

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

TELEPHONIC MEETING OF THE  
FINANCE COMMITTEE

OPEN SESSION

Thursday, July 9, 2015

5:05 p.m.

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

COMMITTEE MEMBERS PRESENT:

Robert J. Grey Jr., Chairperson  
Laurie Mikva  
Martha L. Minow  
Allan J. Tanenbaum (Non-Director member)  
John G. Levi, ex officio

BOARD MEMBERS PRESENT:

Julie A. Reiskin  
Gloria Valencia-Weber

## STAFF AND PUBLIC PRESENT IN THE CORPORATION'S OFFICES:

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

Ronald S. Flagg, Vice President for Legal Affairs,  
General Counsel, and Corporate Secretary

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

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

Treefa Aziz, Government Affairs Representative,  
Office of Government Relations and Public Affairs

Jeffrey E. Schanz, Inspector General

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

Eileen Dombrowski, Intern

Leila Safavi, Intern

Jonathan Acevedo, Intern

Robert DeNunzio, Intern

Don Saunders, National Legal Aid and Defenders  
Association (NLADA)

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

2 (5:05 p.m.)

3 CHAIRMAN GREY: It's important, I think, to  
4 pay attention to who's on the phone because this is  
5 Management's recommendation. It's important, and we  
6 want to make sure that everybody's briefed on it before  
7 we go to the Board meeting.

8 With that, the agenda is before you. I'll ask  
9 that it be seconded if anybody never got it approved.

10 M O T I O N

11 DEAN MINOW: So moved.

12 CHAIRMAN GREY: All in favor say aye.

13 (A chorus of ayes.)

14 CHAIRMAN GREY: Jim, this is obviously an  
15 opportunity for us to be better advised as to the 2017  
16 budget that LSC would be required to recommend. We are  
17 in receipt of what is information related to that, and  
18 I would ask you to further elaborate on that and give  
19 us your thinking and that of Management in regard to  
20 any proposal you would ask the Committee to consider.

21 PRESIDENT SANDMAN: Thank you, Robert. Good  
22 afternoon, everyone. I tried to lay out in our memo

1 all of the bases for the recommendation that we're  
2 making for fiscal year 2017, a total budget request of  
3 \$502.7 million. What I'd like to do in my presentation  
4 now is to emphasize several points that we made in the  
5 memorandum and to add and elaborate on a few more.

6           And I'd like to focus most of my remarks on  
7 the basic field grant line of the budget, which  
8 constitutes 93 percent of the total amount that we  
9 recommend the Board and the Committee request.

10           Basic field grants, as you know, are the  
11 mechanism that we use to provide funding to the 134  
12 legal aid programs across the country and the  
13 territories that LSC funds. The basic field grant line  
14 is the only line in which Management, as opposed to the  
15 Office of Inspector General, is recommending an  
16 increase over last year's request. We're recommending  
17 that the Committee and the Board ask Congress for \$15.8  
18 million more in basic field grant funding for fiscal  
19 '17 than we asked for for fiscal '16.

20           I'd like to start by explaining the basics of  
21 our approach to the basic field grant line. We used  
22 the projected number of people financially eligible for

1 service to frame our budget request. Using that metric  
2 is congruent with the approach that Congress has  
3 mandated we take for distributing our basic field  
4 appropriation to our grantees. As you know, each  
5 grantee receives a percentage of our total basic field  
6 appropriation equal to its share of the total U.S.  
7 poverty population.

8           So Congress has indicated that the financially  
9 eligible population is a metric that they consider  
10 important in the distribution of basic field grant  
11 money. We think it's consistent with that approach to  
12 take that calculation into mind in deciding what the  
13 overall basic field appropriation should be.

14           What we've done is to project the eligible  
15 population as of fiscal '17, using information that's  
16 described in appendix 1 to the memorandum. And as you  
17 know, the eligible population increased dramatically  
18 during and in the years following the recession.

19           We project that the eligible population will  
20 remain high through fiscal year 2017. You can see what  
21 our projection is and what it is in relation to prior  
22 years in appendix 4.

1           CHAIRMAN GREY: Jim, let me just stop you for  
2 a minute. I heard a couple of beeps.

3           Were there any members of the Board who were  
4 not part of the roll call that have joined the call?

5           (No response.)

6           CHAIRMAN GREY: Okay, Jim.

7           PRESIDENT SANDMAN: Thank you, Robert.

8           The numbers in appendix 4, as large as they  
9 are, are actually a very conservative estimate of the  
10 size of the eligible population and of need. They  
11 reflect the number of people eligible for the entire  
12 year shown. There are additional people who are  
13 financially eligible during part of the year but not  
14 for the whole year, and we estimate that the number of  
15 people eligible for at least two months during a year  
16 would add approximately 30 million people to the  
17 numbers you see in that chart.

18           Our approach to basic field funding for the  
19 past three years has been consistent. Our approach has  
20 been to try to respond to the dramatic increase in the  
21 size of the eligible population since 2007 by restoring  
22 funding per eligible person to the 2007 level in

1 inflation-adjusted dollars.

2           We first took that approach for fiscal '14.  
3 We did that four years ago. For fiscal years 2015 and  
4 '16, we continued to use that approach as our starting  
5 point, but for each of those two years decided, because  
6 of pressures on the federal budget, to hold our request  
7 flat at the level we had asked for for fiscal '14 even  
8 though the formula would have produced a higher number.

9           We recommend that this year the Committee and  
10 the Board request the full amount that that approach  
11 would command. That is the amount necessary to restore  
12 basic field funding on a per-eligible-person basis to  
13 the level it was at in 2007, adjusted for inflation,  
14 with no reduction. We're recommending this approach,  
15 which results in an increase of \$15.8 million in basic  
16 field over our request last year, for several reasons.

17           First, this 2007 target is actually extremely  
18 modest and not nearly enough to meet actual need. It's  
19 not as if 2007 was utopia. In both 2005 and 2009, LSC  
20 conducted justice gap studies to see how many people  
21 who approached our grantees were served, and what we  
22 found both times was that our grantees were able to



1 serve only half of the people who contacted them for  
2 help.

3 In addition, I want to emphasize that it's  
4 consistent with the first two goals of LSC's strategic  
5 plan to ask for a higher number. The first goal is to  
6 increase the availability, efficiency, and  
7 effectiveness of the legal aid provided by the programs  
8 that we fund, and the second goal is to be a leading  
9 voice for access to justice in the United States.

10 We think it's important in our budget request  
11 to stress the magnitude of the increase in need since  
12 the recession and to try to address that increase. We  
13 think it would send the wrong message to submit a basic  
14 field request that is flat for four years in a row.  
15 Enough. We shouldn't keep doing that. It's misleading  
16 about what the magnitude of the need is, when we  
17 believe that that number is inadequate.

18 You may have noticed in one of the appendices,  
19 appendix 7, that over the course of the past two years,  
20 non-LSC funding for our grantees has gone up. It's  
21 increased by about \$20 million between 2012 and 2014.  
22 I want to note several things about that.

1           The first is that that increase is hardly  
2 uniform across the country. It is the net of increases  
3 in some places against decreases in others. In fact,  
4 over the course of those two years, other funding,  
5 non-LSC funding, went down in 23 states. Only 10  
6 states account for nearly all of the increase that  
7 you're seeing in that chart.

8           The standout increases were in New York, which  
9 went up by \$12-1/2 million, California, which went up  
10 by 8.4, Minnesota, which went up by 7.7, Missouri went  
11 up by 4.5, and Puerto Rico went up by \$4.1 million.

12           In addition, it's important to bear in mind  
13 that non-LSC funding is often not fungible with LSC  
14 funding. It is often limited to specific purposes.  
15 One example would be money from the state attorneys  
16 general settlement in the mortgage cases that, in a  
17 number of places, resulted in an infusion of funding  
18 for legal aid programs. But that can only be used for  
19 mortgage-related representations. Often private  
20 foundation funding is limited to specific purposes.  
21 LSC, funding, by contrast, can be used to address the  
22 full range of civil legal needs that local needs

1 studies identify.

2 Private funding in particular often has strict  
3 limits on the amount of grants that can be used for  
4 management and administration. It's not uncommon to  
5 see caps of 15 to 20 percent, whereas LSC funding does  
6 not limit the amount that our grantees can spend on  
7 management and administration. We think that's a good  
8 thing because we want robust oversight and management  
9 by our grantees.

10 Those are the principal points that I'd like  
11 to make about our approach to basic field funding, 93  
12 percent of the budget ask that we're recommending. On  
13 the other budget lines, leaving aside the Office of  
14 Inspector General, which will be addressed separately,  
15 we're recommending a request of the same amount that  
16 we've had for the last four years except for the Pro  
17 Bono Innovation Fund, where we're requesting the same  
18 amount that we have for the last three years. We  
19 didn't have the Pro Bono Innovation Fund four years  
20 ago.

21 We looked carefully at how our management and  
22 grants oversight expenses -- that's the second biggest

1 line in our budget -- how they compare to other similar  
2 grant-making entities. And what our analysis shows is  
3 that our MGO expenses are in line with or below those  
4 of other similar grant-making entities.

5 The entities we look at are the National  
6 Science Foundation, the Corporation for Public  
7 Broadcasting, the Smithsonian, the Office of Justice  
8 Programs at Department of Justice, the Corporation for  
9 National and Community Service, the Millennium  
10 Challenge Corporation, and the State Justice Institute.

11 And the amount of their overall revenues devoted to  
12 management and administration range between 4.25  
13 percent and 23 percent.

14 I'd be happy to answer any questions.

15 CHAIRMAN GREY: Jim, this is Robert.

16 Is that you, Gloria?

17 MS. REISKIN: No, that was Julie. But go  
18 ahead.

19 CHAIRMAN GREY: Jim, is there any value --  
20 well, first of all, determine what I'm about to ask you  
21 is easy or difficult to calculate. But the more  
22 important question: Is there any value in

1 understanding or determining how much non-LSC funding  
2 is restricted as a beginning point to understand the  
3 value -- not the value, but the way in which granting  
4 organizations work with their funding?

5           Obviously, the more they have that is non-LSC,  
6 the more likely it is to have monies restricted, or  
7 more of its money restricted. But have we ever thought  
8 about -- is it worth considering whether, as a general  
9 rule, that non-LSC funding is restricted at the rate of  
10 50 percent or 70 percent or something like that as a  
11 way of outside understanding the importance of the  
12 funding that LSC provides?

13           PRESIDENT SANDMAN: When you say restricted,  
14 do you mean in purpose or amount that can be devoted to  
15 management and administration?

16           CHAIRMAN GREY: Well, actually both.

17           PRESIDENT SANDMAN: Does your question mean --  
18 okay. The answer is yes, we thought about it. My own  
19 judgment is that it would be extraordinarily  
20 labor-intensive to come up with the numbers, and not  
21 worth the effort. And I say that because the situation  
22 is so different from state to state and from grantee to

1 grantee.

2           If you look at the chart that we have on page  
3 6 of the memo showing percentage of grantee funding  
4 provided by LSC, you can see that we continue to have  
5 47 of our 134 grantees who depend on LSC for 50 percent  
6 or more of their funding.

7           So if you look at these national numbers that  
8 are reflected in the stacked bar graph that's at  
9 appendix 7, that's obscuring wide variations across the  
10 country from state to state and among our grantees.

11           Just in general terms -- I'm looking at  
12 appendix 7 -- if you look at the numbers for 2014, I  
13 can speculate with some degree of confidence that some  
14 of these colors are more amenable to general use than  
15 others. IOLTA funding, for example, the green bar,  
16 that's generally open. That's not limited purpose  
17 funding.

18           I would speculate that the kind of maroon bar,  
19 state-level funding, most of that is going to be for  
20 general purposes, although there are states like  
21 Georgia where the state legislative appropriation is  
22 for a particular purpose. As I understand it, they

1 appropriate about \$2 million a year, and it's limited  
2 to domestic violence cases.

3 But the ones that would be most likely to be  
4 subject to specific purpose restrictions are the  
5 private category, orange; possibly local, the blue; and  
6 a good part of the federal non-LSC is going to be -- or  
7 most of that, all of it, I would say, is going to be  
8 for specific kinds of cases.

9 CHAIRMAN GREY: Yes. It sort of wakes you up  
10 when you say other funding has increased. But it begs  
11 the question that that's not the same money as LSC is  
12 provided to grant needs. And so you have to pause  
13 after you say that and understand that there's a  
14 different calculation that's involved.

15 PRESIDENT SANDMAN: Yes. And one thing we're  
16 conscious of is LSC's role, its function, as providing  
17 a baseline of support everywhere so that no matter  
18 where you are, and no matter whether the state that  
19 you're living in is generous or cheap when it comes to  
20 funding legal aid, there is a base level of support  
21 that's sufficient to provide some level of service to  
22 people.

1           If we begin to focus only on the national  
2 numbers and the national averages, we lose sight of the  
3 huge variations in different parts of the country and  
4 risk not providing a modicum of base support in some  
5 locations.

6           CHAIRMAN GREY: Julie?

7           MS. REISKIN: Yes. First of all, I think that  
8 was an excellent presentation of this, really well  
9 thought out and well organized. So I had a question  
10 and a comment.

11           My question is, is there a reason given how  
12 successful TIG is, that you didn't ask for more? And  
13 then same with the loan repayment just because that's  
14 such a serious problem, getting people and the debt  
15 that these young lawyers have. So I was just curious  
16 why.

17           Then my comment is, I'm wondering if there  
18 should be something towards the front that says  
19 something about that even though the economy is better  
20 for low income and particularly very low income people,  
21 when the economy gets better, our problems actually  
22 sometimes get worse.



1           For example, housing is much worse for us now  
2 than it was during the recession because the landlords  
3 go crazy because they don't have to deal with Section  
4 8. They don't have to deal with low-income people.  
5 They can get rent anywhere. And so evictions are more  
6 of a problem. Foreclosures might not be, but evictions  
7 are.

8           I think sometimes with poverty programs,  
9 people say, well, the economy's better, they don't need  
10 as much, when actually you need more for the people  
11 that are the most at the bottom because with the  
12 economy better also, price, everything goes up. But  
13 the people at the bottom, their money doesn't go up.  
14 So I just didn't know if saying that, if the people  
15 reading this are going to know that or not.

16           PRESIDENT SANDMAN: We can add that point,  
17 Julie. I think people do have certainly a general  
18 perception that the economy is turning up. I think the  
19 numbers that we show about what the size of the  
20 eligible population is and is likely to continue to be  
21 rebut any suggestion that the improving economy is  
22 going to drive those numbers down. But you're making a

1 more detailed point that I think we can spell out, and  
2 we'll work that in.

3 On your question about whether we can -- is  
4 everyone there?

5 MULTIPLE BOARD MEMBERS: Yes.

6 CHAIRMAN GREY: A line might have gone dead.

7 PRESIDENT SANDMAN: Becky almost had a heart  
8 attack.

9 Julie, you asked whether we had considered  
10 requesting more money for TIG and for LRAP. And the  
11 answer is yes, and we decided not to because we really  
12 think the area of greatest need is basic field funding.

13 And we think there's a risk of distracting attention  
14 on the importance of that by asking for more money on  
15 those other lines.

16 We think it's critically important to get a  
17 significant increase in basic field funding. One of  
18 the ways to accomplish that is to make that the sole  
19 focus of the increase that we're requesting, which is  
20 not to say --

21 MS. REISKIN: That makes sense.

22 PRESIDENT SANDMAN: Yes. Two other things.

1 We are pursuing private funding. We have an  
2 opportunity pending to increase the size of our  
3 technology grants, and so we are not standing pat  
4 simply because we don't think this is the time to ask  
5 Congress for more money in that line. So we have a  
6 decent prospect for that that we're pursuing very  
7 aggressively right now.

8 Similarly, for the loan repayment assistance  
9 program, that is critically important to our grantees  
10 in attracting and retaining new talent. And we did  
11 think very hard about asking for an increase there, but  
12 again thought that we really needed the focus to be on  
13 basic field.

14 MR. LEVI: I appreciate that question, too.  
15 On the LRAP, I think this is something we might want to  
16 take a little greater look at, maybe, in our next  
17 strategic planning, the upcoming strategic planning  
18 process, see where we really are on that. That number  
19 hasn't changed since we've been on the Board. But  
20 certainly tuitions have gone up and other sources may  
21 be challenged.

22 It may be something that we want to try to

1 obtain some private funding for, too. I don't know  
2 whether that's a possibility or not, but I do think we  
3 should look at it. I think you're right that this  
4 budget ought to focus on basic field, particularly  
5 given where we are, which is so, so challenged.

6 I didn't mean to have that --

7 CHAIRMAN GREY: No, no. That's good.

8 Additional questions for Jim on the initial  
9 presentation?

10 (No response.)

11 PRESIDENT SANDMAN: Robert, should we ask if  
12 any Board members have joined since we last inquired?

13 CHAIRMAN GREY: Let's do it.

14 PRESIDENT SANDMAN: Father Pius, were you able  
15 to join? Bob Henley? Charles? Harry? Vic?

16 (No response.)

17 PRESIDENT SANDMAN: I guess not.

18 MR. LEVI: The only other thing I should say  
19 is that you know my number is really 880.

20 PROFESSOR VALENCIA-WEBER: Yes.

21 PRESIDENT SANDMAN: I actually thought it was  
22 higher, John.

1           MR. LEVI: Well, could be in a little longer  
2 it may.

3           DEAN MINOW: This is Martha. One question for  
4 Jim, if I can. I notice that in the body of the  
5 report, you mentioned the Pennsylvania 2012 IOLTA  
6 report that includes the reference of an \$11 return for  
7 every dollar spent on legal aid. And one of the  
8 appendices refers to similar reports from other places,  
9 but it's much less of a return. And I wondered if  
10 there is a way to explain that disparity or  
11 discrepancy, or otherwise understand the return on  
12 investment argument.

13           PRESIDENT SANDMAN: I believe the explanation  
14 is that some of the studies look at return differently.  
15 Some look at overall return on all kinds of legal  
16 assistance provided. Others break it down by a  
17 particular category. So they might focus only on  
18 housing-related work, evictions and foreclosures  
19 avoided, for example.

20           So I'm familiar with a number of studies that  
21 don't purport to try to quantify the total return on  
22 investment, but focus on another category. What New

1 York has done, for example, is domestic violence costs  
2 averted because of the provision of legal aid.

3 So I think that's the explanation. Some of  
4 the studies are more comprehensive. Others look only  
5 at particular categories of assistance provided.

6 DEAN MINOW: It might be to have just a  
7 footnote to acknowledge that, then, in some way.

8 MR. TANENBAUM: Jim, this is Allan. Can you  
9 relate what has been our recent history, if any, of  
10 Congress increasing a line item notwithstanding the  
11 fact that we didn't ask for an increase in that line  
12 item?

13 PRESIDENT SANDMAN: The only time I've ever  
14 heard of that happening was before I got here, when I  
15 understand that the Office of Inspector General got an  
16 increase.

17 MR. D. MADDOX: In 2009, \$1.2 million dollars  
18 that was unsolicited.

19 PRESIDENT SANDMAN: I'm not aware of anything  
20 else, Allan.

21 MR. TANENBAUM: Thank you.

22 MR. LEVI: Why? Do you have a thought on how

1 we can get that to happen?

2 MR. TANENBAUM: I'll let you know after  
3 November.

4 MR. LEVI: You mean a year from November.

5 MR. TANENBAUM: Right.

6 CHAIRMAN GREY: Any other questions? Carol?

7 MS. BERGMAN: No. I'll let Jim do the talking  
8 unless there are particular questions that I can  
9 address for any of you.

10 CHAIRMAN GREY: All right.

11 MR. LEVI: I want to thank the staff for the  
12 really thorough presentation that they made, the really  
13 profoundly helpful report or memo that they sent out in  
14 advance of the call. It shows not only your  
15 willingness to work so hard on it, but your own deep  
16 understanding of the issues. And I for one just want  
17 to thank you.

18 PRESIDENT SANDMAN: Thank you very much, John.  
19 We all appreciate that.

20 PROFESSOR VALENCIA-WEBER: This is Gloria. I  
21 want to thank you, too, for the reasons that John just  
22 mentioned. Also, the first of September, Ed Marks, our

1 executive director of New Mexico Legal Aid, and I are  
2 the speakers before the Albuquerque bar, which is the  
3 core and the largest part of the New Mexico bar. So  
4 what you have in the report is going to be very helpful  
5 in preparing that. Thank you.

6 PRESIDENT SANDMAN: You're welcome, Gloria.  
7 We'd be happy to provide any additional information to  
8 you.

9 CHAIRMAN GREY: Are there any other thoughts  
10 or comments?

11 (No response.)

12 CHAIRMAN GREY: I see the next item is the  
13 discussion with the Inspector General. Jeff?

14 MR. SCHANZ: I have with me Dave Maddox, who  
15 actually put together the budget request. Taking our  
16 lead from our chairman, who wants \$800 million, I  
17 decided to go with a \$100,000 increase. As you know,  
18 we've been flatlined for the last few years, and we  
19 thought that that would be our opportunity to continue  
20 to bring on qualified staff.

21 I'm losing staff, being raided by some of my  
22 colleagues within the CIGIE community. So I'm going to



1 have to replace some of my best staff and train them.  
2 So I'll need a little bit more money to bring them on  
3 board and train them up to the level that I expect out  
4 of the LSC OIG.

5 I think our presentation speaks for itself.  
6 As I said, we've been flatlined for the last four or  
7 five years, and we saw this as an opportunity just to  
8 make us whole.

9 MR. D. MADDOX: With that being said, let me  
10 give you just a few minutes of overview. The OIG  
11 request starts on page 16 for FY '17 consideration, in  
12 of our statutorily independent IG mission and  
13 responsibilities, our need for flexibility for future  
14 stakeholder requests, and need to maintain stability  
15 within our planning operations and workforce.

16 In light of our limited and shrinking OIG  
17 carryover and uncertainty in regards to the FY '16 OIG  
18 appropriation, there is little need for -- it creates  
19 very little financial margins for us. The OIG is  
20 requesting the \$5.2 million in '17. For perspective,  
21 the OIG request is 1 percent of the total LSC request.

22 In terms of performance, we've had significant

1 recent achievement, including a new OIG strategic plan  
2 for the next five years. We've updated our 2015 work  
3 plan to include activities for each OIG objective in  
4 our strategic plan.

5           We've recently issued an internal report on  
6 subgrantee oversight by LSC. We've provided the first  
7 fraud prevention guide for grantees. We're producing  
8 audits at a higher rate; another audit report was  
9 released today. And you might have noticed it was on a  
10 new OIG website. We have a new website. And in the  
11 most recent year, we've issued recommendations for  
12 improvement in the high-risk areas, including  
13 acquisitions, grants, human capital, and IG management.

14           We have done all of this while reducing our  
15 expenditures in 2015 by roughly \$200,000. We've done  
16 that through delaying hiring, maintaining two open  
17 positions. Ultimately, long-term, those are not  
18 sustainable moves going forward. However, despite  
19 spending at a lower rate, OIG carryover continues to be  
20 reduced by \$250,000, or 31 percent in 2015.

21           I mentioned earlier the FY '16 appropriations  
22 outlook creates significant planning uncertainties for

1 us. There's a variation of 17.4 percent between the  
2 House number for us and potentially a continuing  
3 resolution type situation.

4 As Jeff mentioned, we're losing quality  
5 professional staff to other OIGs and private practice.

6 Recently we've lost two senior investigator counsels,  
7 and earlier in the year we lost an associate counsel to  
8 private practice. We've just started and have an  
9 ongoing OIG compensation review to determine our market  
10 competitiveness to other OIGs.

11 This request will allow the LSC OIG to perform  
12 its statutory mission and identify areas where LSC and  
13 its grantees can be more efficient and effective going  
14 forward.

15 It will allow us to perform more risk-guided  
16 work, to include grantee and subgrantee oversight  
17 reviews, client trust fund reviews, IT security  
18 reviews, while allowing us to improve our internal  
19 information management systems to increase our  
20 efficiencies internally. It will also allow for some  
21 operation flexibility.

22 The \$100,000 increase will help us

1 specifically to address a fully staffed cadre of 30  
2 staff positions, allow us to create a better situation  
3 with our compensation competitiveness against our top  
4 competitors, and to continue our full-scale quality  
5 assurance reviews of grantee audits.

6           Currently we do 35 per year on a four-year  
7 cycle to give us 100 percent coverage. That's a  
8 scalable program. We would like to continue it at that  
9 rate. Those are our wishes going forward, and that  
10 \$5.2 million will allow us to do that.

11           At this point I'd like to open it up to any  
12 questions.

13           CHAIRMAN GREY: Questions for the IG?

14           MS. REISKIN: This is Julie. I have a  
15 question.

16           CHAIRMAN GREY: Julie?

17           MS. REISKIN: You said that one of the  
18 concerns is that you said that your staff are being  
19 poached by our IGs. And I thought that the salaries  
20 were controlled by the federal rules or federal caps.  
21 Am I not understanding something? Are other agencies  
22 able to pay more?

1           MR. SCHANZ: I'd like to answer that, Julie.  
2 This is Jeff. We're not under Title V, and most IGs in  
3 the federal sector are all under Title V. Generally,  
4 they're attorneys. We've lost three attorneys and  
5 investigative counsels, and that worries me a little  
6 bit.

7           On the plus side, we're a victim of our own  
8 success because we're being recognized as one of the  
9 best IGs in the CIGIE community. So the people I used  
10 to work for know my style and are taking very qualified  
11 people. And they can pay on a federal scale up to a  
12 GS-14, which is about 25 percent more than we can pay  
13 at LSC.

14           I get loyalty from my employees. But the  
15 bottom line is there are some young attorneys with  
16 family, and as much as they like the work, as much as  
17 they like being with the OIG, some of my competitors in  
18 the federal sector are handing GS-13 and -14 positions  
19 to my investigative counsel.

20           As much as they want to be with me, I can talk  
21 but I can't pay. The other people can pay and talk.  
22 So I'm anxiously trying to recruit and back-fill, and

1 that requires additional training dollars.

2 I will say one other thing, too. With the new  
3 Congress, so far, just in the last quarter, I've gotten  
4 two very labor-intensive congressional requests. And I  
5 do need the staff. I need to be competently staffed to  
6 be able to handle some of these requests that come in.

7 I have a person who works for Dave, I call him  
8 the utility infielder. But he's booked solid for the  
9 next three weeks, or three months, when I want him to  
10 work on some of these congressionals. So I'm juggling  
11 a little bit.

12 I think, with the increased salary, if I can  
13 get that, I can stem the tide here. And I need the  
14 money for training and for recruiting.

15 MS. REISKIN: I'm sorry. I don't understand  
16 the government pay very well. So the rules that apply  
17 to LSC don't apply to the OIG? Or are you just saying  
18 that because you lose people who cap out at your area,  
19 you're getting newer people that maybe haven't capped  
20 out, or they're younger, and so you have to train them  
21 up. Is that what you're saying?

22 MR. SCHANZ: Well, I'm saying without

1 performance-based pay that I've argued for for the  
2 seven years that I've been an Inspector General, my  
3 folks who are the best are limited in how high they can  
4 go by --

5 MS. REISKIN: With this extra money, you'll be  
6 able to increase them?

7 MR. SCHANZ: I'm going to implore the Board to  
8 do that again. We're doing a comparability study  
9 currently. Once I get the results of that, I can see  
10 how we stack up to the IG community in the Washington,  
11 D.C. area.

12 MS. JENNINGS: Julie, this is Lynne. Just for  
13 a note of clarification, we are not on the General  
14 Schedule, the GS schedule that the Office of Personnel  
15 Management issues. There are some salaries here, such  
16 as Jim, that is dictated by our enabling statute that  
17 does reference other federal pay scales. But we are  
18 not on what is called the GS steps.

19 MS. REISKIN: Thank you.

20 MS. JENNINGS: Page 115, steps 1 through 10.

21 MS. REISKIN: Thank you.

22 CHAIRMAN GREY: Additional questions?

1           DEAN MINOW: Can I just say that as someone --  
2 this is Martha -- who has to deal consequently with  
3 staff leaving for great opportunities elsewhere, I work  
4 really hard to calm myself down and say, well, then  
5 they're alums. It's just something to be proud of.  
6 And I do respect very much the challenge, and I do  
7 think it's a testament to the very fine organization  
8 that our OIG represents.

9           So I do understand the fact that the staff  
10 attorneys in the grantee organizations are not getting  
11 any raises and are living really at a level that is  
12 below any public interest attorney, not to mention  
13 private attorneys, that we have to put it all in that  
14 context as well.

15           MR. LEVI: Well, I have to second Martha's  
16 motion, and thank you, Jeff. And I'm sure you'll have  
17 the support of the Board.

18           MR. SCHANZ: Thank you very much.

19           CHAIRMAN GREY: Additional comments or  
20 questions for the IG?

21           (No response.)

22           CHAIRMAN GREY: Jeff and David, thank you for



1 your presentation.

2 We are at that point where we would entertain  
3 public comment. Is there anyone who would like to make  
4 a comment representing the public?

5 MR. SAUNDERS: Mr. Grey, this is Don Saunders  
6 at NLADA. I just wanted to sign into the call. I'm  
7 sorry I was late. I don't know if you plan to include  
8 public comment in Minneapolis, but would be able to  
9 comment more deeply, but just wanted to say, on behalf  
10 of NLADA, in reading through Management's memo, I would  
11 concur that it's extraordinarily good work.

12 Very appreciative of the level and the  
13 commitment that it represents, particularly the focus  
14 on basic field. We really appreciate that. And if  
15 given the opportunity, we might comment in slightly  
16 more detail at your in-person meeting next week.

17 CHAIRMAN GREY: Thank you, Don. Appreciate  
18 that.

19 Any other public comment?

20 MR. LEVI: Well, Don knows we always have  
21 public comment. There's no way we're going to cut him  
22 off.

1 (Laughter.)

2 MR. SAUNDERS: I'd assume you'd like to, Mr.  
3 Chairman.

4 MR. SAUNDERS: Oh, no.

5 CHAIRMAN GREY: Is there any other business?

6 MR. LEVI: I just want to say, Don, we  
7 appreciate the submission and the work that goes into  
8 it every year that NLADA makes. Even though we don't  
9 always agree with it, it's very helpful to our Board.

10 MR. SAUNDERS: Thank you, sir.

11 CHAIRMAN GREY: Is there any other business  
12 that the members would like to --

13 (No response.)

14 CHAIRMAN GREY: On behalf of the Committee,  
15 let me also offer my gratitude to all those who have  
16 submitted suggestions to us for consideration as we  
17 deliberate on the funding for 2017.

18 Jim, thank you to you and your staff for  
19 giving us a much better idea of both the responsibility  
20 that we have in trying to meet the needs of those in  
21 our society. But a very thoughtful approach to  
22 understanding how we can do that and to be able to use

1 that information to educate and support the request of  
2 LSC both to the President and to the Congress.

3 It was very well done, and I think it gives us  
4 confidence to know that I think you and others are  
5 making a difference in the approach that we take as  
6 volunteers.

7 Jeff, thank you and David for your always  
8 thoughtful approach to your presentations to the  
9 Finance Committee. We look forward to seeing you later  
10 this month.

11 If there is nothing else -- and Mr. Chairman,  
12 I'll give you the final word, you and the Vice Chair,  
13 if there are any other thoughts you'd like to share.

14 MR. LEVI: Just we'll be happy to see  
15 everybody in Minneapolis. Thanks, everybody, again.

16 DEAN MINOW: Thanks, everybody.

17 (Multiple Board members hang up.)

18 CHAIRMAN GREY: Whoa, whoa. We've got to  
19 adjourn.

20 M O T I O N

21 DEAN MINOW: I move to adjourn.

22 CHAIRMAN GREY: Thank you.

1                   (Whereupon, at 5:50 p.m., the Committee was  
2 adjourned.)

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