

2 (No response.)

3 CHAIRMAN MADDOX: Seeing none in the audience,  
4 is there anyone from the public on the phone?

5 (No response.)

6 CHAIRMAN MADDOX: If not, then I would move to  
7 item No. 7, which is to consider and act on other  
8 business. Is there any other business to come before  
9 the Committee?

10 (No response.)

11 CHAIRMAN MADDOX: Hearing none, I would  
12 consider and act on a motion to adjourn.

13 M O T I O N

14 PROFESSOR VALENCIA-WEBER: Mr. Chair, I'll  
15 move to adjourn.

16 MR. HOFFMAN: Second.

17 CHAIRMAN MADDOX: And I'll take it that motion  
18 is seconded. And all in favor?

19 (A chorus of ayes.)

20 CHAIRMAN MADDOX: And the motion carries, and  
21 the Committee is now adjourned. Thank you very much.

22 (Whereupon, at 9:56 a.m., the Audit Committee

1 was adjourned.)

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