

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

COMMITTEE ON OPERATIONS AND REGULATIONS

OPEN SESSION

Saturday, November 20, 2004

9:00 a.m.

The Westin Cincinnati
21 E. Fifth Street
Cincinnati, Ohio

COMMITTEE MEMBERS PRESENT:

Thomas R. Meites, Chairman
Michael D. McKay
Lillian R. BeVier

BOARD MEMBERS PRESENT:

Frank B. Strickland, Chairman
Lillian R. BeVier, Vice Chairman
Robert J. Dieter
Thomas A. Fuentes (by telephone)
Michael Herbert S. Garten
David Hall
Maria Luisa Mercado (by telephone)
Florentino A. Subia
Ernestine P. Watlington (by telephone)

STAFF AND PUBLIC PRESENT:

Helaine M. Barnett, President
Victor Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Patricia Batie, Manager of Board Operations
Richard (Kirt) West, Inspector General
Laurie Tarantowicz, Assistant Inspector General
and Legal Counsel; and
Other Staff and Members of the public

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P R O C E E D I N G S

CHAIRMAN MEITES: Gentlemen, this is the resumed meeting of the Operations and Regulations Committee. Our committee met yesterday afternoon and we are resuming with a presentation by Helaine Barnett, the President of LSC, on a proposed reorganization. Good morning.

BRIEFING BY LSC PRESIDENT ON PROPOSED
CHANGES TO ORGANIZATIONAL STRUCTURE

MS. BARNETT: Good morning, and thank you, Mr. Chairman.

During the ten months today actually that I've had the pleasure to serve as the president of Legal Services Corporation, I've had the opportunity to observe the functioning of LSC, the ways in which the current organizational structure operates well and the ways in which the effectiveness of the organization and efficiency could be improved through some changes to the organizational structure.

And after giving considerable thought to the kind of organizational structure that will promote the maximum efficiency within the organization, I am

bringing to you this morning a proposed reorganization of the senior management.

When I began there were four vice president positions for a staff of approximately 100 and I am recommending that we no longer keep that structure. I am suggesting that there be one vice president, a vice president for programs and compliance.

In fact, historically there has been one position that has overseen both performance and compliance and, in my view, that's the major function of our organization to ensure program quality and conformity with the mandates of Congress.

There is an existing position for Vice President of Compliance and Administration. Since I propose to have compliance part of the vice presidency for programs, I am suggesting that we no longer have that position but instead have a chief administrative position that would have primary responsibility for coordinating and ensuring and overseeing the support functions, including human relations, accounting and financial, technology, facilities management.

In addition, I am recommending that we have a

director of government affairs and public relations. We had in the past that title. It is a typical designation for the position. The position would nonetheless report directly to me.

I am also suggesting that the treasurer/controller have dual reporting and that in the functions of treasurer with regard to the financial statements report directly to me and with regard to the day-to-day accounting facilities and facilities report directly to the chief administrative officer.

That is basically the outline of my recommendation. It is a structure that more closely mirrors a prior organizational structure. It would shift certain responsibilities within LSC but would provide for the ongoing coverage and oversight of all the functions at LSC.

CHAIRMAN MEITES: Thank you, Ms. Barnett. I see on the proposed organization chart that a number of these positions are now vacant, at least on the chart, chief administrative officer, vice president for programs and compliance and director of governmental relations. Assuming that our committee recommends and

the board adopts at this meeting the proposed reorganization, what is the next step or the series of steps that you would take to fill these positions?

MS. BARNETT: We have to give notice to Congress and then after that we would post, reach out, advertise and begin a recruitment process. I would invite the board's suggestions with regard to these and to our partners in the field. I will be reaching out for recommendations as well. We would hope to immediately begin the search to fill these positions.

CHAIRMAN MEITES: I think that we share your concern that the positions be filled as quickly as possible. There's a lot of work to be done in preparation and until you have those positions filled unfortunately I'm afraid too much of the work falls directly upon you. So I think it's our committee's hope that should the reorganization be approved by the full board that you're able to fill these positions as quickly as possible. Questions?

MR. MCKAY: Just a quick comment. My default coming into this was to give deference to you as president unless there's a screaming problem with your

proposal and I not only don't see a screaming problem, I think it's very well thought out and I applaud you for waiting and watching and listening and thinking before you came to the board with your proposal and, again, I think it's a very well thought out proposal.

I do echo the chairman's comments about moving quickly to fill these positions, assuming the board approves it and I will stick my neck out and say that it sounds like it's very likely to happen.

Your comments to us formally and my comments with you personally, I feel very good about the way you're approaching this. Clearly, LSC's major goal, primary goal is to participate in providing high quality legal services to low income people.

But a very close second is compliance because, if we do not comply, we run the risk of not providing in the future high quality legal services to low income people.

So all I can say is I feel very good about what you've proposed and what you've been saying and just want to be as supportive as possible.

MS. BARNETT: Thank you very much.

CONSIDER AND ACT ON PROPOSED
CHANGES TO ORGANIZATIONAL STRUCTURE

CHAIRMAN MEITES: There's a resolution in our book, which is labeled 204-13, a draft resolution which would, in effect, effect the reorganization that Helaine has proposed. It's on page 92 and 93 of our book. I want to acknowledge that Ms. Mercado is now on the phone. Good morning. She's there. I believe she's there. And I will entertain a motion that our committee recommend adoption of this resolution by the board.

CHAIRMAN MEITES: I'm sorry. I take that motion back. First of all, I'd like to see if there's any either staff or public comment on the proposed reorganization.

MR. WEST: Yes, Mr. Chairman, Kirt West, Inspector General. Just a couple things. One is President Barnett and I talked about whether the IG had some comments on the specific reorganization and we don't and the reason we don't is we will be undertaking a review over the next few months of the overall

operations of the corporation and we agreed that if I came up with some changes or whatever, that we would just tweak this and come back to the board.

CHAIRMAN MEITES: Okay.

MR. WEST: The second thing I'll just raise for the board's consideration is in the reporting relationship with the General Counsel, whether that should be sort of a dual reporting because I believe the General Counsel is really the counsel for the entity for the corporation and the question I'll leave to the board is should it just -- should the General Counsel just report to the President or should it be sort of a dual reporting, similar to some of the other dual reporting? I'll just throw that open as an open question.

MR. MCKAY: Well, I have a question then, dual reporting to who, the President and who else?

MR. WEST: To the board.

MR. STRICKLAND: If I might make a comment on that. There are occasions where, well for example I think that Helaine and you and I talked recently about the fact that -- just on the subject of the General

Counsel that with regard to the activities of some of the board committees and this particular instance was the Performance Reviews Committee that that committee of the board would be seeking advice from the General Counsel, not on the evaluations themselves but on the process and that since you were one of the people who would be reviewed as a result of that, that we needed to have really unfiltered, if you will, advice directly from the General Counsel.

And we worked that out informally but I understand Kirt's point, so I'm echoing I guess the same sentiment that there might be a need to have a dotted line relative to the General Counsel also being available to the board. I don't mean every day but on various matters.

I mean if he indeed is counsel to the entity, that is to LSC, as opposed say to counsel to management of the entity, then at least under the IG Act, the board is the so-called head of the agency, so I'm just raising that question as to -- or perhaps I'm agreeing with the suggestion of the Inspector General that we at least examine this as the motion goes forward. Other

than that, I would echo Mike McKay's remarks about the structure you have presented.

CHAIRMAN MEITES: Thank you. Any public comment on the proposed reorganization?

(No response.)

CHAIRMAN MEITES: Helaine, is there anything you want to add regarding Mr. West's remarks?

MS. BARNETT: Well, I understood from our conversations with the inspector general that since he is relatively new here that he was not going to make any comment on this proposal at the time. With regard to the general counsel is also corporate secretary, so there is a relationship with regard to the board in that function.

M O T I O N

CHAIRMAN MEITES: My suggestion then for us is that we ask the board if it would like to see -- what relationship the board wants and so I think what I would propose as our motion is that we propose the board adopt the resolution in our books at pages 92 and 93, subject to discussion on the relationship of the vice president of legal affairs, general counsel and

corporate secretary to the board of directors. Is that satisfactory?

MS. BeVIER: I'm sort of inclined to make a recommendation.

CHAIRMAN MEITES: All right, let's talk about it right now.

MR. McKAY: I feel the same way and I guess I'd like to hear directly from our president what her thought would be. I mean I look at the proposal and, of course, you have a dotted line on office of financial administrative services reporting to the chief administrative officer but also reporting to you in that capacity. Yes. I'm wondering what your reaction is to the same format if we were to discuss it this afternoon with the entire board of having a dotted line from the vice president of legal affairs going directly to the board of directors in the same way.

I heard your initial comment about it being -- about the vice president for legal affairs and general counsel being corporate secretary and implicit I think is -- I understand what you're saying and, as our chairman has indicated, we've been able to work out

informal understandings but I'm wondering if the dotted line in the same way you've done it for finances might also work for general counsel. What's your reaction to that?

MS. BARNETT: I think that it is probably all right.

He is general counsel to the entity and, as I said, he's corporate secretary, which also serves in a function for the board separate and apart from a function that he serves in terms of reporting to the president. I hadn't thought of it. It wasn't raised with me beforehand but I don't see if the board wants it that way why it would be a problem.

CHAIRMAN MEITES: I guess my sense is the same way that although we're not -- we don't have a lawyer other than Vic and so to the extent we the board need a lawyer he should report, he should be our lawyer.

M O T I O N

CHAIRMAN MEITES: Let me modify my motion then, my suggested motion that we approve the resolution subject to an adjustment of the proposed chart so that there be a dotted reporting line of Vic's

box, Vice President of Legal Affairs, General Counsel and Corporate Secretary to the board of directors under the circumstances we've discussed.

MS. BeVIER: I so move.

MR. McKAY: Second.

CHAIRMAN MEITES: And it is adopted. Thank you very much.

MS. BARNETT: Thank you.

CHAIRMAN MEITES: The last item on our agenda is a closed session meeting with the Inspector General, so I will entertain a motion to move to closed session.

MR. McKAY: Move we go into closed session.

MS. BeVIER: Second.

CHAIRMAN MEITES: It's adopted. Thank you very much.

(Whereupon, at 9:19 a.m., the meeting was adjourned to closed session.)

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CHAIRMAN MEITES: We are now back in Open Session. There are people in the hall. Do you want to tell them we're back in open session?

MR. GARTEN: That's why we have corporate counsel, isn't it?

M O T I O N

CHAIRMAN MEITES: Thank you, Herb. I would like to move that our committee reconsider our motion to -- our previous motion. Since I voted with the motion, I'm entitled to move to reconsider. Is there a second to reconsider?

MS. BeVIER: I second.

CHAIRMAN MEITES: A vote on the motion to reconsider. All in favor.

(A chorus of ayes.)

M O T I O N

CHAIRMAN MEITES: All right. I propose on reconsideration that we advise the board that our recommendation is that it adopt the resolution as proposed. Is there a second to that?

MS. BeVIER: Second.

CHAIRMAN MEITES: Vote, all in favor.

(A chorus of ayes.)

CHAIRMAN MEITES: The motion passed. We are now done. We adjourn. Thank you very much.

(Whereupon, at 10:48 the Operations and Regulations Committee meeting was adjourned.)

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