

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

TELECONFERENCE

OPEN SESSION

Monday, November 27, 2006

2:04 p.m.

Office of Legal Affairs
Legal Services Corporation
3333 K Street, Northwest
Washington, D.C. 20007

BOARD MEMBERS PRESENT:

Frank B. Strickland, Chairman
Helaine M. Barnett, ex officio
Lillian R. BeVier, Vice Chairman
Jonann Chiles
Thomas A. Fuentes
David Hall
Herbert S. Garten
Michael D. McKay
Thomas R. Meites
Bernice Phillips
Sarah Singleton

OTHERS PRESENT:

Helaine M. Barnett
Victor M. Fortuno
Charles Jeffress
Thomas Polgar
Patricia Batie
Barbara Moldauer
Treefa Aziz
Linda Perle, Center for Law & Social Policy (CLASP)
Don Saunders, National Legal Aid & Defender Association
(NLADA)

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MOTIONS: 10, 11, 13, 17, 20, 21, 26, 36, 39

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

2 CHAIRMAN STRICKLAND: Okay, let me do roll
3 call of the board members on the call. Lillian BeVier?

4 VICE CHAIRMAN BeVIER: Here.

5 CHAIRMAN STRICKLAND: Tom Fuentes?

6 MR. FUENTES: Here.

7 CHAIRMAN STRICKLAND: Herb Garten?

8 MR. GARTEN: Here.

9 CHAIRMAN STRICKLAND: David Hall?

10 MR. HALL: Here.

11 CHAIRMAN STRICKLAND: Mike McKay?

12 MR. MCKAY: Present.

13 CHAIRMAN STRICKLAND: Tom Meites?

14 (No response.)

15 CHAIRMAN STRICKLAND: I thought Tom had
16 joined the call.

17 MR. MEITES: Here. Can you hear me okay?

18 CHAIRMAN STRICKLAND: Okay, got you now.

19 Bernice Phillips?

20 (No response.)

21 CHAIRMAN STRICKLAND: And this is Frank

22 Strickland at this end. Sarah Singleton?

1 MS. SINGLETON: Yes.

2 CHAIRMAN STRICKLAND: Jonann Chiles?

3 MS. CHILES: Yes, I'm here.

4 CHAIRMAN STRICKLAND: Sorry, Jonann. I was
5 calling that alphabetically, except that list I was
6 using didn't have you at the right place in the
7 alphabet.

8 MS. CHILES: You got to me; I'm fine.

9 CHAIRMAN STRICKLAND: Okay, good.

10 A PARTICIPANT: I move that we make that
11 correction promptly.

12 CHAIRMAN STRICKLAND: All right. Well, let
13 me call to order, then, a special meeting of the Board
14 of Directors of the Legal Services Corporation for
15 November 27, 2006, pursuant to a notice published in
16 the Federal Register.

17 And the first item of business is to approve
18 the agenda. Has everyone seen and had an opportunity
19 to look at the agenda?

20 MR. GARTEN: So moved, Herb Garten.

21 CHAIRMAN STRICKLAND: Move the approval of
22 the agenda?

1 MR. GARTEN: So moved, Herb Garten.

2 CHAIRMAN STRICKLAND: Aye. Is there a
3 second?

4 VICE CHAIRMAN BeVIER: Second, Lillian
5 BeVier.

6 CHAIRMAN STRICKLAND: Those in favor, please
7 say aye.

8 (Chorus of ayes.)

9 CHAIRMAN STRICKLAND: Aye. Those opposed,
10 nay.

11 (No response.)

12 OPERATOR: Excuse me, Bernice Phillips joins.

13 CHAIRMAN STRICKLAND: All right. Bernice,
14 welcome. We're glad you could join us.

15 MS. PHILLIPS: Thank you. Hey, everybody.

16 A PARTICIPANT: Hello, Bernice.

17 A PARTICIPANT: Hi, Bernice.

18 CHAIRMAN STRICKLAND: We just called the roll
19 and you didn't answer then, but we know you're on the
20 line now.

21 MS. PHILLIPS: Thank you.

22 CHAIRMAN STRICKLAND: And before you joined

1 the call, we had just approved -- moved to approve the
2 agenda.

3 MS. PHILLIPS: Okay.

4 CHAIRMAN STRICKLAND: So that's been done.
5 That's item 1 on the agenda.

6 MS. PHILLIPS: Yeah.

7 MS. SINGLETON: Frank?

8 CHAIRMAN STRICKLAND: Uh-huh?

9 MS. SINGLETON: I was wondering if you could
10 ask of people -- this is Sarah.

11 CHAIRMAN STRICKLAND: Yes?

12 MS. SINGLETON: If you could ask people who
13 are not on the board, who is present?

14 CHAIRMAN STRICKLAND: Certainly. Let's
15 do -- indicate for the record those who are on the call
16 who are not members of the board. Would you please
17 identify yourselves and your organizations?

18 MS. PERLE: Linda Perle for the Center for
19 Law and Social Policy.

20 MR. SAUNDERS: Don Saunders from NLADA.

21 MS. BARNETT: And here at LSC is Helaine
22 Barnett, Vic Fortuno, Charles Jeffress is on the call,

1 Tom Polgar, Barbara Moldauer, Treefa Aziz, and Patricia
2 Batie.

3 CHAIRMAN STRICKLAND: Okay. Welcome,
4 everybody. The next item on our agenda is to consider
5 and act on the Board of Directors' response to the
6 Inspector General's Semiannual Report to Congress for
7 the period of April 1, 2006 through September 30, 2006.

8 Has everybody received the Inspector
9 General's Semiannual Report? You should have received
10 a printed copy of that.

11 A PARTICIPANT: Yep, I have it.

12 CHAIRMAN STRICKLAND: Okay. And have you
13 also received, via email, the draft reply prepared by
14 LSC management?

15 A PARTICIPANT: Yes.

16 A PARTICIPANT: Yes.

17 CHAIRMAN STRICKLAND: Everybody has that,
18 okay. I'm looking down on my screen, so let me take a
19 look at that. We've had a couple of people submit
20 proposed changes and I would be glad to have them -- I
21 want to present one for consideration, if I may, in
22 the -- what we call the cover letter to the memo.

1 The preface, the last paragraph where it
2 says -- this is immediately before my signature on
3 behalf of the Board, where it says, "I am pleased," I
4 would suggest that we substitute "We are pleased to
5 transmit to Congress," et cetera, and the rest of it
6 would remain the same.

7 Any objection to that editorial change?

8 A PARTICIPANT: None.

9 CHAIRMAN STRICKLAND: I always prefer to use
10 the word, we, whenever it's appropriate and this looks
11 like it's a place where it is appropriate.

12 A couple of other people, as I said, have
13 submitted via email -- I don't know whether everyone
14 got those in time to review them, but I know that Mike
15 McKay had a change. Would you like to discuss that,
16 Mike?

17 MR. MCKAY: Yes, and I see when Lillian
18 forwarded hers that there were -- it might not have
19 gone through accurately, but the essential change
20 emphasizes a little bit more on that paragraph the
21 importance of our efforts to detect violations of
22 Congressional restrictions. And so my proposed

1 amendment would rewrite the second sentence and add a
2 third sentence.

3 It would read, "One of LSC's important duties
4 is to ensure that they operate in the manner prescribed
5 by Congress." And the new sentence would read, "We
6 continue our efforts to detect violations of
7 Congressional restrictions and to promptly eliminate
8 these practices by encouraging the highest standards of
9 quality."

10 I just thought that we would emphasize, of
11 course, quality, of course, equal access to justice. I
12 thought we needed to emphasize, so that it receives the
13 same level of emphasis, the subject of compliance.

14 CHAIRMAN STRICKLAND: All right. I can't
15 tell from your memo -- is this on -- I'm reading on a
16 new computer program here that presents this thing in
17 screen format, so I'm a little confused on what page
18 I'm on when I'm looking at this screen. This is
19 Microsoft Outlook 2003.

20 A PARTICIPANT: It's not on a page, though,
21 Frank.

22 A PARTICIPANT: It's the preface.

1 A PARTICIPANT: It's the preface.

2 CHAIRMAN STRICKLAND: Oh, it's still in the
3 preface?

4 A PARTICIPANT: Yes.

5 CHAIRMAN STRICKLAND: I'm sorry.

6 MR. MCKAY: And I apologize, it's the second
7 paragraph of the preface --

8 CHAIRMAN STRICKLAND: Okay.

9 MR. MCKAY: -- starting with the second
10 sentence.

11 CHAIRMAN STRICKLAND: All right.

12 MOTION

13 A PARTICIPANT: If that is a motion to amend,
14 I'll be happy to second that.

15 MR. MCKAY: Then I so move, Mike McKay.

16 CHAIRMAN STRICKLAND: All right. Moved and
17 seconded that those editorial changes be made. That
18 is -- we'll call it the McKay Amendment. Any
19 discussion of that proposed amendment?

20 (No response.)

21 CHAIRMAN STRICKLAND: Hearing none, all those
22 in favor of the McKay Amendment please signify by

1 saying aye.

2 (Chorus of ayes.)

3 CHAIRMAN STRICKLAND: Aye. Those oppose,
4 nay.

5 (No response.)

6 CHAIRMAN STRICKLAND: All right, that
7 amendment is adopted. Now Lillian, I believe you had
8 an amendment?

9 VICE CHAIRMAN BeVIER: I do. My amendment
10 is -- would go to page 13. It's rather minor, but it
11 matters, I think. The last paragraph, the first
12 sentence, I would substitute for "Most of them do not
13 have access" to "Too many of them do not have access."

14 I realize that "too many" is rather vague,
15 but "most of them" overstates what we fact, in fact,
16 been able to document. And I think anybody -- if
17 anybody is not -- who's eligible is not served, that
18 would be one too many and we certainly have documented
19 too many, in that we've documented 50 percent.

20 So I would move that we substitute "too many"
21 for "most."

22 MOTION

1 A PARTICIPANT: Second.

2 CHAIRMAN STRICKLAND: All right. You've
3 heard that motion has been seconded. Is there any
4 discussion on the motion?

5 (No response.)

6 CHAIRMAN STRICKLAND: All those in favor,
7 please say aye.

8 (Chorus of ayes.)

9 CHAIRMAN STRICKLAND: Aye. Those oppose,
10 nay.

11 (No response.)

12 CHAIRMAN STRICKLAND: All right, so
13 unanimously adopted. There are a couple of -- does
14 anyone else have any other suggestions?

15 MS. SINGLETON: I have a couple of questions.

16 CHAIRMAN STRICKLAND: Yes, ma'am?

17 MS. SINGLETON: One -- this is Sarah. On
18 page 7, the first is a question that I think I know the
19 answer to, but I want to be sure I'm correct. In the
20 discussion under LSC Regulations, we don't -- is the
21 reason that we don't mention Oregon that it happened
22 after September 30th?

1 MR. POLGAR: Yes.

2 MS. SINGLETON: Okay. Thank you. Under the
3 next part, Striving for Operational Efficiency, the
4 third sentence in that strikes me as the kind of
5 sentence that is just going to draw fire and I would
6 omit it. "LSC is a frugal steward of the taxpayers'
7 money."

8 After all the press, I just think that is a
9 sitting duck sentence and doesn't really add anything
10 to the information we're giving to Congress.

11 VICE CHAIRMAN BeVIER: If that's a motion,
12 Sarah, I second it. This is Lillian.

13 MS. SINGLETON: Thank -- I'll make it a
14 motion. I move that we omit the first sentence in that
15 paragraph.

16 MOTION

17 CHAIRMAN STRICKLAND: All right. I take it
18 somebody is keeping a record of all these amendments?

19 MR. POLGAR: Yes, we are.

20 CHAIRMAN STRICKLAND: Okay, good. All right.

21 MR. McKAY: Mike McKay and I just want to say
22 I agree with that, both -- support of the change. I

1 want to make it clear, though, that I believe, and I
2 suspect everyone else believes the same way, that we
3 are indeed a frugal steward of the taxpayers' money.
4 We just didn't think it was necessary to put the
5 sentence in, in light of the -- as Sarah indicated,
6 that sentence is a sitting duck.

7 MS. SINGLETON: I think the facts speak for
8 themselves anyway, so -- you know, 96 percent of the
9 money goes directly to the local funded programs.

10 MR. MCKAY: And the other 4 percent is spent
11 frugally, in my opinion.

12 MS. SINGLETON: Yeah.

13 A PARTICIPANT: I don't disagree with what
14 Mike says, I just think the sentence sticks out.

15 A PARTICIPANT: I agree.

16 CHAIRMAN STRICKLAND: Good point. All right.
17 That was moved and seconded. Any further discussion
18 on that change?

19 (No response.)

20 CHAIRMAN STRICKLAND: All those in favor,
21 please say aye.

22 (Chorus of ayes.)

1 CHAIRMAN STRICKLAND: Aye. Those oppose,
2 nay.

3 (No response.)

4 CHAIRMAN STRICKLAND: Adopted unanimously.

5 A PARTICIPANT: I have one more question
6 about this. I thought perhaps we should say more about
7 the financial investigation other than just the small
8 reference that we have here.

9 CHAIRMAN STRICKLAND: Do you have a --

10 MS. SINGLETON: I really don't
11 have -- written to suggest that we do. I just thought
12 it might be better if we had our own discussion of what
13 went on that started a little bit before our
14 implementation where -- you know, how the Inspector
15 General's investigating a number of things.

16 We, both Board and Management, complied fully
17 with his request and cooperated in his investigation.
18 He -- after however long it took, he came back with 11
19 recommendations and then go into -- we've already
20 implemented.

21 MR. JEFFRESS: Sarah, this is Charles
22 Jeffress. One of the reasons why there was less

1 attention on this management response was because the
2 Inspector General's report, of course, has a
3 significant -- a number of pages, significant
4 inspection on this. And the two reports are going to
5 be combined together, so we were not designed to redo
6 or repeat the history or the facts of what had occurred
7 in that report, since the Inspector General gives it
8 significant attention in his version.

9 MS. SINGLETON: Well, he does.

10 A PARTICIPANT: They're good habits --

11 MR. JEFFRESS: It wouldn't hurt to repeat it,
12 but I --

13 MS. SINGLETON: Well, I thought we took out
14 some of the salient points that were good for us that
15 we could throw in before we say we're implementing his
16 recommendations. But I don't feel strongly; it just
17 seemed like we got to it rather quickly.

18 MR. GARTEN: Herb Garten here. We have, of
19 course, advised Congress in writing at the hearing of
20 many of these things and we've also had that press
21 release with the questions and the answers. And I
22 think to highlight it again is a mistake. I think the

1 way we handled it is appropriate.

2 MOTION

3 CHAIRMAN STRICKLAND: All right. Any further
4 discussion on that or is there a motion?

5 (No response.)

6 CHAIRMAN STRICKLAND: Okay. In the -- let's
7 see, on page 6, where there's a discussion about the
8 CRLA investigation, at the beginning of that -- let's
9 see, the report -- I'm sorry, in the subparagraph, it's
10 called "Investigating California Rural Legal
11 Assistance," which is a subject heading at the top of
12 page 6.

13 About four lines down where it says "The
14 report alleged," I would suggest that we say "The
15 report stated," rather than "alleged." I think it's
16 the position of the Inspector General that he has moved
17 beyond allegations to findings so that we probably just
18 want to say "The report stated," rather than "alleged."

19 Is there any objection to that editorial
20 change?

21 MR. GARTEN: Frank, Herb Garten. Is that a
22 correct statement where -- was there -- did he indicate

1 there was an additional investigation on some of those
2 or he was leaning to it? I don't have it in front of
3 me.

4 CHAIRMAN STRICKLAND: It's my understanding
5 that in discussions with the Inspector General, that he
6 takes the position that his report, once issued,
7 constitutes findings as opposed to mere allegations.

8 MR. GARTEN: But are they oral or is it some
9 of them are --

10 CHAIRMAN STRICKLAND: No, no. I think
11 this -- the report, in its entirety, is -- constitutes
12 findings as opposed to allegations. At
13 least -- someone on the staff, the management staff,
14 perhaps could elaborate on that, but that's --

15 MR. JEFFRESS: I think -- this is Charles
16 Jeffress again. I think the four points that are made
17 in that sentence are findings and I think Mr. Garten's
18 correct that --

19 CHAIRMAN STRICKLAND: All right.

20 MR. JEFFRESS: -- there were a lot of other
21 things in his report that didn't reach the level of
22 findings, that I wouldn't suggest were findings. But

1 these four clearly were findings.

2 CHAIRMAN STRICKLAND: Okay.

3 VICE CHAIRMAN BeVIER: I would -- I don't
4 mind taking out the "alleged." This is Lillian BeVier
5 talking. But I would -- and I'm perfectly happy to say
6 that these were the OIG's findings. My understanding
7 is that he has made those as findings, but that they
8 are still contested matters of fact, I mean, that CRLA
9 is --

10 CHAIRMAN STRICKLAND: Contested by CRLA,
11 yeah.

12 VICE CHAIRMAN BeVIER: By CRLA and I don't
13 want to be pushing back from the investigation at all,
14 but I think to report them as findings has a
15 connotation to me of -- as a conclusion that is
16 binding, as opposed to -- I mean, it's like a jury
17 finding of fact as opposed to -- you know, his
18 findings.

19 So I wouldn't mind saying that the -- he
20 reported his findings that the California -- that the
21 Inspector General reported his findings that -- that
22 seems to me to be accurate and to take the "alleged"

1 out of it and to be responsive to the IG's issue.

2 CHAIRMAN STRICKLAND: Okay. All right.

3 That's fine with me. Would you -- I didn't note that.

4 Would you repeat your suggested wording?

5 VICE CHAIRMAN BeVIER: Well, the suggested

6 wording would be "The Inspector General reported his

7 findings that" --

8 CHAIRMAN STRICKLAND: Okay. I'm satisfied

9 with that. Is there any objection to that editorial

10 change?

11 A PARTICIPANT: I second the motion.

12 CHAIRMAN STRICKLAND: All right. We'll

13 call -- make that a motion. Any further discussion on

14 that motion?

15 (No response.)

16 MOTION

17 CHAIRMAN STRICKLAND: All those in favor,

18 please say aye.

19 (Chorus of ayes.)

20 CHAIRMAN STRICKLAND: Opposed, nay.

21 (No response.)

22 CHAIRMAN STRICKLAND: The ayes have it. Then

1 has also asked the OIG and CRLA for additional
2 information."

3 VICE CHAIRMAN BeVIER: I'll second that
4 motion.

5 CHAIRMAN STRICKLAND: And actually, we should
6 probably -- we're calling it OCE here. We probably
7 ought to -- after the words, Office of Compliance and
8 Enforcement, we probably ought to put in parentheses --

9 A PARTICIPANT: OCE.

10 CHAIRMAN STRICKLAND: -- OCE, closed
11 parentheses. So that --

12 MR. POLGAR: Frank, that's been done earlier
13 in the document.

14 CHAIRMAN STRICKLAND: Has it?

15 MR. POLGAR: Yes.

16 CHAIRMAN STRICKLAND: Okay, I see it. You're
17 right. Never mind, strike my parenthetical. All
18 right. Is there a second to that -- you seconded it,
19 didn't you? I made the motion and you seconded it,
20 Lillian?

21 VICE CHAIRMAN BeVIER: Yes, I seconded it.

22 CHAIRMAN STRICKLAND: Any further discussion

1 on that?

2 MR. MCKAY: Well, Frank, I -- this is Mike
3 McKay.

4 CHAIRMAN STRICKLAND: Yes, sir?

5 MR. MCKAY: I have a question. Why did you
6 want to reduce the power of our response? It seems to
7 me I kind of like the original language because it
8 suggests that we're taking this very -- we're looking
9 into it as well, not just the underlying allegations,
10 we've asked for the evidence, but I'm assuming we're
11 also looking at why we ourselves didn't find this.

12 CHAIRMAN STRICKLAND: Well, I understand that
13 and I can live with the language as it is, but
14 the -- it suggests that everybody is in the
15 investigation business here. In other words, the OIG
16 has completed its -- or at least, in part, an
17 investigation and now, OCE is doing its own
18 investigation of the investigation.

19 Whereas, it may more accurately -- and as I
20 said, I can live with the language as is, if we -- if
21 the board is of a mind to leave it just that way.

22 MR. MCKAY: Well, I mean, I have no problem.

1 I guess -- you know, I'm willing to go with the
2 collective wisdom of the board. I just like the idea
3 of us not necessarily -- obviously, we're not going to
4 do what the OIG's already done, but there might be
5 other things we want to look at, including why we
6 ourselves didn't catch this, which I think -- it is an
7 important part of the investigation.

8 CHAIRMAN STRICKLAND: All right. I would
9 certainly yield to the collective wisdom of the board
10 as well. And if there's --

11 VICE CHAIRMAN BeVIER: But I don't
12 think -- this is Lillian. I'm not sure that the
13 sentence, as written, Mike, it's responsive to what
14 you're wanting it to say. It seems to me that what
15 you're wanting is that the board is encouraging
16 or -- you know, actively pursuing inquiry into this
17 issue.

18 And I don't know -- I'm don't -- I'm not sure
19 I want to call attention to the fact that the -- I
20 mean, that we didn't find it, that OCE didn't find it.

21 Although I think that's terribly important as an issue
22 that we should be considering, but I don't know how to

1 say it in such a way that is --

2 MR. GARTEN: Herb here. As the language is
3 urgently joined -- is factual as to what's happening?
4 Is that correct, staffwise?

5 CHAIRMAN STRICKLAND: Well, let's just see
6 what management has to say about that. Any comments
7 from you folks?

8 MS. BARNETT: Well, that's the way we drafted
9 it. (Laughter.) I think what Frank was referring to
10 was a question that the OIG raised with regard to that
11 sentence, but that's the way we drafted it. And we
12 thought, at the time, that it was accurate.

13 VICE CHAIRMAN BeVIER: Do you still think
14 that it's accurate?

15 MS. BARNETT: I think we still think it's
16 accurate. I think what the chairman was referring to
17 was a comment from the IG, you know, saying it could be
18 clearer to rewrite it. But the way we wrote it
19 originally is how we thought it was accurate and I
20 think we still think it's accurate.

21 MR. GARTEN: Herb here again. Considering
22 that, I think to start playing around with the

1 response, it just opens up Pandora's Box here.

2 CHAIRMAN STRICKLAND: All right. I withdraw
3 that motion and we'll leave it as it's written.

4 A PARTICIPANT: Frank, I do think you need to
5 change the word, allegations, since you took out
6 "alleged" up above. And I think substituting the OIG's
7 report for allegations -- even better.

8 VICE CHAIRMAN BeVIER: I second that motion.

9 CHAIRMAN STRICKLAND: Yes, I see your point.
10 So that we would strike the word, allegations.

11 MS. BARNETT: And said the OIG report --

12 CHAIRMAN STRICKLAND: The OIG's report --

13 A PARTICIPANT: Yes.

14 CHAIRMAN STRICKLAND: All right. Let's take
15 that as a motion and you seconded it, Lillian. Any
16 further discussion on that motion?

17 (No response.)

18 MOTION

19 CHAIRMAN STRICKLAND: All those in favor,
20 please say aye.

21 (Chorus of ayes.)

22 CHAIRMAN STRICKLAND: Opposed, nay?

1 (No response.)

2 CHAIRMAN STRICKLAND: It's unanimously
3 adopted and that paragraph stays as it is written
4 except for that amendment. Now does that complete the
5 action on the management's response?

6 MR. McKAY: One more minor change on it
7 proposed on page 6 -- this is Mike McKay -- in the
8 footnote --

9 CHAIRMAN STRICKLAND: Yes, sir?

10 MR. McKAY: -- sentence -- this is
11 referencing the 25 findings that came over to
12 management apparently after September 30th. I would
13 propose if the last sentence or the -- excuse me, the
14 second to last sentence, they were referred on October
15 16th, 2006 after the reporting period ended.

16 I would propose that that last clause be
17 deleted. I don't think it's important to invite the
18 Congress' attention that it was after the period. Just
19 say we got it on the 16th and we're working on it
20 without making it look -- it could be viewed by some
21 that it's a little shot at the IG.

22 I don't think -- I'm sure that wasn't

1 intended, but I don't want it to be interpreted by
2 anybody on the Hill or, frankly, in the OIG's office,
3 so --

4 CHAIRMAN STRICKLAND: So you would put a
5 period after 2006 and strike the rest of the material?

6 MR. MCKAY: Correct, I so move.

7 VICE CHAIRMAN BeVIER: Second, Lillian
8 BeVier.

9 CHAIRMAN STRICKLAND: Any discussion on that?

10 MS. SINGLETON: I'm just not sure I
11 understand it. Are you taking -- this is Sarah. Are
12 you taking out the last sentence also, Mike?

13 MR. MCKAY: No.

14 MS. SINGLETON: Okay, just --

15 CHAIRMAN STRICKLAND: Oh, I misunderstood.
16 You're just striking the words, "after the reporting
17 period ended?"

18 MR. MCKAY: Yes.

19 CHAIRMAN STRICKLAND: And putting a period
20 after 2006 and the rest of the footnote would remain
21 the same?

22 MR. MCKAY: Correct.

1 CHAIRMAN STRICKLAND: All right. Now that
2 that's been clarified, any further discussion on the
3 motion?

4 (No response.)

5 CHAIRMAN STRICKLAND: All those in favor,
6 please say aye.

7 (Chorus of ayes.)

8 CHAIRMAN STRICKLAND: Opposed, nay?

9 (No response.)

10 CHAIRMAN STRICKLAND: The ayes have it. That
11 amendment is made. Now, is there any other amendment
12 to be made to management's response?

13 MR. MCKAY: Just a question. This is Mike
14 McKay again. On page 12 of the IG's report, the first
15 bulletpoint is referencing -- the statement about
16 first-class travel, "We did not find widespread
17 first-class travel and found only one instance of
18 questionable first-class travel."

19 I'm a firm believer in choosing battles and
20 I'm confident that management ignored that. I think
21 they ignored that for a reason. I felt a little
22 uncomfortable because I think I'm familiar with all

1 the -- question first-class travel and feel comfortable
2 with all of it.

3 I'm wondering why we wouldn't put a footnote
4 in reasserting our position that it's not questionable.
5 Or is this really a battle that we should avoid?

6 MR. POLGAR: Well, Mike, this is Tom Polgar.
7 We can't amend the IG's report, so if we were going to
8 respond to that, we would have to do it in the body of
9 the board's response.

10 MR. MCKAY: Indeed, that's what I meant. I
11 don't mean to suggest we're going to change his report.

12 But I'm talking about us responding in one -- maybe
13 one of our footnotes or -- I don't want to make a big
14 deal out of it, but I feel uncomfortable having him say
15 that there's one instance of questionable first-class
16 travel when I think we all believe that there wasn't
17 anything questionable. Again, I'm willing to defer to
18 the wisdom of --

19 CHAIRMAN STRICKLAND: Well, if there's -- if
20 that's a reference -- do we take that to be a reference
21 to the Ireland travel or something else?

22 MR. MCKAY: You all know it? Does management

1 know which one that is?

2 MR. POLGAR: Yes, it is a reference -- we
3 think it is a reference to Helaine's Ireland trip.

4 A PARTICIPANT: Which you're still
5 investigating, is that correct?

6 MR. POLGAR: That's correct.

7 A PARTICIPANT: Well, if he's still
8 investigating it, maybe we should just leave it there
9 and wait till that gets clarified.

10 A PARTICIPANT: That's great. And frankly, I
11 wasn't aware you were still investigating it. I guess
12 I'd propose that we make it clear somewhere, and maybe
13 in just a footnote -- I don't want to make a big deal
14 out of it, but that we will address the first-class
15 travel issue once the IG makes a final report and makes
16 his final decision.

17 A PARTICIPANT: I got a letter from Skadden
18 with a bunch of numbers attached --

19 CHAIRMAN STRICKLAND: I wonder if we are just
20 as well off by not commenting on that at this point?

21 A PARTICIPANT: Frankly, after I heard the
22 fact that it's still being investigated, I agree with

1 that. I think we ought to just not say anything unless
2 someone strongly disagrees, recognizing I'm the one
3 that --

4 VICE CHAIRMAN BeVIER: I would suggest to
5 management, however, that that issue -- this is Lillian
6 again -- that we flag it so that we make certain that
7 it -- you know, that whatever implication -- that when
8 it's over, it will be over and we can get it clarified
9 and be -- make clear what the resolution was.

10 And assuming, as I believe will be the case,
11 that it -- they may have questioned it, but that it
12 will be found not to be troublesome or problematic.

13 CHAIRMAN STRICKLAND: Management, have you
14 flagged it?

15 MS. BARNETT: I have taken a note of that.

16 CHAIRMAN STRICKLAND: All right. We do need
17 for that to come to conclusion. It seems to me that
18 that's gone on entirely too long and that's not
19 necessarily a shot at anybody in particular, just on
20 the general subject of bringing that particular item to
21 an end. Any other discussion of this document?

22 MR. GARTEN: Herb here, Herb Garten.

1 CHAIRMAN STRICKLAND: Yes, sir.

2 MR. GARTEN: I was wondering whether there
3 should be any response to the statements the OIG is
4 making regarding the space situation and the rental.
5 And I -- was it the same reason, no mention made of it
6 because it's still ongoing?

7 MR. JEFFRESS: Herb, this is Charles
8 Jeffress. The tables in the IG's report, table 2 in
9 particular, there is a footnote to that. We worked
10 hard with the IG to try to put our respective
11 positions -- make them clear in that footnote.

12 And we did agree that that language that's
13 there now is something that we both believe makes our,
14 management's, and OIG's positions clear. Even though
15 we disagree, that's a statement of how we disagree and
16 I don't think we're going to get into any further
17 agreement, actually, until we resolve some other
18 issues. So I suspect this is as good as we're going to
19 get for right now.

20 MR. GARTEN: You know, the thing is that it's
21 highlighted with big figures.

22 MR. JEFFRESS: Right.

1 footnote explains that this is a matter about which
2 management and the OIG disagree. I don't see any
3 purpose to be served in calling further attention to
4 it, because that disagreement is not going to go away.

5 This footnote makes clear that that disagreement
6 persists and that we're trying to still get what the
7 facts are.

8 CHAIRMAN STRICKLAND: I would agree with your
9 analysis of that, Lillian, and I think since we now are
10 better informed that this footnote is, in fact, a
11 negotiated footnote that we -- we would only be one
12 side of the discussion here and we probably better just
13 leave it as it is.

14 A PARTICIPANT: That's satisfactory to me.

15 CHAIRMAN STRICKLAND: Without further
16 highlighting --

17 A PARTICIPANT: Okay.

18 CHAIRMAN STRICKLAND: All right. If there's
19 no further discussion, then, on this particular
20 document, which is the -- in effect, management's
21 response to the IG's SAR, although it's labeled on its
22 face, "Semiannual Reports," plural, to the Congress,

1 MR. MEITES: Frank, this is Tom. I just have
2 a question.

3 CHAIRMAN STRICKLAND: Yes, sir.

4 MR. MEITES: I want to make sure that I'm
5 going to be in Washington the right date. My calendar
6 says our Washington meeting begins on Friday, January
7 19th. Is that correct?

8 MS. BARNETT: That is correct.

9 MR. MEITES: Okay, that's all I needed to
10 know. Thank you.

11 CHAIRMAN STRICKLAND: Tom Polgar, do you have
12 a briefing for us on the budget?

13 MR. POLGAR: It's a briefing that -- yes,
14 it's a briefing that will take less than a minute. It
15 currently appears that the Senate has given up the gust
16 in terms of trying to pass the remaining outstanding
17 appropriations bills. And the expectation now is that
18 Congress is going to do a continuing resolution next
19 week that will extend through sometime in late February
20 or March and go home.

21 So it looks like we're going to be funded at
22 the '06 levels until February, March of next year when

1 the Congress starts -- when the new Congress starts
2 moving their regular '07 appropriations bills.

3 CHAIRMAN STRICKLAND: All right. Did that
4 complete your briefing?

5 MR. POLGAR: Yes.

6 CHAIRMAN STRICKLAND: And of course, it
7 requires no action since it's a briefing. So I take it
8 that under the item called "Consider and act on other
9 business," that there is no other business.

10 MR. FUENTES: Tom Fuentes.

11 CHAIRMAN STRICKLAND: Yes, sir.

12 MR. FUENTES: Before we adjourn, I would just
13 like to join with all of our colleagues in saluting and
14 congratulating our colleague, Herb Garten, on his
15 recent recognition for his pro bono accomplishments and
16 leadership and say that we're all very proud of Herb.

17 A PARTICIPANT: Here, here.

18 A PARTICIPANT: I agree.

19 A PARTICIPANT: No doubt.

20 CHAIRMAN STRICKLAND: Absolutely. We're all
21 impressed, Herb, and we look forward to some
22 hospitality in Baltimore sometime in the future.

