

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
BOARD OF DIRECTORS
OPEN SESSION

Saturday, November 1, 2008
1:40 p.m.

The Hilton Hotel
255 South West Temple
Salt Lake City, Utah

BOARD MEMBERS PRESENT:

- Frank B. Strickland, Chairman
- Jonann C. Chiles
- Thomas Fuentes (by telephone)
- Herbert S. Garten (by telephone)
- David Hall (by telephone)
- Michael D. McKay
- Thomas R. Meites (by telephone)
- Sarah Singleton
- Bernice Phillips-Jackson
- Helaine M. Barnett, ex officio

1 STAFF AND PUBLIC PRESENT:

2 Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

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

4 Karen J. Sarjeant, Vice President for Programs and
Compliance

5 John Constance, Director, Government Relations and
Public Affairs Office

6 Charles Jeffress, Chief Administrative Officer

Karen M. Dozier, Executive Assistant to the President

7 Patricia D. Batie, Manager of Board Operations

Jeffrey E. Schanz, Inspector General

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

9 Ronald "Dutch" Merryman, Assistant IG for Audits

Thomas Coogan, Assistant IG for Investigations

10 Matthew Glover, Associate Counsel, Office of the
Inspector General

11 Mattie Cohan, Senior Assistant General Counsel,
Office of Legal Affairs

12

Anne Milne, Executive Director, Utah Legal Services

13

Linda Perle, Center for Law & Social Policy (CLASP)

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

15 Deborah Hankinson, Chairman, Standing Committee on
Legal Aid & Indigent Defendants (SCLAID), American
16 Bar Association

17

18

19

20

21

22

1	. Approval of agenda	5
2	. Approval of minutes of the board's open session meeting of August 2, ,2008	5
3	. Approval of minutes of the board's open session telephonic meeting of August 18, 2008	6
4	. Chairman's report	7
5	. Members' reports	8
6	. President's report	10
7	. Inspector General's report	13
8	. Consider and act on the report of the Provision for the Delivery of Legal Services Committee	24
10	. Consider and act on the report of the Finance Committee	30
11	. Consider and act on the report of the Operations and Regulations Committee	84
12	. Consider and act on the report of the Audit Committee	94

1 . Consider and act on the report of the
2 Governance & Performance Review Committee
3 regarding:

36

- 4 p Board succession planning
- 5 p Board member self-assessment document,
- 6 committee member

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25

1
2
3
4
5
6
7
8
9
10
11
12
13
14

- 15 . Consider and act on recommendation of the
16 Governance & Performance Review Committee
17 regarding the criteria and critical elements
18 to be used to evaluate the performance of
the Corporation's Inspector General 36
- 19 . Consider and act on the report of the
board's Ad Hoc Committee 93
- 20 . Consider and act on the recommendations of
21 Directors McKay, Phillips-Jackson, and
22 Singleton concern adoption of a protocol

1	for processing board members' document requests	43
2	. Consider and act on review of LSC's draft Risk Management Program	104
3	. Public comment	121
4	. Consider and act on other business	121
5	. Consider and act on adjournment of meeting	121

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

2 (1:40 p.m.)

3 CHAIRMAN STRICKLAND: We're now convening the
4 open session of the board of directors meeting for
5 November 1, 2008. The agenda for this is found on page
6 226 of your board book.

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

9 M O T I O N

10 MR. FUENTES: Move approval of the agenda.

11 CHAIRMAN STRICKLAND: Is there a second?

12 MS. SINGLETON: Second.

13 CHAIRMAN STRICKLAND: All right. Is there any
14 objection to approval of the agenda?

15 (No response.)

16 CHAIRMAN STRICKLAND: Hearing none, the agenda
17 is approved.

18 Next is the approval of minutes of the board's
19 open session meeting of August 2, 2008.

20 M O T I O N

21 MR. FUENTES: Move approval of the minutes.

22 CHAIRMAN STRICKLAND: All right. Is there a

1 second?

2 MS. SINGLETON: Second.

3 CHAIRMAN STRICKLAND: Any discussion?

4 (No response.)

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

7 (A chorus of ayes.)

8 CHAIRMAN STRICKLAND: Opposed, nay.

9 (No response.)

10 CHAIRMAN STRICKLAND: The ayes have it and the
11 minutes are approved. Oh, I should have done these
12 together, but I'm sorry.

13 There's also approval of the minutes of the
14 board's open session telephonic meeting of August 18,
15 2008. Is there a motion to approve those minutes?

16 M O T I O N

17 MR. FUENTES: Move approval.

18 MS. SINGLETON: Second.

19 CHAIRMAN STRICKLAND: Any discussion?

20 (No response.)

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

1 (A chorus of ayes.)

2 CHAIRMAN STRICKLAND: Opposed, nay.

3 (No response.)

4 CHAIRMAN STRICKLAND: The ayes have it and
5 those minutes are approved.

6 The next item is the chairman's report. I
7 usually ask Helaine what I've been doing so I'll not
8 omit anything, but it turns out that I haven't been to
9 any meetings or anything of the sort that require a
10 report.

11 However, I am very pleased to announce that
12 the board has asked Helaine Barnett to serve as our
13 president through 2009. She has accepted that
14 appointment. And I just wanted to make a public
15 announcement of her appointment. We're delighted that
16 she's going to be available and look forward to her
17 continued leadership of the Corporation next year.

18 (Applause)

19 CHAIRMAN STRICKLAND: And that concludes the
20 chairman's report. Do any members -- also --

21 MR. FUENTES: Mr. Chairman, this is Tom
22 Fuentes.

1 CHAIRMAN STRICKLAND: Just one moment, Tom,
2 before we move to members' reports. I'd like to
3 recognize Anne Milne, who is here with us today, the
4 executive director of Utah Legal Services. We thank
5 you so much, Anne, for your warm hospitality while
6 we're here in your city and state.

7 We enjoyed visiting your program, and we look
8 forward to seeing you again soon. And again, thanks
9 very much for all you did to set up the meeting, and
10 we've enjoyed being here.

11 All right. We'll now move to members'
12 reports. I'll look to each member to sound off if you
13 have a particular report. First let me go around the
14 table here. Is there any member at the table who has a
15 report?

16 (No response.)

17 CHAIRMAN STRICKLAND: There being none, how
18 about those members on the telephone? Do any of you
19 have a report?

20 MR. FUENTES: Mr. Chairman, Tom Fuentes.

21 CHAIRMAN STRICKLAND: Go ahead, Tom.

22 MR. FUENTES: I'd just like to report that the

1 Legal Aid Society of Orange County, California, my home
2 county, will be celebrating its 50th anniversary in
3 service to the poor of our community.

4 And on that occasion, this coming Thursday,
5 we're very pleased that the president, Helaine Barnett,
6 will be visiting our community. We look forward to
7 welcoming her here and celebrating with her that
8 evening in Anaheim.

9 And I see that Helaine is bringing part of
10 Washington with her because that night the Capitol
11 Steps will entertain those who gather to celebrate. So
12 welcome, Helaine, and we congratulate the Orange County
13 Legal Aid Society.

14 MS. BARNETT: Thank you, Tom. This is
15 Helaine, and I very much look forward to seeing you
16 next Thursday.

17 CHAIRMAN STRICKLAND: Any other board members
18 on the phone have a report?

19 (No response.)

20 CHAIRMAN STRICKLAND: All right. Hearing
21 none, we'll next move to the president's report, and
22 I'll call on Helaine Barnett for that. Thank you.

1 MS. BARNETT: Thank you very much. There are
2 copies of the president's report for the public, and I
3 will ask the reporter if my entire report could please
4 be included as part of the record.

5 Having done that, let me just briefly
6 highlight one or two items that are in it. I wanted to
7 highlight our executive directors conference and the
8 follow-up issues that we'll be addressing in the coming
9 weeks and months.

10 One is to begin the process on updating the
11 Justice Gap report; collecting better statistics on the
12 services that our programs provide to military
13 personnel and veterans; giving clarity of our guidance
14 on PAI issues and on fiscal policy issues; and seeking
15 input on our new electronic grants process called LSC
16 Grants to find out how our grantees are finding it when
17 they fill out their grants and use it.

18 I wanted to also indicate that we have
19 instituted quarterly calls with participants involved
20 with delivery of legal services during this foreclosure
21 crisis. We had our first call where we invited
22 national organizations, including the Center for

1 Responsible Living, the National Consumer Law Center,
2 the ABA, the Center for Pro Bono, the National
3 Association of Consumer Advocates, NLADA, the Sargent
4 Shriver National Center on Poverty Law, the Ohio Legal
5 Assistance Foundation, the Pro Bono Resource Center of
6 Maryland.

7 And the purpose was to discuss ongoing and
8 identify unmet needs and better ways to collaborate.
9 And this group has agreed to, as I said, conference
10 calls. Our next one is scheduled for the beginning of
11 January.

12 And we will be providing to all our grantees a
13 list of resources and training materials dealing with
14 the foreclosure crisis that each of the participants
15 provided to us, and we will be making that available to
16 all our grantees.

17 In addition, our disaster assistance update:
18 As you know, we entered into an MOU with the Red Cross,
19 in which all LSC-funded advocates have access to
20 disaster assistance sites of the Red Cross. And of
21 course, since my last report we've been working closely
22 with the programs in Texas and Louisiana that have been

1 affected by the recent surge of Hurricanes Dolly,
2 Gustav, and Ike.

3 One final comment on two programs, statewide
4 programs, that we have been successful in taking action
5 to have the Nevada Legal Services and Wyoming Legal
6 Services relinquish their LSC grant.

7 Nevada relinquished it in May, and is on
8 month-to-month funding with strict special conditions
9 that require monthly action and reporting to LSC. And
10 Wyoming relinquished its grant effective October 31st.

11 We are working on closeout funding and seeking
12 the help of a broad-based group of Wyoming stakeholders
13 to help ensure a smooth transition to an interim
14 provider and a long-term plan to buy high-quality legal
15 services to eligible clients in Wyoming. And I would
16 like to thank both Sarah Singleton and Tom Meites, who
17 have been very helpful in sharing their contacts in
18 Wyoming.

19 And those are the highlights of my report.

20 CHAIRMAN STRICKLAND: All right. Does anyone
21 have any questions for Helaine pertaining to her
22 report?

1 (No response.)

2 CHAIRMAN STRICKLAND: Thank you very much,
3 Helaine.

4 Next is the Inspector General's report. And
5 we'll invite Jeff Schanz to the table.

6 MR. SCHANZ: This is Jeff Schanz, Inspector
7 General. Thank you very much, Mr. Chairman.

8 In the interest of time, I will spare you my
9 PowerPoint presentation, which was -- they had bets in
10 the office on how well I would do it. So now the bets
11 are off. I'm not going to do it.

12 But I will hand out what I was going to
13 present on the screen. I do have it in hard copy. I
14 wanted to talk a little bit about what our plans are
15 for the '09 OIG work plan.

16 As any plan, it's dynamic and flexible and
17 subject to change based on request. But what I wanted
18 to do with this group of documents is to lay out some
19 of the areas that we're going to be touching on in the
20 first six months.

21 So while it is a continuing planning process,
22 I do want to enable my staff to be able to schedule

1 their next six months out. Being on the road is not
2 easy, and I want them to have some sort of life in
3 addition to just doing OIG work.

4 And you'll see that the time frame is I'm
5 setting out six-month schedules. And what that does,
6 and this goes back to my earlier discussion on my
7 performance standards, this will align it with the
8 federal budget cycle, with our own OIG strategic plan,
9 with performance measurement, and with the OIG's
10 semiannual reporting requirement.

11 I need to improve my in-house operations, and
12 by that, I use the three Cs. We have been very active
13 in working with the Audit Committee and with board
14 briefings.

15 I also am going to continue -- and we didn't
16 get to that -- on this board meeting's agenda is what
17 we're going to do with the IPAs. We're going to
18 continue to do OIG site visits of grantees and IPAs.
19 We're going to continue to have a more robust review of
20 all 137 audit reports that come into the office for red
21 flags, for referrals to OCE, for referrals to our
22 investigative staff.

1 As I've talked about in the previous two board
2 meetings, we do have a formal mechanism called
3 management information memos where if it's something
4 that can't wait for the Yellow Book standards to get
5 into an audit report, we provide information to
6 management saying, this could be a systematic problem
7 that we've discovered.

8 We've also put out a fraud alert, and we're
9 going to continue doing that, based on some risk
10 factors and fraud vulnerability assessments that our
11 investigative staff does.

12 So far, with our field work, we have completed
13 five of the GAO eight grantees that have been referred
14 to us. What we're going to do, when all those are
15 issued, we're going to do a wrap-up report to talk
16 about any systematic or common findings.

17 This will be made available to you, so I'm not
18 going to go through all of it. And if you would prefer
19 not carrying paper, I can make this -- I can send these
20 to your office. I think I've already sent them out
21 electronically. But if you don't want to carry extra
22 paper --

1 MS. SINGLETON: When did you send them out?

2 MR. SCHANZ: Electronically? I think it was
3 Thursday of last week.

4 MS. SINGLETON: I don't remember getting them.
5 I don't know if other people got them, but --

6 MR. SCHANZ: Well, let me give you what
7 we have, and I'll make sure that they go out
8 electronically. We were going to dazzle you
9 with PowerPoint, but in the interest of time, decided
10 not to.

11 Okay. While we're on the paper mode, we also
12 have issued our semiannual report, and we do have hard
13 copies of that for your edification also if you want to
14 take a look at those. And we'll pass those out.

15 It's a much more, I think, reflective
16 semiannual report of the IG under my tenure, as opposed
17 to we didn't do anything that I would take credit for
18 in the past semiannual report. It was very lean. I
19 think you'll see that with what I'm trying to do here,
20 we're going to be adding value to the Corporation and
21 enhancing the economy and efficiency of all the
22 grantees. It's a step-by-step process, but I think

1 we're on the right track.

2 The other thing I wanted to talk about very
3 briefly is the peer review. I don't know if you're
4 aware of this; I think you are. But if not, then I'll
5 repeat it. Within the PCIE/ECIE community, which is
6 CIGIE, we're being peer reviewed by PCIE standards and
7 Yellow Book standards and AICPA standards of our audit
8 function.

9 It comes around every three years. This year
10 is being done by SIGIR, the Special Inspector General
11 for Iraq Reconstruction. They're similarly sized to
12 what we are, and that's how the schedule is trying to
13 schedule so LSC doesn't do HHS, and HHS doesn't do a
14 very small program. This is every three years. It's
15 embedded in the new IG Reform Act. It continues the
16 process of the peer review cycles.

17 So far, we've had three individuals in our
18 office. They've been embedded in our office using the
19 Iraq Reconstruction model. And so far, it's been an
20 interesting exercise. I welcome it because if there's
21 any way that I can improve the IG, I want to know it,
22 and I'm getting information from my peers.

1 There was some question as to organizational
2 independence. And I told them that's going to be more
3 of a congressional issue than it is going to be a board
4 issue. I think they saw the fact that we are
5 independent. I consider the IG very objective and very
6 independent. And with that said, we cleared that
7 hurdle. Of course, that's what they've told us, and
8 the written report sometimes is different than what you
9 hear.

10 But they also said that we will be getting an
11 unqualified opinion on the audit work that the audit
12 staff of the LSC OIG has done. I'm very pleased to
13 report that. What that means is that the work that we
14 perform is done in accordance with the GAO Yellow Book,
15 and that was one of my props to wave but I left it back
16 at the chair.

17 And as you know through, and I know you all
18 have a copy of the Yellow Book, the standards in there
19 are very, very detailed and comprehensive. And if I
20 can get a report from a peer, another federal agency,
21 or SIGIR in this case, that said that my audit work
22 meets all those standards, that I think is a source of

1 pride for me and should be for the board also.

2 The corporate audit is underway. We briefed
3 the Audit Committee on that yesterday. And we have
4 their timelines. The Audit Committee members were
5 provided a copy of the "engagement letter," which sets
6 out the time frames for when we can expect the final
7 corporate audit. And they're also embedded in OIG
8 space, so we're getting a little tight on room here.

9 But they seem to be progressing very well.
10 they had an interview with me last Monday, the auditor
11 in charge, and there were no red flags that he
12 indicated at that time.

13 What we intend to do also, and these are
14 intentions, with all the IPAs that come in, all the 137
15 audit reports that come in, I hope to stratify the
16 findings in those. And that's part of the OIG risk
17 assessment. It should also be part of the LSC risk
18 assessment because they're the ones on the front lines
19 at the grantees, auditing the grantees.

20 So if there's going to be issues that surface
21 in similar programs, then I think that would be best
22 presented to LSC management and the board in the form

1 of a management information memo or a formal report.

2 That I haven't decided yet.

3 While we are trying -- we have a couple
4 vacancies and we're still trying to fill those. I
5 would like to hand out now the semiannual report so I
6 don't have to carry it back. And I'm open for any
7 questions that you may have.

8 CHAIRMAN STRICKLAND: Does anyone have any
9 questions for Jeff? Sarah?

10 MS. SINGLETON: Thank you, Jeff, Mr. Chairman.

11 When your peer review took place and they were
12 looking at your audit team, did they look at what I
13 think is called the A50 process, where you review the
14 IPAs and then it goes over to the LSC people to look at
15 those reports?

16 MR. SCHANZ: I'd like to bring Dutch up to
17 answer that question, if I may, because --

18 MS. SINGLETON: Dutch is much too busy with
19 extra communications with me.

20 (Laughter.)

21 MR. SCHANZ: Because this is actually a peer
22 review of the audit function, so --

1 MS. SINGLETON: Right. Well, I just -- I
2 didn't know if that would include the A50.

3 MR. SCHANZ: What level of detail did they get
4 into with A50?

5 MR. MERRYMAN: They have looked at the A50.
6 They've talked to the people in our office who mainly
7 handle A50 to see what's being done to ensure a system
8 is in place. So they look at it, as well as the
9 corporate auditor also looks at it. It looks at our
10 plan on what we do to make sure that we follow the
11 plan. They do that every year also.

12 MS. SINGLETON: Did they give you any notes or
13 anything on that A50 process?

14 MR. MERRYMAN: I have gotten no feedback from
15 them specifically on the A50 process.

16 MS. SINGLETON: I mean, I'm assuming, since
17 they looked at it and since you have an unqualified
18 report, they didn't write it up as an issue. But I
19 thought they might have made some comments.

20 MR. SCHANZ: Well, with the peer review, the
21 way it has worked traditionally is you do get your
22 opinion. But since they have put forth so much effort,

1 they'll give the IG a comment sheet or recommendations
2 or suggestions.

3 MR. MERRYMAN: For system improvement.

4 MS. SINGLETON: Well, if you think it's
5 permissible, if they say anything about that, I would
6 like to hear what they have to say about that process.

7 MR. SCHANZ: You will be able to see
8 everything good that they said.

9 (Laughter.)

10 CHAIRMAN STRICKLAND: This is a curiosity
11 question, Jeff. With regard to the recent IG Reform
12 Act, is there a sheet of paper that summarizes the main
13 points of that act that you might be able to send to us
14 electronically?

15 MR. SCHANZ: I believe it's already in your
16 board book.

17 CHAIRMAN STRICKLAND: Oh, it is?

18 MR. SCHANZ: Yes.

19 CHAIRMAN STRICKLAND: I didn't go that far so
20 as to see it.

21 MR. SCHANZ: I'll try to find the page
22 reference. But yes, we have --

1 CHAIRMAN STRICKLAND: 242?

2 MR. SCHANZ: Thank you.

3 CHAIRMAN STRICKLAND: Okay. Thank you for
4 pointing that out to me. I did look through the board
5 book, but I must have skipped over page 242. That's
6 the only explanation I can make.

7 MS. SINGLETON: I thought you were saying you
8 wanted something shorter, Frank.

9 (Laughter.)

10 MR. SCHANZ: I can give you a lot more detail,
11 including the law itself. But no, we've been through
12 this, and I've had a couple look at it with different
13 eyes, and we've all come to the same conclusions that
14 this sets forth -- focuses on IG independence. I
15 talked about that a little bit on the peer review.

16 So the timing on this was very good. When the
17 SIGIR people were going on a primrose path and outside
18 the scope of their review, they were hauled in by
19 saying, oh, no, the IG Reform Act talks even moreso
20 about IG independence.

21 "Develops the counsel and inspector generals
22 for integrity and efficiency." And I'm just reading

1 from what you have. It talks about independent budget
2 authority, and it talks about the availability of the
3 Program Civil Fraud Remedies Act, which includes treble
4 damages.

5 CHAIRMAN STRICKLAND: Okay. I apologize again
6 for overlooking that memorandum that you already have
7 in the book. I will take time to review that, and
8 there's no need to send anything else electronically
9 unless Sarah wants a shorter version.

10 All right. If there are no other questions
11 for Jeff, we thank you very much for your report.

12 MR. SCHANZ: Okay. And thank you.

13 CHAIRMAN STRICKLAND: And tell me, who's going
14 to deliver the report for the Provisions Committee?

15 MR. HALL: I'm here. Frank, I'm on the phone.

16 CHAIRMAN STRICKLAND: All right. Good.
17 Welcome. Please proceed.

18 MR. HALL: The Provisions Committee met
19 yesterday, and as always, we had a productive meeting.
20 We don't have any action items.

21 we heard reports from staff on a number of
22 issues, and I'd like to kind of summarize those. The

1 topics were, first, a presentation or an update on the
2 private attorney involvement action plan. Then we had
3 another update on the pilot loan repayment assistance
4 program.

5 We then had a robust discussion about the
6 Native American delivery and funding with both Karen
7 Sarjeant and Attorney Levon Henry. And finally, we
8 ended up with a presentation on the LSC technology
9 criteria for legal aid offices by Charles Jeffress.

10 I'd like to just make a few points in regards
11 to each of those topics. First, in regards to the pro
12 bono update, Karen made us aware that in regards to the
13 law school item that was a part of the plan that they
14 have begun to make some progress on that item.

15 In March there is a colloquium at Yale, where
16 Helaine is going to be participating and making a
17 presentation along with others about how LSC and law
18 schools could work more closely together. So we'll be
19 following that and looking for other updates in regards
20 to that issue.

21 The other item that was shared with us under
22 the pro bono update was the creation of a national

1 honor roll for pro bono. And this would be expanding
2 the program we already have of honoring individuals
3 when we visit programs. This would be opening it up to
4 all of our grantees.

5 Staff is trying to coordinate this effort with
6 the ABA National Pro Bono celebration, which is
7 scheduled for October 21st through the 25th. So there's
8 still a lot of details to be worked out there, but
9 staff is moving forward with this concept, and we look
10 forward to more updates in regards to that topic.

11 On the next presentation on the loan repayment
12 pilot program, Karen Sarjeant made us aware that there
13 is \$500,000 for the next round; that we are able to
14 make, I think, 42 awards in the amount of \$5,600.

15 She did indicate that there were 300
16 applicants for those 42 awards, which led to a very
17 robust discussion about the future of the loan deferral
18 and forgiveness program, especially considering the
19 fact that there's the Harkin bill that is going to
20 address this issue.

21 So the Provisions Committee agreed to put on
22 our agenda in the future a more in-depth discussion

1 around whether our pilot program is all we will do, or
2 whether there is a need for us to continue to stay in
3 this arena.

4 Next, on the Native American discussion, there
5 have been conversations and reports between management
6 and NAILS, the Native American -- the group of
7 individuals who do work in that area.

8 The real issue here is trying to update our
9 data and information around the need, and so that if
10 there is increased funding provided, we will know a
11 justification for that or have a justification for it,
12 also know how to distribute it.

13 I think the bottom line here is both the
14 representatives from NAILS and management has agreed to
15 continue their conversation, trying to decide what type
16 of data is actually needed. And once an agreement is
17 made on that, then a determination will be made as to
18 whether to use an outside consultant or to try to use
19 some in-house people to do that work.

20 There are some concerns about the costs in
21 regards to the external consultant. But management is
22 open to at least trying to reach some understanding

1 about what is needed and then trying to determine how
2 to get it.

3 The last presentation we heard was from
4 Charles Jeffress on the technology update. That was a
5 plan developed and presented to Provisions a while back
6 about what management feels are the basic needs from a
7 technological standpoint that all of our grantees
8 should have in place. And Charles was updating us on
9 that plan.

10 There were some changes made to the plan based
11 on input received from various grantees. I won't go
12 over those changes. For the most part, they weren't
13 major substantive changes. But it was trying to be
14 responsive to some important issues that was raised
15 from the field.

16 The last thing, and I would imagine the most
17 important in this area, was a presentation around the
18 things that management will take to assist the field in
19 being able to improve their abilities in this area.

20 There were 12 different items that Charles
21 made us aware of. I won't go through all of those, but
22 just to give you a couple of examples of some of the

1 things that management is doing to work with the
2 grantees, there's an automated document assembly
3 program that LexisNexis is willing to make a
4 contribution so that our grantees will have access to
5 this process, which will help in regards to automated
6 pleadings and forms and letters and things of that
7 sort.

8 Another one was to have a webcast of the
9 TIG -- that's the TIG conference session -- to
10 publicize the TIG reports and abstracts so that more
11 individuals in the field could have that available to
12 them; to provide some monthly deposit notices to
13 grantees electronically, as opposed to moving paper,
14 and moving more in the area that we're asking them to
15 move into. And also, to provide some updates on the
16 case management systems. And there's a TIG grant that
17 is being awarded to assist in that regard.

18 There are a number of other issues, but I
19 think the bottom line is that we now have a uniform
20 process for asking our grantees to improve their
21 infrastructure in the technology area. And second,
22 management is willing to work with the grantees to

1 improve in this area.

2 So there was no public comment or other issues
3 that came before the Provisions Committee. And as I
4 said earlier, there are no action items. So that is
5 the report, Mr. Chairman.

6 CHAIRMAN STRICKLAND: Thank you very much,
7 David. Do any board members have questions for David?

8 (No response.)

9 CHAIRMAN STRICKLAND: All right. Next is
10 consider and act on the report of the Finance
11 Committee. Chairman Mike McKay.

12 MR. MCKAY: Thank you, Mr. Chairman. Everyone
13 was here for our meeting this morning. I will briefly
14 summarize what we discussed -- or I should say we
15 actually met this afternoon. And the first substantive
16 item was a presentation and discussion concerning
17 financial reports for the year ending September 30,
18 2008.

19 We heard from Mr. Richardson, who gave us a
20 little more detailed presentation on the reprogramming
21 of the LRAP funds. Indicated we're otherwise within
22 budget. Certainly we're within budget there as well,

1 but he explained to us what happened.

2 We heard comments from Mr. Jeffress, and then
3 moved on to the next item, which was a staff report
4 from Mr. Constance on the fiscal year 2009
5 appropriations process. He reported that the
6 continuing resolution currently runs until March 6.
7 There's a hope and expectation we will know before then
8 how things are going. He will keep us apprised.

9 The next item acting upon a -- considering a
10 resolution concerning a temporary operating budget.
11 We heard from Mr. Richardson and Mr. Jeffress. I
12 invite your attention to page 214, which contains the
13 resolution.

14 The committee, after hearing from
15 Mr. Richardson and Mr. Jeffress, and considering the
16 breakout of funding under the proposed temporary
17 operating budget, or I should say it is the temporary
18 operating budget we have approved, but the detail is
19 set forth at pages 212 and 213.

20 M O T I O N

21 MR. MCKAY: After discussion, we approved and
22 do recommend to this board the adoption of Resolution

1 2008-016 at page 214.

2 CHAIRMAN STRICKLAND: All right. Is there a
3 second to that motion?

4 MS. SINGLETON: Second.

5 CHAIRMAN STRICKLAND: All right. Any
6 discussion?

7 (No response.)

8 CHAIRMAN STRICKLAND: Hearing none, if we're
9 ready to proceed to a vote, then, on the adoption of
10 that resolution, all those in favor please say aye.

11 (A chorus of ayes.)

12 CHAIRMAN STRICKLAND: Those opposed, nay.

13 (No response.)

14 CHAIRMAN STRICKLAND: The ayes have it and the
15 resolution is adopted.

16 MR. MCKAY: Thank you, Mr. Chairman. The
17 final item we discussed related to best practices
18 concerning what information management should be
19 bringing to the board and how and when it should be
20 provided.

21 Management, and Mr. Jeffress in particular,
22 did a very good job of collecting the facts that really

1 gave rise to the concern that some of us on the Finance
2 Committee had relating to the budget shortfall, when
3 the information was provided to us, how it was provided
4 to us, and then a related legal concern the general
5 counsel had about a portion of the reprogramming LRAP
6 recommendation made by management.

7 M O T I O N

8 MR. McKAY: In the wake of that, we asked to
9 take a look at this issue, discussed it, and we are
10 recommending to the board that we amend the formal
11 organizational structure of the Corporation to show
12 that there is a dotted line relationship between the
13 treasurer and the board of directors and between the
14 general counsel and the board of directors. And I so
15 move.

16 CHAIRMAN STRICKLAND: Is there a second to
17 that motion?

18 MR. FUENTES: Second.

19 CHAIRMAN STRICKLAND: All right. Moved and
20 seconded that we adopt a revised organizational chart,
21 as outlined by Mike McKay. Is there any discussion on
22 the motion?

1 (No response.)

2 CHAIRMAN STRICKLAND: Hearing none, let's
3 proceed to a vote. All those in favor of the motion,
4 please say aye.

5 (A chorus of ayes.)

6 CHAIRMAN STRICKLAND: Opposed, nay.

7 (No response.)

8 CHAIRMAN STRICKLAND: The ayes have it and the
9 motion is adopted.

10 MR. MCKAY: I would observe in the recent
11 staff contact sheet that was circulated to us that
12 Mr. Richardson is not listed. It seems to me it makes
13 sense, for a series of reasons, that he be added to the
14 contact list.

15 Then if that could be e-mailed to us because
16 some of us like to keep that on our computers so we can
17 have that nearby. I would indicate that my cell phone
18 number on that list is not accurate. Whoever does
19 that, I can give them my correct cell phone number, and
20 that could be accurate for the next time that document
21 is issued.

22 While that wasn't a formal part of my

1 presentation, I thank the chair for giving me the
2 liberty to say that. and that's the end of the Finance
3 Committee report.

4 CHAIRMAN STRICKLAND: All right. Mike, let me
5 ask you, do we need to take an item out of sequence to
6 accommodate your schedule, or can you tell?

7 MR. MCKAY: I'm in great shape. Thanks.

8 CHAIRMAN STRICKLAND: All right. Fine. Next,
9 then, is consider and act on the report of the
10 Operations and Regulations Committee. Tom Meites, are
11 you going to present that report?

12 MR. MEITES: I'm having phone problems. I'm
13 really having trouble hearing and speaking.

14 CHAIRMAN STRICKLAND: We're having a little
15 trouble hearing you.

16 MR. MEITES: Yes. Could someone else give the
17 report? I'm sorry. I should have made arrangements.

18 MS. SINGLETON: Could someone else give the
19 report, is what he asked.

20 CHAIRMAN STRICKLAND: Oh, yes. I'm sorry.
21 Okay. In order for us to do that, we'll need to take a
22 short break so that Jonann can make some notes in order

1 to present the action items for that committee.

2 MR. MEITES: Okay. Great. Jonann, could you
3 give me a call on my cell phone?

4 CHAIRMAN STRICKLAND: All right. Why don't we
5 take a short break in order to accommodate that. All
6 right. We'll be in recess for about ten minutes.

7 (Whereupon, a brief recess was taken.)

8 CHAIRMAN STRICKLAND: Let me call the meeting
9 back to order. And without objection, I would like to
10 proceed as follows.

11 While some copies are being made of a
12 resolution of the Finance Committee that we need to
13 consider, Mike McKay is presenting a report for another
14 committee. And because of his schedule, I'd like to
15 propose that we take up now item 18, that is, consider
16 and act on the recommendation of the Governance and
17 Performance Review Committee regarding the criteria and
18 critical elements to be used to evaluate the
19 performance of the Corporation's Inspector General.

20 If there's no objection to that order, I'd
21 like now to call on Mike McKay to present that report.

22 MR. MCKAY: Thank you, Mr. Chairman. There

1 are several items that we addressed.

2 The first one related to the draft board
3 member self-assessment document. And we received a
4 good report from Mr. Constance, and we voted to
5 recommend to the board the adoption of that member
6 self-assessment document as well as the schedule that
7 included us taking it up in January.

8 M O T I O N

9 MR. MCKAY: So I make that motion to the board
10 at this time.

11 CHAIRMAN STRICKLAND: Is there a second to
12 that motion?

13 MS. SINGLETON: Second.

14 CHAIRMAN STRICKLAND: Any discussion on the
15 motion?

16 (No response.)

17 CHAIRMAN STRICKLAND: All those in favor,
18 please say aye.

19 (A chorus of ayes.)

20 CHAIRMAN STRICKLAND: Opposed, nay.

21 (No response.)

22 CHAIRMAN STRICKLAND: The ayes have it and the

1 motion is adopted.

2 MR. MCKAY: We also the self-assessment on a
3 committee-by-committee basis. That was also a GAO
4 recommendation. After considerable discussion, we
5 voted to recommend to the board that the chair of each
6 committee take the committee charter and conduct a
7 self-assessment employing the committee charter some
8 time in the next year.

9 M O T I O N

10 MR. MCKAY: And I so move.

11 CHAIRMAN STRICKLAND: Do I hear a second?

12 MS. SINGLETON: Second.

13 CHAIRMAN STRICKLAND: Any discussion?

14 (No response.)

15 CHAIRMAN STRICKLAND: All those in favor of
16 the motion, please say aye.

17 (A chorus of ayes.)

18 CHAIRMAN STRICKLAND: Opposed, nay.

19 (No response.)

20 CHAIRMAN STRICKLAND: The ayes have it and the
21 motion is adopted.

22 MR. MCKAY: We then considered a topic

1 entitled board succession planning. And we were warned
2 that this really is not as grandiose as that may sound.
3 We heard from Mr. Fortuno and Mr. Constance. It really
4 related to the terms of the board members.

5 Mr. Fortuno reminded us that when the
6 legislation was initially adopted to create LSC, that
7 there was a contemplation that certainly was
8 articulated by members of Congress that the terms be
9 staggered. It was intended in the law. But in
10 practice, as we know, members continue to serve well
11 beyond their terms.

12 So there was a recommendation -- and honestly,
13 I don't remember what we finally concluded -- but that
14 we communicate -- I believe this is accurate; correct
15 me, anyone who was -- I think everyone was
16 there -- that we communicate with the transition team
17 for the new administration that they consider staggered
18 terms to assure that some level of experience remains
19 on the board throughout the new administration.

20 Is that really where we --

21 MS. SINGLETON: No. I don't believe so.

22 MR. MCKAY: Okay. Well, then please -- I

1 stand --

2 MS. SINGLETON: Just stop after "we
3 communicate with the transition team," and I think
4 you'll have it.

5 MR. MCKAY: Okay. Then we will communicate
6 with the -- what do we communicate with the transition
7 team?

8 MS. SINGLETON: Just what we think they ought
9 to do after we decide.

10 (Laughter.)

11 MR. MCKAY: Very good. And that's my report
12 on that item. Thanks to Sarah for the correction. And
13 I don't believe that requires a motion.

14 The next topic related to the ethics officer
15 designation. And the IG invited to our attention a
16 very good point, that of course the general counsel has
17 two clients, the Corporation and the board, reminding
18 us that no servant can have two masters.

19 After some discussion, we decided to recommend
20 to the board that the board chair, in consultation with
21 management and the IG, come up with a designation of a
22 new ethics officer. And assumed in that would be we'd

1 get a report on that in January.

2 M O T I O N

3 MR. MCKAY: And I so move.

4 CHAIRMAN STRICKLAND: Is there a second to the
5 motion?

6 MS. SINGLETON: Second.

7 CHAIRMAN STRICKLAND: Any discussion?

8 (No response.)

9 CHAIRMAN STRICKLAND: All those in favor,
10 please say aye.

11 (A chorus of ayes.)

12 CHAIRMAN STRICKLAND: Opposed, nay.

13 (No response.)

14 CHAIRMAN STRICKLAND: The ayes have it and the
15 motion is adopted.

16 MR. MCKAY: We then considered the criteria
17 and critical elements to be used to evaluate the
18 performance of the IG. And Mr. Schanz went through in
19 some detail the criteria that was sent to us ahead of
20 time.

21 We had a chance to go over with him again this
22 morning the first two sections relating to statutory

1 duties, the last section relating to executive
2 functions. Jeff again reminded us of his three Cs, the
3 communication, coordination, and cooperation, of course
4 well received by the board.

5 M O T I O N

6 MR. MCKAY: And after some additional
7 discussion, we decided to recommend to the board that
8 we conduct a formal performance review of the IG in
9 October and an informal performance review of the IG in
10 April. And I so move.

11 CHAIRMAN STRICKLAND: Do I hear a second?

12 MS. SINGLETON: Second.

13 CHAIRMAN STRICKLAND: Any discussion?

14 (No response.)

15 CHAIRMAN STRICKLAND: All those in favor
16 please say --

17 MR. MCKAY: If I could just amend that motion.

18 CHAIRMAN STRICKLAND: Yes, sir.

19 MR. MCKAY: I should make it clear that we'd
20 be conducting the performance review with the criteria
21 that was submitted to us by the IG. And we did approve
22 that. Just to make that clear.

1 CHAIRMAN STRICKLAND: All right. I think we
2 were in the middle of the vote. Let me start over.

3 All those in favor of the motion, please say
4 aye.

5 (A chorus of ayes.)

6 CHAIRMAN STRICKLAND: Opposed, nay.

7 (No response.)

8 CHAIRMAN STRICKLAND: The ayes have it and the
9 motion is adopted.

10 MR. MCKAY: And that's the end of my report, I
11 think.

12 CHAIRMAN STRICKLAND: Okay. Unless corrected,
13 we'll say that that's the end of that report. And are
14 your copies back yet?

15 MR. MCKAY: No.

16 CHAIRMAN STRICKLAND: Okay. Again, to
17 accommodate your schedule, Mike, I believe you have
18 another item, No. 20.

19 MR. MCKAY: It is an item that Sarah has
20 really been playing the leadership role in. And I'd be
21 happy to have her begin the discussion.

22 CHAIRMAN STRICKLAND: All right.

1 MS. SINGLETON: Mr. Chairman, the Finance
2 Committee at its meeting in Washington, D.C. voted to
3 recommend to the board the resolution that was
4 suggested by management.

5 MR. MCKAY: Excuse me. I believe we're
6 talking about a different topic, and I apologize.

7 MS. SINGLETON: Oh, I'm sorry.

8 MR. MCKAY: You're talking about the board
9 records issue, or am I misunderstanding what you're --

10 CHAIRMAN STRICKLAND: I think I was talking
11 about that item. Do you have another item that you --

12 MR. MCKAY: No. I think you were -- yes.
13 That's what I thought you were talking about.

14 MS. SINGLETON: Yes, I do. Of the board
15 protocols? Is that what we're talking about?

16 MR. MCKAY: Correct. Yes.

17 MS. SINGLETON: Oh, okay. Yes.

18 All right, Mr. Chairman. If you look at your
19 board books on page 247, this is a recommendation from
20 your three-person ad hoc committee on board protocols,
21 not to be confused on the Ad Hoc Committee, which
22 consisted of Bernice, Mike, and myself.

1 We worked to take the original protocols that
2 Bernice had drafted, consider the comments of the IG's
3 office and management, and we came up with a revision
4 of those comments. That is what's found at page 247.
5 That was what we agreed to propose to the board.

6 I have subsequently found out that management
7 has some further comments occasioned by our changes to
8 what we had originally circulated. And I would ask
9 Vic, I think you have some changes that you wanted to
10 talk to us about and propose?

11 MR. FORTUNO: Well, I think management had two
12 comments that we want to go ahead and present today.
13 One has to do with paragraph numbered No. 1, and the
14 other has to do with paragraph numbered No. 5.

15 Let me start with -- well, let me start with
16 No. 1, and that's simply that while it provides that
17 generally, within five business days after receipt of a
18 request for records, copies of the requested records
19 will be sent by the most efficient and economical means
20 available, the concern management has is that while it
21 provides for the records to be provided generally
22 within five business days -- and if it can't be done,

1 then there's a process for that -- management felt
2 strongly that some additional language, something along
3 the lines of inserting, after the first comma, "but as
4 permitted by the volume and age of the records
5 requested."

6 That really has to do with a concern that some
7 records may not be as easily retrievable because of
8 either the volume or the age. And so there was an
9 interest in having language that would make clear that
10 when it can't be done, it's understood.

11 MS. SINGLETON: So you would propose in
12 paragraph 1 that it would read something like,
13 "Generally, within five business days after receipt of
14 a request for records, unless the volume or age of the
15 records requires longer to collect"?

16 MR. FORTUNO: Collect and provide.

17 MS. SINGLETON: Collect and -- or we could
18 just say "to provide, copies of the requested records
19 will be sent," and so forth.

20 MR. FORTUNO: And I think that was the
21 sentiment of management, something to emphasize that
22 there's a recognition that sometimes records are not as

1 easily retrievable as other times.

2 MS. SINGLETON: Mike, do you have something to
3 say about that?

4 MR. MCKAY: Yes. Mr. Chairman, I would ask
5 Vic, could you go to paragraph 4? And this one
6 indicates that: "If the Corporation is unable to
7 comply within five days, the corporate secretary will
8 notify the board member, giving the estimated time of
9 completion. And then if the board member isn't
10 satisfied, he or she can take it to the board chair and
11 the board chair will work with the corporate secretary
12 to try to resolve the dispute."

13 Doesn't that paragraph adequately address the
14 concern expressed by management?

15 MR. FORTUNO: We talked about that some, and
16 that and the fact that the first paragraph starts out
17 with, "Generally, within five days," and some thought
18 that this addresses it because the first paragraph
19 makes clear that it's not a hard and fast rule, and
20 then certainly the fourth paragraph provides a
21 procedure for when it can't be done within five
22 business days.

1 But there remains some sentiment on the part
2 of management that some additional language would be
3 desirable. So that point was communicated.

4 MS. SINGLETON: I'm having trouble
5 understanding how the two parts would work together
6 because if we put in your exception into paragraph 1,
7 and let's say it's going to take you seven days, do you
8 follow paragraph 4 or not?

9 MR. FORTUNO: I think that some massaging
10 could be done to reconcile the two so that it's clear.
11 I think it's clear now. One and 4, as currently
12 written, work well together.

13 MR. MCKAY: I think so, too.

14 MR. FORTUNO: I think your question is if we
15 modify 1, does that then complicate 4? And I think
16 you're right, and that was something that wasn't
17 discussed.

18 MS. SINGLETON: Do you have a --

19 MR. MCKAY: My personal feeling is, you know,
20 we've been working on this for quite some time, and
21 there have been delays because of the schedules of this
22 board. And I know several members of the board are

1 quite anxious to get this into place.

2 I guess I would urge that we go ahead without
3 that recommendation. I'm going to be supportive of the
4 other recommendation for management, but not this one.

5 MS. SINGLETON: Okay. Then I guess it would
6 be the committee's recommendation that we not accept
7 management's suggestion in this regard because it's not
8 necessary.

9 let's hear what your position is on 7.

10 MR. FORTUNO: It's actually 5.

11 MS. SINGLETON: I'm sorry, 5.

12 MR. FORTUNO: On 5, the concern was that there
13 might be at least, on its face, a conflict or an
14 inconsistency between the Corporation's bylaws and the
15 protocol.

16 protocol, as originally written here, would
17 provide that if a board member wasn't satisfied with
18 the resolution concerning the request for records, that
19 that could be taken to the chair. If it couldn't be
20 resolved, the chair would be asked to arrange for a
21 meeting, to be noticed within 10 days.

22 The concern there was that the bylaws provide

1 a process for calling of meetings. And this would
2 impose upon the chair an obligation which at least on
3 its face would appear to be inconsistent with the
4 bylaws, which provide that the chair may schedule a
5 meeting. Here the chair would be required to schedule
6 a meeting.

7 And so some alternative language -- Mike and I
8 spoke yesterday, and Mike asked me to make some changes
9 last night just for the group's consideration. And
10 that's what's highlighted in red there so that --

11 MS. SINGLETON: I don't think everybody has a
12 copy of that, so could you read it?

13 MR. FORTUNO: Okay. It's the last sentence of
14 paragraph 5, which currently reads, "The chair shall
15 arrange for such a duly noticed meeting within
16 10 business days of the denial, or as soon thereafter
17 as permitted by law."

18 And the proposed substitute would be: "The
19 chair shall place the issue of the denial on the agenda
20 of the next regularly scheduled meeting of the board
21 for the board to take up the matter, or a meeting to
22 take up the matter may otherwise be called in any

1 manner provided for in Article IV of the Corporation's
2 bylaws."

3 MS. SINGLETON: Okay. So as I understand it,
4 just practically speaking, a board member is
5 dissatisfied with the resolution. They go to the chair
6 and ask the chair to call a special meeting to decide
7 it quickly.

8 The chair says no. That board member has a
9 way to get a meeting called, which is by getting a
10 certain number of the members of the board to ask for a
11 meeting. Isn't that correct under the bylaws?

12 MR. FORTUNO: Yes. There are any number
13 of -- there are a number of ways of having a meeting
14 called. One is, for example, to get 40 percent of the
15 board to call for a meeting. Another is to have the
16 chairman call it.

17 I think the distinction here is that the
18 alternative language would allow for the chairman to
19 exercise discretion to call or not call a meeting, but
20 at the very last would have to place it on the agenda
21 for the next regularly scheduled meeting.

22 MS. SINGLETON: Okay. And that's consistent

1 with our bylaws?

2 MR. FORTUNO: Yes.

3 MS. SINGLETON: And our bylaws are the
4 governing body for how the board is supposed to act.

5 MR. FORTUNO: Yes.

6 MS. SINGLETON: So it's kind of like they take
7 precedent over policy, so policy should be consistent
8 with the bylaws. Is that --

9 MR. FORTUNO: Yes. It's possible that the
10 board might impose -- superimpose something over the
11 bylaws. It seems to me that the cleaner approach
12 clearly is to have the processes by which the board
13 operates in the one document and not confuse it by
14 having a policy that at least on its face is
15 inconsistent with the bylaw, and then leaves questions
16 to be resolved when a problem arises.

17 MS. SINGLETON: Bernice, I know you're really
18 concerned with making sure that a person can get this
19 resolved quickly. What do you think about this?

20 MS. PHILLIPS-JACKSON: It has to coincide with
21 the bylaws. This is --

22 MR. FORTUNO: Yes. The alternative language

1 here conforms to the bylaws.

2 MS. PHILLIPS-JACKSON: And so if the board
3 chair says no, then you would have to get 40 percent --

4 MS. SINGLETON: That would be four members
5 right now.

6 MS. PHILLIPS-JACKSON: -- four members of the
7 board?

8 MR. FORTUNO: Yes.

9 MS. PHILLIPS-JACKSON: And that's the only
10 other way?

11 MS. SINGLETON: Or it would have to go on the
12 next meeting, the next scheduled meeting.

13 MR. FORTUNO: I think there are a couple of
14 other mechanisms for having meetings called. But in
15 terms of getting a percentage of the board to ask for
16 it, that percentage would be 40.

17 I can check the bylaws quickly, if you'd like,
18 to see what the other means are of having a meeting
19 called. But the two principal ones are the chairman
20 calls it, the president calls it -- that's another
21 means provided for in the bylaws. So it's the
22 chairman, the president, or 40 percent of the board.

1 MS. SINGLETON: Mike?

2 MR. MCKAY: So I support this change. It's
3 just a fine -- it's a minor tweak to make sure that
4 these protocols do not violate our bylaws. It still
5 gives the board member, the aggrieved board member, a
6 vehicle.

7 the chair will be supportive. But if not,
8 that board member can get the requisite number of board
9 members to support him or her to call another meeting
10 if he or she believes it cannot wait till the next
11 scheduled meeting.

12 So I support that change, and would propose
13 it. I just want to make it clear, I didn't want to
14 sound too harsh about not accepting the other
15 recommendation. I just think the concern expressed by
16 management is adequately addressed in the current draft
17 of the protocols, and I don't think -- I want to keep
18 this moving along, and it's going to take too much
19 wordsmithing to change it. I think it's adequately
20 addressed.

21 So with this change, I think it's good as long
22 as Bernice feels comfortable with it.

1 MS. PHILLIPS-JACKSON: I'm good. I'm okay
2 with it.

3 CHAIRMAN STRICKLAND: All right. Has it -- I
4 lost track of the --

5 MS. SINGLETON: I'm going to make a motion at
6 this point.

7 CHAIRMAN STRICKLAND: All right. We need a
8 motion. I'm ready for it.

9 M O T I O N

10 MS. SINGLETON: I move that the proposed board
11 protocols for processing board members' document
12 requests, as modified in paragraph 5 by the language
13 suggested by Vic Fortuno, should be adopted by the
14 board.

15 MR. McKAY: Second.

16 CHAIRMAN STRICKLAND: All right. Any further
17 discussion on the motion?

18 (No response.)

19 CHAIRMAN STRICKLAND: Hearing none, let's
20 proceed to a vote. All those in favor of the motion,
21 please say aye.

22 (A chorus of ayes.)

1 CHAIRMAN STRICKLAND: Opposed, nay.

2 (No response.)

3 CHAIRMAN STRICKLAND: The ayes have it and the
4 motion is adopted.

5 MS. SINGLETON: Finally.

6 CHAIRMAN STRICKLAND: Okay. Now we'll move
7 back, and Chairman McKay reported that there's another
8 item to be considered from the Finance Committee. And
9 I'll now call on him to bring that to our attention.

10 MR. MCKAY: Thank you, Mr. Chairman. I
11 neglected to present to the board the product of our
12 work at the October 14th meeting in Washington, D.C.

13 The board is well aware that the Finance
14 Committee met to come up with a budget mark that
15 management can present to the executive branch. And we
16 came up with that number in the amount of \$495,500,000
17 for fiscal year 2010. And we adopted a resolution that
18 I've just handed out to the board, Resolution No.
19 2008-015.

20 We heard from management. We heard from other
21 stakeholders, interested parties, and had a very good
22 discussion. There was deep concern expressed by

1 everyone on the committee about how an increase of this
2 nature in our budget request would be viewed in light
3 of what's going on in our country with the real serious
4 financial crisis that we're facing.

5 There was some effort to pare this number
6 down, but there wasn't time. But I will say -- and so
7 we approved, and I will formally move shortly, the
8 adoption of this resolution.

9 But there's been considerable discussion
10 among the members of the finance committee since that
11 meeting -- telephone conversations, e-mail
12 communications, and so forth. So our work has
13 continued. And I should make it clear for the record
14 that these communications have been made after
15 carefully consulting with our general counsel about
16 compliance with the Sunshine Act, and we have been.

17 M O T I O N

18 MR. MCKAY: So I am, since it's my charge, to
19 move the adoption of Resolution 2008-005 (sic) -- I
20 think that's the number at the bottom that's just been
21 handed out --

22 CHAIRMAN STRICKLAND: 015.

1 sorry that our members on the telephone call don't have
2 a copy of this; at least, I --

3 MS. SINGLETON: They should have it in the
4 material that was handed out prior to the meeting. Did
5 they get that?

6 MR. GARTEN: Sarah?

7 MS. SINGLETON: It was -- excuse me. Helaine,
8 did they get the materials that were handed out in
9 envelopes to us when we arrived or not?

10 MS. BARNETT: If they were here physically,
11 they did get them. Tom Fuentes' was sent. Tom Meites
12 I don't know.

13 MR. GARTEN: I believe we got it.

14 CHAIRMAN STRICKLAND: I didn't understand
15 that. Was that Herb?

16 MR. GARTEN: (Words missing -- bad telephone
17 connection) another resolution.

18 MS. SINGLETON: Herb got it. the person I'm
19 concerned about it Tom Meites.

20 CHAIRMAN STRICKLAND: Tom Meites, are you on
21 the call?

22 MR. MEITES: Yes. I got a copy of it.

1 CHAIRMAN STRICKLAND: Okay. Thank you.

2 Everybody has it, then.

3 MR. FUENTES: Well, wait a minute. This is
4 Tom Fuentes. When was it sent? What does it look
5 like?

6 CHAIRMAN STRICKLAND: It is a resolution
7 entitled, "Budget Request for Fiscal Year 2010." I
8 can't tell you precisely when it was sent, but I'm
9 going to inquire.

10 MR. GARTEN: The preamble, does it (words
11 missing)?

12 CHAIRMAN STRICKLAND: Just one moment.

13 MS. BARNETT: No, no. It was a cover memo
14 from me with a lot of materials. We understand, Tom
15 Fuentes, that it was FedEx'd to your home address, sent
16 Thursday, FedEx'd to your home address for Friday.

17 I also am getting some --

18 MS. SINGLETON: Tom, it was right behind the
19 president's report, at least in my materials.

20 MR. GARTEN: Yes. The preamble (words
21 missing).

22 CHAIRMAN STRICKLAND: I'm sorry. I couldn't

1 understand that. Is that Herb?

2 MR. GARTEN: Yes. The preambles identify the
3 correct one for Tom.

4 CHAIRMAN STRICKLAND: No. The preamble is the
5 same as on the original version.

6 MS. SINGLETON: The only difference between
7 the two resolutions is the one that was originally
8 considered by the Finance Committee has the LSC
9 letterhead, and it has the number at the bottom
10 Resolution No. 2008-015.

11 My substitute resolution does not have the LSC
12 symbol on the top of it, nor does it have a resolution
13 number at the bottom.

14 MR. FUENTES: Did I hear Helaine say it was
15 sent by FedEx for Friday?

16 MS. SINGLETON: For Friday delivery.

17 MR. FUENTES: I don't believe that I received
18 a FedEx.

19 MS. SINGLETON: Did you get the president's
20 report, Tom?

21 MR. FUENTES: I don't have that, no.

22 MS. SINGLETON: And someone said it was also

1 faxed. Is that correct?

2 MS. DOZIER: It was faxed by Pat.

3 MS. SINGLETON: Do you know when the --

4 CHAIRMAN STRICKLAND: And when was that faxed?

5 MS. DOZIER: I'll check with her. She's out
6 of the room. But he should have gotten it Friday
7 morning.

8 MR. FUENTES: Why don't you just go ahead and
9 talk it through.

10 MS. SINGLETON: All right.

11 CHAIRMAN STRICKLAND: All right. We'll go
12 ahead and talk it through. What you should have
13 received, Tom, was a package about an eighth of an inch
14 thick, and the first page of it is a memorandum from
15 Helaine to the board dated October 30th, and the
16 subject is, "Additional documents for the board
17 meeting." We apologize if you didn't get that, but
18 that's what it would look like.

19 MS. DOZIER: And it was also included that
20 package with a separate confidential memo from Karen
21 Sarjeant.

22 CHAIRMAN STRICKLAND: Also included in

1 another -- how did that go?

2 MS. DOZIER: It was in the same FedEx, but
3 separate envelopes.

4 CHAIRMAN STRICKLAND: Okay. The same FedEx
5 would have had perhaps another copy of that. But we'll
6 have to work around the difficulty and talk through it.

7 MS. SINGLETON: All right. Let me go over the
8 substitute resolution just so it's on the record.

9 The resolution has five whereas clauses, and
10 then it resolves that the board hereby adopts a budget
11 request to Congress in the amount of \$485,900,000 for
12 fiscal year 2010, broken out as follows: \$460 million
13 for basic field; \$3.4 million for technology initiative
14 grants; \$1 million for loan repayment assistance pilot;
15 \$18 million for management and grants oversight; and
16 \$3.5 million for Office of the Inspector General.

17 CHAIRMAN STRICKLAND: So the net effect of
18 that, Sarah, is there's a reduction of about
19 \$10 million in the substitute your proposing versus
20 the resolution that was introduced by motion by Mike
21 McKay. Is that correct?

22 MS. SINGLETON: That's correct.

1 CHAIRMAN STRICKLAND: Do you want to discuss
2 it any further?

3 MS. SINGLETON: I think maybe we need a
4 second. We either need the original mover plus the
5 second to agree to the substitute motion, or --

6 MR. MCKAY: Oh, yes. I do agree to the
7 substitution.

8 MR. GARTEN: I do, too.

9 CHAIRMAN STRICKLAND: And who seconded it?
10 Would the seconder agree? Was that Herb?

11 MR. GARTEN: Yes.

12 CHAIRMAN STRICKLAND: And you agree?

13 MR. GARTEN: Yes.

14 CHAIRMAN STRICKLAND: All right. We're now
15 ready for discussion on the substitute motion.

16 MS. SINGLETON: I would be glad to give my
17 reasoning if --

18 CHAIRMAN STRICKLAND: Go ahead. Let's hear
19 from Sarah first with her reasoning.

20 MS. SINGLETON: I remain firmly committed to
21 closing the justice gap. However, I think our original
22 five-year plan has become unrealistic because the

1 appropriations that we have gotten to date have been
2 nowhere near what we needed to make that five-year
3 plan.

4 So I looked at the numbers that we had, and I
5 did start with a baseline that would have been the 2009
6 fiscal year as approved by the appropriations
7 committees in Congress. And where that differed, I
8 took an average of the two.

9 And I worked off of that. And my thought was
10 we should have a new plan to try to reduce -- or close
11 the justice gap, which would be a four-year plan. And
12 I propose that we do it in four equal increments.

13 I took the amount of money we would need to
14 double the basic field grant, using our 50 percent
15 number as my rationale for that, divided that by four,
16 added that amount to what was the average basic field
17 grant in the fiscal year 2009 appropriations.

18 I kept the TIG grants and the loan repayment
19 assistance pilot at what they were. They got no
20 increase over what was in the appropriations.

21 originally proposed that management get a
22 12 percent increase, which would have been

1 \$16.42 million. I discussed that with management, and
2 they said that the \$18 million was in fact a number
3 that was based on what it would take to add personnel
4 to do the oversight that we promised we would do in our
5 response to the GAO report.

6 And I was unsuccessful at convincing them that
7 they could do that with a 12 percent increase if they
8 recorded savings in other places, so I acceded to what
9 I was informed was their calculated number of
10 \$18 million.

11 The OIG number, I just took the number he
12 requested. I'm not conceding that the board has no
13 authority to reduce his number. However, I didn't feel
14 like fighting that battle at the same time I was doing
15 a substitute motion.

16 So that is how I got to the 485. I think the
17 whereas clauses are somewhat important to this
18 resolution because they do recognize that we still
19 believe the justice gap needs to be closed. But we
20 also recognize that there's a serious financial
21 condition that's facing the country as a whole, and
22 poor people in particular, and that we are revising our

1 timetable but not abandoning it.

2 And therefore, I am proposing a number that is
3 smaller than what management had proposed to us, and
4 I'm offering a new rationale for that number. Thank
5 you, Mr. Chair.

6 CHAIRMAN STRICKLAND: Further discussion from
7 board members?

8 MR. MCKAY: But as I understand your proposal,
9 you have not changed the management line item. That's
10 remained at 18 million. Is that correct?

11 MS. SINGLETON: That is correct.

12 MR. FUENTES: I have a question, Mr. Chairman.
13 At the meeting itself, it was discussed that the
14 proposal was in the range of a 41 percent increase.
15 I'm wondering if, Sarah, you have it calculated as to
16 what percentage increase this \$485 million is over the
17 reality of the continuing resolution?

18 MS. SINGLETON: I don't have that number. If
19 you give me a few minutes, and I think Mike had a few
20 more comments, while he's making his comments I will
21 calculate that number for you.

22 MR. FUENTES: Thank you.

1 CHAIRMAN STRICKLAND: Mike, go ahead.

2 MR. MCKAY: I feel uncomfortable -- and again,
3 I want to embrace the concerns that were expressed
4 by several of our colleagues at the meeting on
5 October 14th and others with whom I've talked about
6 this.

7 And that is I'm particularly concerned about
8 the management line item, that we're doing -- we're
9 trying to tighten our belts here and have done so in
10 certain lines, but we haven't done anything with the
11 management line item.

12 And the response from management, which I
13 could music to my ears and I think to many of you, is
14 that this significant increase in the management line
15 item is for compliance and program performance. And I
16 asked David Richardson, who's worked with the rest of
17 management, to give me a breakdown of that increase.

18 So the increase is \$4.6 million over the
19 continuing resolution amount right now, and of that,
20 \$2 million would go to compliance. Fully supportive of
21 that. In addition, \$872,000 would go to program
22 performance, again, another important part.

1 But then there are a series of items, also
2 important but in my opinion not as important, some for
3 the board itself, some for legal, some for government
4 affairs, some for finance. And the larger items would
5 be legal, \$432,000, finance is \$396,000, and IT,
6 \$371,000.

7 And I guess my concern is that under the
8 circumstances, we should take a hard look as to whether
9 or not we should be embracing everything that's been
10 asked for by management. Again, I know they've been
11 conducting some belt-tightening, but I'm feeling like
12 we should do a little bit more.

13 So what I'm thinking about, maybe float as an
14 idea, is to take the management number, the increased
15 amount of \$4.6 million, and accept the \$2 million for
16 compliance, accept the \$872,000 for program
17 performance, and then instead of having the additional
18 amount given to management, that we just give them
19 another million, make them decide how it should be
20 spent in those other categories.

21 And so instead of having a \$4.6 million
22 increase, for management, it would be 3.8, closer to

1 3.9, not a significant reduction but an important
2 reduction in that it reflects, I think, our concern
3 that everybody should be feeling this and that the
4 board circled back and took a hard look at management
5 as well.

6 I feel really uncomfortable having us go to
7 Congress with this large of an increase for management.
8 And having taken a harder look at these numbers, I
9 would feel comfortable proposing that we reduce the
10 management line item from -- the increase of 4.6
11 million down to 3.8 million.

12 CHAIRMAN STRICKLAND: So what would be the --

13 MR. GARTEN: Herb here.

14 CHAIRMAN STRICKLAND: Go ahead, Herb.

15 MR. GARTEN: Can we get a better explanation
16 of how they came up with the legal expense? Obviously,
17 the expense is outside of -- for outside counsel, I
18 would assume. Anyway, what does it consist of?

19 MR. MCKAY: The \$432,000, we'd have to ask
20 David to come up to the table and tell us.

21 MS. SINGLETON: While he's doing that, can I
22 give Tom Fuentes the information he requested and some

1 other information?

2 CHAIRMAN STRICKLAND: Go ahead.

3 MS. SINGLETON: My calculations show that what
4 I proposed would be a 38.6 percent increase over the
5 continuing resolution number, and a 21 percent increase
6 over the appropriated -- the appropriations committee
7 number.

8 MR. FUENTES: Thank you very much.

9 MR. MEITES: Can anybody hear me if I speak?

10 CHAIRMAN STRICKLAND: Yes, sir.

11 MR. MEITES: I heard something in, I think,
12 someone's remarks that I can't agree with. I know as
13 little about this country's economic condition as
14 anybody else. But I do not believe this is -- because
15 of the economic condition, it is appropriate that
16 entities like ours ask for less.

17 MS. SINGLETON: To what? I'm sorry.

18 CHAIRMAN STRICKLAND: Ask for less.

19 MR. MEITES: I think entities like ours are
20 going to be needed more. Even if there is a shrinking
21 pot, and I by no means believe there will be, because I
22 fervently hope the end of the war in Iraq is virtually

1 at hand -- even if there is a shrinking pot, the
2 shrinking should not come at the expense of our
3 constituency.

4 So I understand Sarah's proposal to attempt to
5 be a reasoned and rational approach to get where we
6 want to go because that's where we want to be, not
7 because we feel the United States of America can't
8 afford to serve its poor.

9 CHAIRMAN STRICKLAND: Okay, Tom. Thank you.

10 MR. GARTEN: Excuse me. I couldn't follow
11 what Tom was saying. Could somebody just summarize?
12 It isn't coming over very clear.

13 MS. SINGLETON: Tom said -- I believe Tom said
14 that we should not use the fact that the country may be
15 facing a serious financial condition as an excuse for
16 saying that the country can't provide services to its
17 poor.

18 But I wanted to say in partial response to Tom
19 that my main reason for redoing the number was to come
20 up with a new rationale of how to close the justice
21 gap, just because I thought at this point the numbers
22 were so far out of line that our old rationale had lost

1 any basis.

2 MR. MEITES: Sarah, I do understand that.

3 MS. SINGLETON: Okay.

4 MR. MCKAY: Well, I would just add, Tom, your
5 comments are good ones. And I want to reassure you
6 that the Finance Committee had a long, vigorous
7 discussion on that topic. And the vote was 3 to 2
8 coming out of the Finance Committee, and that vote may
9 have changed during this intervening period of time.

10 There are members of the board -- I'm sure
11 you'll hear from them, and I guess I'm one of
12 them -- is that we do need to recognize the economic
13 times; that we are not members of Congress, who have to
14 do all the balancing. But we just have to recognize
15 how tough it is.

16 But we do have an obligation. In the same way
17 certain members of the government thought that there
18 was an obligation to come up with a \$700 billion
19 bailout, that we need also recognize that as a result
20 of these serious economic times, there are folks that
21 we are supposed to be taking care of who are suffering
22 disproportionately as well.

1 And so we have some real balancing going on
2 here. But I'm one that believes that we should pare
3 down this number a bit, to tip our hat to this issue
4 but not as much as some of our colleagues would like.

5 MS. SINGLETON: What was your MGO number,
6 Mike?

7 MR. MCKAY: My number is now \$17,200,000.
8 It's a reduction of \$800,000, a recognition or a
9 request that as they envision this additional going to
10 compliance in the amount of \$2 million, program
11 performance in the amount of \$872,000, and the rest
12 leaving it to management to take the balance and to
13 figure out where it best should be spent.

14 And while I know reducing this by this amount,
15 \$800,000, in the whole scheme of things is going to be
16 painful, I think it's important that we tip our hat to
17 Congress when we make this presentation to make sure
18 they know that we carefully scrutinized every line
19 item, including management's.

20 MR. GARTEN: They haven't given us the
21 breakdown on legal services. Can we get the breakdown
22 on that?

1 MR. MCKAY: I didn't hear the question.

2 CHAIRMAN STRICKLAND: Herb, could you repeat
3 that?

4 MR. GARTEN: Well, based on -- they haven't
5 given us the breakdown on the things that you gave for
6 legal expenses.

7 MS. SINGLETON: I think he's about to do that,
8 Herb.

9 MR. MCKAY: Legal expenses.

10 CHAIRMAN STRICKLAND: Oh, yes. Go ahead,
11 David.

12 MR. RICHARDSON: The legal expenses in our
13 current budget is \$150,000. We have increased that in
14 the 2010 request to \$300,000. Would you like me to
15 give a little bit of a breakdown that we had talked
16 about earlier?

17 MR. MCKAY: I was interested in knowing why
18 you gave me the \$432,000 number.

19 MR. RICHARDSON: I'm sorry. I was just
20 talking about legal, just the consulting.

21 MR. MCKAY: Got you. If you could talk about
22 the legal total.

1 MR. GARTEN: That's the figure I was
2 interested in, the 432.

3 CHAIRMAN STRICKLAND: He was interested in the
4 number of \$432,000. Is that a number you're familiar
5 with?

6 MR. RICHARDSON: Yes. One of the positions
7 that we are down in their 2009 budget is the position
8 that was one of our associate general counsels. That
9 position was restored. Additionally, we were talking
10 about increases. There's no increases in our 2009
11 budget. So this is restoring some increases for there,
12 and 4 percent for the next year.

13 In addition, this is where I was talking about
14 the \$150,000 that is currently budgeted for outside
15 counsel is now \$300,000 in the '10. So that is the
16 majority of the expenses there, plus there is one
17 additional temporary employee that is included in the
18 budget also.

19 MS. SINGLETON: What was the basis for
20 doubling the outside counsel fees?

21 MR. RICHARDSON: We currently have two cases
22 that we are going to be basically self-insured on. And

1 it was trying to accommodate enough money there to pay
2 for any outside counsel needs that will come up because
3 of that continuing litigation, plus any additional
4 litigation that may occur.

5 MR. JEFFRESS: If the board will remember, we
6 had to transfer additional monies into this line item
7 this year in order to accommodate expenses for those
8 cases.

9 MR. RICHARDSON: If I can also add, and I
10 understand about what Mike is saying about having the
11 money increase in program performance and compliance,
12 but a part of the increase that is in administration is
13 for the purchase of desks and the computer needs and
14 the equipment that is there.

15 Also, some of the computer needs are also in
16 Office of Information Technology. So that's some of
17 the increase in those particular lines also.

18 CHAIRMAN STRICKLAND: All right. Any other
19 board members have questions or comments?

20 MR. FUENTES: Mr. Chairman, I have a question.

21 CHAIRMAN STRICKLAND: Go ahead, Tom.

22 MR. FUENTES: I would like to stress that the

1 original motion which was made to the board did come
2 out of our Finance Committee on a 3 to 2 vote. And I
3 want to reiterate that there was a very vigorous
4 discussion, and there was discomfort expressed related
5 to the size of that.

6 I brought up the point that the proposal was at
7 an increase of 41 percent. And Sarah now confirms that
8 even with this modest reduction that she's crafted, it
9 is 38 percent.

10 I am not comfortable at this time in the
11 economic history of our nation to put forward a
12 proposal of even 38 percent to the Congress. I believe
13 that yes, indeed, we must serve our constituency, and
14 indeed, our constituency is the poor. But I also
15 consider our constituency the American taxpayer, who
16 picks up the tab for all of this.

17 I believe that our relations of the LSC with
18 the Congress have been strained and clouded in recent
19 times. And I believe for that reason that we have to
20 put forward a proposal that has reality to it, that has
21 reality of being passed, that has reality of being
22 considered seriously.

1 I don't believe that in a time when our nation
2 is at the point of financial stress that it is today,
3 that our government is teetering with the financial
4 crises of our nation today, that the image of the Legal
5 Services Corporation would be well served to request so
6 large an increase as 38 percent.

7 And if this motion is put before the board, I
8 will not support it. Thank you.

9 CHAIRMAN STRICKLAND: Do you have a substitute
10 motion?

11 MR. FUENTES: I have offered a substitute
12 motion in the past for a maximum increase in this
13 fiscal year 10 percent above the continuing resolution.

14 CHAIRMAN STRICKLAND: All right. Do you want
15 to propose that motion at this time?

16 MS. SINGLETON: Well, we have a motion on the
17 floor --

18 CHAIRMAN STRICKLAND: I'm sorry.

19 MS. SINGLETON: -- and I won't accept that as
20 a substitute for the motion that's on the floor.

21 CHAIRMAN STRICKLAND: All right. We'll have
22 to proceed, then. Parliamentary procedure requires us

1 to go ahead and deal with the motion that's on the
2 floor.

3 MS. SINGLETON: I would, however, consider, if
4 Mr. McKay wants to propose a different number to plug
5 into MGO, I would be --

6 MR. GARTEN: Speak up, Sarah.

7 MS. SINGLETON: I said -- did you hear the
8 first part about new substitute motion?

9 MR. GARTEN: Yes.

10 MS. SINGLETON: The second part is it looked
11 like Mr. McKay was going to propose a different number
12 for MGO. And I would consider that as a friendly
13 amendment if he wanted to make such a motion.

14 MR. MCKAY: I would, thank you. And I would
15 propose that we substitute for the amount of
16 \$18 million in the management and grants oversight
17 line, that we substitute the amount of \$17,200,000.
18 And that would reduce the number in the previous
19 paragraph from \$485,900,000 to \$485,100,000.

20 MS. SINGLETON: The movant will accept that as
21 a friendly amendment.

22 CHAIRMAN STRICKLAND: All right. We'll

1 consider the motion amended accordingly. And unless
2 there's any further discussion, we'll proceed to a vote
3 on the motion as amended.

4 MR. FUENTES: Mr. Chairman?

5 CHAIRMAN STRICKLAND: Yes, sir?

6 MR. FUENTES: If I may, it was mentioned
7 earlier that since this matter was before the Finance
8 Committee, that there was additional discussion by
9 members of the committee outside of the committee
10 meeting. I would like to just make the point for the
11 record that I did not participate in any such
12 off-the-record participation or involvement of
13 dialogue.

14 MS. SINGLETON: I believe, Mr. Fuentes, that
15 "discussion" is not quite the right word. I think
16 there were e-mails, and I believe you were copied on
17 the e-mails by Mr. McKay.

18 MR. FUENTES: But no exchange on my part.

19 CHAIRMAN STRICKLAND: Well, that will be noted
20 in the record. I don't think we meant to suggest that
21 there had been a meeting convened. There were just
22 some messages exchanged, as I understood the

1 discussion.

2 All right. Unless there's any further
3 discussion -- is there any?

4 (No response.)

5 CHAIRMAN STRICKLAND: Let's proceed, then, to
6 a vote on -- the motion, I believe, is to -- the
7 substitute motion take Resolution No. 2008-015 --

8 MS. SINGLETON: Does it become 015S?

9 MR. JEFFRESS: No. Just 015.

10 CHAIRMAN STRICKLAND: Okay. And it would
11 amend the total amount requested to \$485,100 (sic), and
12 it would amend the line item for management and grants
13 oversight from \$18 million to \$17,200,000. That is the
14 amended motion, or substitute motion, I think is the
15 correct term, that is before us for a vote.

16 MR. GARTEN: Frank?

17 CHAIRMAN STRICKLAND: Is there a question?

18 MR. GARTEN: Yes. Frank, just confirm that
19 recitals that (words missing) Helaine's proposal will
20 appear in the motion that we're voting on.

21 MS. SINGLETON: There are five recitals that
22 are here.

1 CHAIRMAN STRICKLAND: Correct. The substitute
2 motion has five whereas clauses versus two in the
3 original.

4 MR. GARTEN: That's five? Thank you.

5 CHAIRMAN STRICKLAND: All right. Let's
6 proceed to a vote, then, on the substitute motion. I
7 think we'll need to have a -- all right. Maybe we can
8 do it on a voice vote. If not, we'll go to a roll
9 call.

10 All right. All those in favor of the
11 substitute motion, please say aye.

12 (A chorus of ayes.)

13 CHAIRMAN STRICKLAND: Those opposed?

14 MR. FUENTES: No.

15 CHAIRMAN STRICKLAND: Okay. The resolution is
16 adopted.

17 MS. SINGLETON: I think the record should
18 reflect that Professor BeVier is not here because I
19 know that she was not going to vote for the substitute.

20 CHAIRMAN STRICKLAND: That is correct. That's
21 my understanding. So the record will reflect that.
22 All right. And also, the record should reflect that

1 board member David Hall did not participate.

2 Does that conclude the report of the Finance
3 Committee, Mr. McKay?

4 MR. MCKAY: Yes, Mr. Chairman. Thank you.

5 CHAIRMAN STRICKLAND: All right. The next
6 item on the agenda is item 15, consider and act on the
7 report of the Operations and Regulations Committee. I
8 understand that Jonann Chiles is going to present that
9 report.

10 MS. CHILES: Is Mattie in the room?

11 MS. SINGLETON: Mattie, we need you.

12 MS. CHILES: We may need Mattie. Stand by,
13 Mattie.

14 On the subject of alternative sanctions
15 rulemaking, the Operations and Regulations Committee
16 received a report from the staff, comment from the
17 Office of the Inspector General, and public comments.
18 Specifically, Deborah Hankinson from SCLAID and Linda
19 Perle from the Center for Law and Social Policy offered
20 comments on the proposal.

21 Upon due consideration of the comments and
22 information received, the committee voted to recommend

1 to the board that it approve for publication in the
2 Federal Register the notice of proposed rulemaking on
3 45 CFR Parts 1606 and 1623, which sections address
4 alternative sanctions, for a 90-day public comment
5 period. Shall I make a motion?

6 CHAIRMAN STRICKLAND: Yes.

7 M O T I O N

8 MS. CHILES: I move that the board approve for
9 publication in the Federal Register the notice of
10 proposed rulemaking on 45 CFR Parts 1606 and 1623,
11 which sections address alternative sanctions, for a
12 90-day public comment period.

13 CHAIRMAN STRICKLAND: All right. Is there a
14 second to the motion?

15 MR. FUENTES: Second.

16 CHAIRMAN STRICKLAND: Any discussion on the
17 motion?

18 MS. SINGLETON: Mr. Chairman?

19 CHAIRMAN STRICKLAND: Yes?

20 MS. SINGLETON: I stand opposed to this
21 motion. I believe that we need different kinds of
22 remedies beyond or instead of the motion -- I mean,

1 instead of those that have been proposed in this
2 rulemaking. I think it's premature to send out a
3 notice of rulemaking at this time. I would prefer to
4 look at all the possible alternative sanctions at once
5 and to send out a notice of proposed rulemaking after
6 we have done that.

7 CHAIRMAN STRICKLAND: All right. Any other
8 discussion on the motion?

9 (No response.)

10 CHAIRMAN STRICKLAND: All right. All those in
11 favor of the motion, please say aye.

12 (A chorus of ayes.)

13 CHAIRMAN STRICKLAND: Those opposed, nay.

14 (A chorus of noes.)

15 CHAIRMAN STRICKLAND: The motion fails.

16 MS. CHILES: On the subject of the Open
17 Government Act, specifically changes to the federal
18 Freedom of Information Act, the Operations and
19 Regulations Committee received a staff report and
20 comments from the Office of the Inspector General.

21 Upon due consideration, the committee voted to
22 recommend to the board that it adopt the proposed

1 revisions to LSC's rule on procedures for the
2 disclosure of information under the Freedom of
3 Information Act, 45 CFR Part 1602, and approve the
4 publication of the final rule in the Federal Register.
5 Shall I make a motion?

6 CHAIRMAN STRICKLAND: Isn't that your motion?

7 M O T I O N

8 MS. CHILES: I've just reported on a
9 recommendation. But I so move.

10 CHAIRMAN STRICKLAND: All right. Is there a
11 second to the motion?

12 MS. SINGLETON: Second.

13 CHAIRMAN STRICKLAND: Any discussion on the
14 motion?

15 MS. SINGLETON: Anyone understand it?

16 MS. PHILLIPS-JACKSON: Can you repeat it,
17 please, again?

18 MS. CHILES: Sure. The Operations and
19 Regulations Committee voted to recommend the proposed
20 revisions to LSC's rule on procedures for the
21 disclosure of information under the Freedom of
22 Information Act, 45 CFR Part 1602, and approve the

1 publication of the final rule in the Federal Register.

2 And Mattie can address any specific questions
3 you might have on that subject.

4 CHAIRMAN STRICKLAND: I think it would be a
5 good idea, at least from my perspective, maybe other
6 board members. If you can give us what you might call
7 a plain language statement of --

8 MS. SINGLETON: A thumbnail statement.

9 MS. COHAN: We want you to go yes.

10 CHAIRMAN STRICKLAND: I know that.

11 MS. COHAN: We're changing the rule, and you
12 can go ahead and publish the changes.

13 MS. SINGLETON: How are you changing the rule?

14 MS. COHAN: Oh, I'm sorry.

15 CHAIRMAN STRICKLAND: That's what we meant.

16 How are we changing the rule?

17 MS. COHAN: The changes are -- almost all of
18 the changes are done. There are some changes to
19 definitions and stuff like that. Almost all of the
20 changes are to implement statutory changes over which
21 we have no discretion. There are a couple of minor
22 technical changes, deleting a reference to some

1 obsolete addresses.

2 The only significant substantive change that
3 was not required by the changes in statute were to
4 designate the Office of the Inspector General as a
5 separate unit for FOIA purposes, such that requests for
6 records of the Inspector General can now be made
7 directly by the public to the Inspector General.
8 Currently, they have to come in to the Office of Legal
9 Affairs on the management side and then be referred
10 over to the Inspector General.

11 CHAIRMAN STRICKLAND: So is the short version
12 of this, this is basically a conformity change?

13 MS. COHAN: Yes.

14 MS. PHILLIPS-JACKSON: A FOIA request comes
15 directly to the OIG office instead of management?

16 MS. SINGLETON: No. Only for OIG documents.

17 MS. PHILLIPS-JACKSON: Okay.

18 MS. COHAN: Correct. Right now, what happens
19 is all FOIA requests come to the Office of Legal
20 Affairs. If they're for OIG documents, we have to send
21 them over to the OIG rather than processing them
22 through the Office of Legal Affairs.

1 Nowhere else -- every other agency that has an
2 inspector general's office, the inspector general's
3 office is its own unit. So now it will be much more
4 administratively efficient for requests for their
5 records to be handled directly by them.

6 If we get a request for their records by
7 mistake, we will obviously forward it to them. And if
8 they get a request for our records by mistake, they
9 will obviously forward it to us.

10 CHAIRMAN STRICKLAND: Okay. Thank you.
11 Sorry. Go ahead.

12 MS. PHILLIPS-JACKSON: Is that what we're
13 voting on?

14 CHAIRMAN STRICKLAND: Yes.

15 MS. PHILLIPS-JACKSON: That's what we're
16 voting on?

17 CHAIRMAN STRICKLAND: Well, there may be some
18 other technical changes that I called a conformity
19 resolution. Is that right?

20 MS. COHAN: That's correct. The technical
21 changes -- there are some changes in like definitions
22 of representative of the news media, stuff like that.

1 There was a conforming change -- under the new statute,
2 if a request that comes in after December 31st of this
3 year is not timely responded to, the agency cannot
4 charge fees. So that's being written -- those things
5 are being written in. But those are things that the
6 Corporation really has no discretion about because the
7 FOIA statute itself has changed.

8 CHAIRMAN STRICKLAND: And we're going
9 to -- this change will put us in conformity with the
10 revised statute.

11 MS. COHAN: Correct. Make sure our
12 regulations reflect what the statute requires.

13 CHAIRMAN STRICKLAND: Okay. Thank you for
14 that explanation.

15 Any further discussion or questions about the
16 motion?

17 (No response.)

18 CHAIRMAN STRICKLAND: All those in favor of
19 the motion, please say aye.

20 (A chorus of ayes.)

21 CHAIRMAN STRICKLAND: Opposed, nay.

22 (No response.)

1 CHAIRMAN STRICKLAND: The ayes have it, and
2 the motion is adopted.

3 Is there anything else from Ops and Regs?

4 MS. CHILES: Just a couple more items.

5 CHAIRMAN STRICKLAND: Go ahead.

6 MS. CHILES: Okay. The Operations and
7 Regulations Committee also heard from staff on LSC's
8 relationship with other entities providing disaster
9 assistance. Significant progress has been made on this
10 front. In particular, LSC and the Red Cross reached a
11 memorandum of understanding that addresses LSC's access
12 to disaster sites and Red Cross sites there.

13 Next item: On May 19, 2008, LSC received from
14 Chuck Greenfield from the Legal Aid Society of Hawaii a
15 request for rulemaking which would have the effect of
16 expanding eligibility for disaster victims.

17 After hearing comment and considering the
18 petition, the Operations and Regulations Committee
19 voted to instruct staff to draft a notice of proposed
20 rulemaking to be presented to the committee at a later
21 date for the committee's consideration.

22 The last item on the Operations and

1 Regulations Committee agenda was a discussion of the
2 responsibilities of independent public accountants.
3 And that item was deferred until the next meeting of
4 the Ops and Regs Committee. And that concludes the
5 report.

6 CHAIRMAN STRICKLAND: Thank you very much.

7 I believe the next item in sequence is to
8 consider and act on the report of the board's Ad Hoc
9 Committee.

10 MS. SINGLETON: Mr. Chairman, because you have
11 heard much of the information that the Ad Hoc Committee
12 has heard since our last meeting already today, either
13 from Ms. Barnett or in our briefing this morning, I
14 would propose we defer that report until our next
15 meeting, at which point we will be prepared to have a
16 fuller discussion of issues of organization and
17 communication within the Office of Program Performance
18 and Compliance as well as communications with the IG.
19 Is that all right?

20 CHAIRMAN STRICKLAND: It certainly is. We
21 accept that.

22 I believe the last numbered item on the agenda

1 for -- sorry. Missed one when we got out of sequence.
2 Item 16, consider and act on the report of the Audit
3 Committee. And Jonann Chiles will present that report.

4 MS. CHILES: I'm reporting on behalf of Herb
5 Garten, chairman of the Audit Committee. The Audit
6 Committee has no action items for the board. There
7 are, however, three items which the committee would
8 like to report on.

9 The first is the fact that the Audit Committee
10 received from the Inspector General a report on the
11 status of LSC's annual audit. And Mr. Schanz reported
12 to the board in some detail on that subject earlier
13 today.

14 For your information, on December 15th the OIG
15 is scheduled to receive a draft report from our
16 auditors. LSC will have an opportunity to respond at
17 that point. A final report will be issued on
18 December 31st.

19 The Audit Committee charter, Section VIII,
20 Duties and Responsibilities, paragraph 1, provides that
21 the Audit Committee shall review with management the
22 OIG and the Corporation's external auditors the

1 contemplated scope and plan for LSC's required annual
2 audit.

3 That's something new and significant that the
4 Audit Committee did. This year, on October 14th, the
5 Audit Committee, management, and the Inspector General
6 participated in an entrance conference with Nancy
7 Davis, the lead auditor.

8 The Audit Committee will continue to stay
9 abreast of developments as the audit proceeds, and to
10 report as necessary. I should also mention that
11 Mr. Garten mentioned -- or complimented, rather -- the
12 Inspector General's cooperation and communication with
13 the Audit Committee in going about putting together the
14 plan for the audit and the conduct of the audit.

15 At the August 2nd meeting of the Audit
16 Committee, Mr. Meites moved that the committee ask
17 staff to inquire of the board of directors of the
18 Friends of Legal Services Corporation whether that
19 entity would assume as one of its responsibilities
20 fundraising on behalf of LSC.

21 Charles Jeffress reported to the Audit
22 Committee that Friends was indeed approached on this

1 subject. Friends was receptive to the idea and in fact
2 examined its charter and decided that its charter would
3 actually provide for Friends engaging in solicitation
4 on behalf of LSC.

5 In the event that LSC identifies a need or an
6 opportunity that would require fundraising from Friends
7 or by Friends, it should put together a specific plan
8 or request and present that to the board of Friends.

9 Item No. 5 on the Audit Committee agenda was
10 consider and act on the establishment of procedures for
11 the receipt, retention, processing, and resolution of
12 complaints or expressions of concern regarding
13 accounting, internal controls, and auditing issues.

14 I would draw your attention to Section VII
15 of the Audit Committee charter, the Duties and
16 Responsibilities section of the charter. Paragraph 9
17 specifically provides that the Audit Committee shall
18 establish procedures for the receipt, retention, and
19 treatment of complaints or expressions of concern
20 regarding accounting, internal controls, and auditing
21 issues, and which procedures should provide for the
22 anonymity and confidentiality of such communications

1 from employees.

2 In the course of discussing this item in our
3 meeting yesterday, we recognized the fact that the
4 Audit Committee's jurisdiction is limited. It is
5 concurrent with the jurisdiction of the Inspector
6 General's office. It is not exclusive jurisdiction.
7 The Audit Committee expressed its intention to work
8 with the Inspector General's office on the subject.

9 Moving forward under paragraph 9 of the Audit
10 Committee charter requires or is going to necessity
11 that the employee handbook grievance procedure section
12 be amended to reflect this new avenue of communicating
13 grievances.

14 So to that end, Mr. Jeffress kindly agreed to
15 draft some language that the committee will consider at
16 its next meeting, and Mr. Schanz will be working with
17 Mr. Jeffress to make sure that everyone's okay with the
18 language before it's presented to the committee for
19 consideration.

20 Moving forward on this item will also
21 necessitate the creation of procedures by the committee
22 for the receipt of complaints, or rather for the

1 communication of complaints to the committee. We want
2 to make sure that the complainants feel confident that
3 their anonymity and confidentiality will be preserved.

4 We discussed a number of ways that complaints
5 might be communicated to the committee with those two
6 concerns, anonymity and confidentiality, kept in mind.
7 Mr. Garten asked that Mr. Jeffress investigate best
8 practices in this area by other audit committees
9 receiving similar complaints, and Mr. Jeffress agreed
10 to do so and will report to the committee at its next
11 meeting.

12 The last item that the Audit Committee
13 considered -- or actually, the last item that the Audit
14 Committee discussed and would like to bring to the
15 attention of the entire board is the Audit Committee
16 bibliography. And each of you should have a copy of
17 it.

18 This bibliography has been compiled through
19 the work of Mr. Schanz and Mr. Garten primarily. The
20 bibliography is available on the LSC website, and I
21 believe it's available under the Inspector General's
22 page. Is that correct? Yes.

1 The bibliography has approximately 18 items
2 listed on it. The Audit Committee has been gathering
3 information in an effort to educate itself on its
4 obligations on this front. These materials and this
5 bibliography reflect what the Audit Committee has
6 deemed to be important in its education process, and
7 also what the Inspector General has deemed important
8 for us to review.

9 I would encourage other board members to look
10 at the bibliography and to review some of the materials
11 listed there. Some of the materials are very helpful.
12 I know that I've learned a lot reading the Yellow Book,
13 and the GAO refers to the Yellow Book with some
14 frequency. We are working with the GAO to schedule a
15 training for the Audit Committee on the Yellow Book.

16 Item No. 1 on the bibliography is the two GAO
17 reports. Item No. 3 is the Yellow Book. I draw your
18 attention also to item No. 13, the testimony of Nancy
19 Davis, the LSC corporate auditor. And last but not
20 least, items 17 and 18, which address the tone at the
21 top.

22 And that concludes the report from the Audit

1 Committee.

2 CHAIRMAN STRICKLAND: Thank you very much.

3 The final item other than public comment is
4 consider and act on review of LSC's draft risk
5 management program.

6 MS. PHILLIPS-JACKSON: Chairman Strickland,
7 item No. 5, on committee, I have to go back because
8 yesterday I suggested that this procedure be amended.
9 And I wanted to permit non-committee members to sit in
10 on meetings and interviews; also, for the procedure to
11 require all board members be fully informed of the
12 nature of the complaint and expression of concerns
13 brought to the attention of the committee.

14 MR. GARTEN: I can't hear. Could somebody
15 summarize it?

16 CHAIRMAN STRICKLAND: Herb, do you want to
17 comment on that?

18 MR. GARTEN: No. I can't hear.

19 MS. SINGLETON: He couldn't hear it. He needs
20 it summarized.

21 CHAIRMAN STRICKLAND: As I understood
22 Bernice's comment, she had presented something to the

1 audit committee for consideration and did not hear it
2 in the report to the board. Maybe Jonann could comment
3 on that. Or could you, Herb?

4 MR. GARTEN: Yes. I think that -- Jonann,
5 please supplement what I say for the record -- but as I
6 understood it, she wanted some assurance that she could
7 be present and participate in meetings of the Audit
8 Committee dealing with complaints that had been filed
9 with us.

10 And I told her that it would be something that
11 we would have to study. I made no commitment, as I
12 recall. Jonann, will you supplement what I said, if
13 necessary?

14 MS. CHILES: My recollection is the same as
15 yours, Herb. Bernice offered comments on item 5 of the
16 agenda. However, at this point in time we don't
17 actually have any procedure to be amended. We didn't
18 vote on any procedure. We've just instructed staff to
19 draft suggested procedures for the committee to review.

20 MS. SINGLETON: May I ask, is it possible that
21 the procedures would provide that a board member not on
22 the Audit Committee could participate, or at least sit

1 in?

2 MS. CHILES: We did not discuss that subject
3 since we didn't have any working draft. But it was
4 suggested during the meeting that perhaps a good model
5 for the Audit Committee to follow would be the model
6 that was set up for the receipt of complaints brought
7 against the president of the Corporation and the
8 Inspector General.

9 And in those situations, there are special
10 confidential procedures that are set up for the receipt
11 of complaints. And unfortunately, I'm not familiar
12 with the intricacies of that process. It was just
13 suggested to us that that might be a good model.

14 Based upon my impression, if we were to follow
15 that model, outside members, members of the board who
16 are not in the committee, would not be allowed to sit
17 in on interviews with complainants.

18 Personally, I don't think that members outside
19 of the Audit Committee should be allowed to sit in on
20 those meetings. Perhaps the Inspector General should
21 be allowed to sit in on those meetings -- I'm speaking
22 completely out of turn right now.

1 But I think that confidentiality and anonymity
2 are specifically mentioned in paragraph 9 of the
3 charter. I think that it might have a chilling effect
4 if complainants thought that there might be a danger
5 that another board member, who perhaps they didn't feel
6 friendly towards, might be sitting in on an interview
7 that they had with the Audit Committee.

8 That's just my personal review, and does not
9 reflect the views of the committee. As I said, we
10 didn't discuss this.

11 MS. SINGLETON: I'm wondering whether, as part
12 of your charge to whoever is drafting up these
13 procedures for you, you could get an opinion, probably
14 from the legal counsel, as to whether we have the
15 authority by board procedure to keep a board member
16 from sitting in on a committee activity. And they
17 might want to look at other models besides that one.

18 MR. GARTEN: This is Herb. We haven't come to
19 a conclusion with respect to this particular matter.
20 We'll study the issue and we're looking for staff to
21 present us with some models.

22 And when Vic and I worked on this charter, we

1 found at least a dozen or more charters for audit
2 committees. And I'm certain that we'll be able to find
3 some additional materials and see how this is handled
4 by other organizations, and also what the legal
5 implications are.

6 But we have not come to any conclusions with
7 respect to participation by any board member.

8 MS. CHILES: As I said, I was speaking out of
9 school. And Chairman Garten likes to use the
10 expression "best practices," and I'm certain that what
11 the Audit Committee would like to review would be a
12 sampling of the best practices for the handling of
13 grievances by an Audit Committee.

14 CHAIRMAN STRICKLAND: Okay. I think the long
15 and short of it is the Audit Committee did not bring
16 forth that matter -- in other words, you're suggestion,
17 Bernice, is still under consideration by the committee.

18 MR. GARTEN: That's correct.

19 CHAIRMAN STRICKLAND: That's correct, isn't it
20 Herb?

21 MR. GARTEN: Yes.

22 CHAIRMAN STRICKLAND: All right. The final

1 item on the agenda is No. 21, consider and act on
2 review of LSC's draft risk management program. Who are
3 the presenters? Charles Jeffress? Come right up.

4 MR. JEFFRESS: Thank you, Mr. Chairman. The
5 draft LSC risk management program that management has
6 developed is found in your board book beginning on page
7 250.

8 Let me say, by way of background before
9 beginning on this, this risk management program is
10 recommended by GAO, that LSC develop one and then
11 follow its own guidance in terms of assessing and
12 identifying risk and pursuing strategies to minimize
13 those risks.

14 The next development in this, after GAO
15 recommended it, the Office of the Inspector General
16 provided the board and management staff with
17 information on internal controls.

18 You will remember the COSO materials, the
19 Committee of Sponsoring Organizations materials, which
20 you received from the Office of the Inspector General,
21 and some guides published by the Government
22 Accountability Office on the same subject that deal in

1 part with -- deal with risk management. They tend to
2 focus on financial controls and not the full enterprise
3 risk meeting.

4 In the course of considering how best to
5 develop a risk management program for the Corporation,
6 we considered hiring an outside consultant who would be
7 familiar and experienced in the development of risk
8 management programs.

9 Having explored that a little and explored the
10 price required to have an outside consultant --

11 MS. SINGLETON: It was too risky.

12 MR. JEFFRESS: Management decided that we
13 would do it ourselves, and I got elected. So that's
14 why I'm here before you today.

15 I will say that in order to develop the risk
16 management plan before you, we looked at alternatives
17 and other models that other folks have used. I
18 attended a workshop put on Grant Thornton folks in this
19 area, a day-long exploration of how to do risk
20 management well. The president attended a workshop at
21 the Southeast Project Directors Association on this
22 subject.

1 At that presentation, we were alerted to the
2 existence of something called the Center for Nonprofit
3 Risk Management. And that center specializes in this
4 area. They have models for nonprofits. And having
5 gotten on their website and reviewed it, it looked to
6 me like a very good beginning point, and we purchased
7 their model to adapt and use for our purposes at LSC.

8 So the risk management program you have before
9 you, the draft you have before you, is based on and
10 modeled on the model developed by the Center for
11 Nonprofit Risk Management. And let me publicly thank
12 them for helping us to get started on this.

13 In preparing the program, we asked each office
14 director to work with the staff in the LSC offices to
15 assess the risks to their accomplishing their mission,
16 as identified in our Strategic Directions document.

17 As you know, our Strategic Directions document
18 identifies our objectives and strategies for pursuing
19 those objectives, and we asked our offices to look at
20 what their charges were under that document and what
21 risks they would identify to their successful
22 completion of those strategies.

1 They did so. The executive team took the
2 risks that were identified by the offices, as well as
3 the Center for Nonprofit Risk Management model, and
4 spent two half-days working through the model and
5 applying both the executive team's kind of big picture
6 view of risks to LSC and our success, as supplemented
7 and informed by the risks that had previously been
8 identified by our office directors.

9 But we did spend two half-day sessions. We
10 spent, you know, six or seven hours producing this
11 draft risk management document that's in front of you.
12 We asked, then, our office directors to go back and
13 review what the executive team came up with. They gave
14 us feedback, and we have modified the program. And
15 what you have before you is that modified program.

16 So that's where we are in terms of the
17 development of this. It was our expectation to present
18 this draft program to you, and it was included in your
19 board book two weeks ago to present it to you today for
20 your thoughtful consideration, ideas, comments, and
21 feedback if you wish to give it; for us then to
22 consider your feedback, to make whatever modifications

1 seem appropriate, and come back to the board in January
2 with a final program for the board to adopt for the
3 Corporation.

4 So our plan then is to take this draft that
5 you have today, to accept your comments, thoughts, and
6 incorporate whatever modifications are appropriate, and
7 bring back a final one to you in January.

8 Having said that by way of background, let me
9 say it is a late hour and this has quite a few pages of
10 risks which we have identified, strategies for
11 controlling those risks or minimizing those risks which
12 we have also identified, and it is a lengthy document
13 likely to take a fair amount of time if we were to go
14 through it section by section.

15 So before I begin going through it section by
16 section, let me ask the members of the board your
17 pleasure in terms of how we proceed with the review of
18 this draft.

19 MR. GARTEN: Charles?

20 MR. JEFFRESS: Yes?

21 MR. GARTEN: Herb. This organization that
22 presented you with the whole program, do they have

1 anybody that can look at your final draft, and perhaps
2 do so at a relatively nominal fee? And in that way, we
3 would have some independent review of it outside of the
4 organization.

5 MR. JEFFRESS: I know that the Center for
6 Nonprofit Risk Management comes out and does training
7 sessions. I do not know whether they offer the review
8 and consultation on programs that nonprofits develop.
9 But we certainly could approach them on that and see
10 what price they would charge and what value there may
11 be in their review.

12 I will say because their audience is primarily
13 service delivery nonprofits, a lot of their model deals
14 with clients and risks presented by serving clients
15 that were not necessarily appropriate to LSC. So what
16 we have here does represent a significant adaption of
17 their model for the needs of LSC.

18 MR. GARTEN: Well, perhaps we should start
19 with some other experienced (words missing) to take a
20 look at it from the standpoint of, again, someone
21 outside of the organization.

22 MR. JEFFRESS: We certainly can do that.

1 David Richardson and I have met with at least two, plus
2 Grant Thornton would be three, different consulting
3 firms that provide these kinds of services. We were
4 kind of picking their brains to get an idea of how to
5 do this. We did not contract or pay any of them for
6 what advice we got on how to proceed.

7 Certainly those folks are interested and
8 available to do this kind of review. Again, I'm not
9 sure what level of review they would be willing to
10 offer at what price. So I would hate to promise you
11 such a review is possible without knowing more about
12 what consulting firms might be willing to do.

13 MR. GARTEN: Well, I think it's important to
14 have (words missing) as to whether we want independent
15 individuals or organizations to take a look at the work
16 product. And I think management has put together
17 (words missing) from staff, it shouldn't be a difficult
18 proposition to get independent review.

19 CHAIRMAN STRICKLAND: Well, perhaps we can ask
20 Charles or someone else that he might designate to
21 investigate your suggestion; that is, as I understand
22 it, to get this document in what we consider to be

1 final form, and then have some outside consultant take
2 a look at it. Is that what you understood Herb to be
3 saying?

4 MR. JEFFRESS: I think Herb is suggesting we
5 get an outside consultant to look at it before it is
6 final so that the board would have the value of that
7 input as well. I think it's important for you all to
8 understand that when GAO recommended that the
9 Corporation do this risk management, they anticipated
10 some significant input from the board. So I would hate
11 to see the board defer the review and adoption of this
12 document totally to management and an outside
13 consultant.

14 MR. GARTEN: I can't (words missing) myself,
15 but I'd like -- I would still feel more comfortable if
16 we had an opinion from some outside individual or
17 organization not connected with management.

18 MR. JEFFRESS: I agree there's value in that.

19 MS. SINGLETON: I don't know if we're able to
20 evaluate how much value there is unless we find out how
21 much it would cost. And I think it is a valuable
22 exercise for the board to take the time to look at this

1 and give comments to management before there is an
2 outside review, if there's going to be an outside
3 review.

4 So I would suggest that -- we have this
5 document now. We put it on the agenda for the January
6 meeting; that we take the time to read it before the
7 January meeting. To the extent we can get comments to
8 Charles via e-mail before the meeting, that's good. If
9 not, at the January meeting, I think it's our
10 obligation to take the time to go over it.

11 And if during that time Charles could get some
12 estimates from these outside people. And also, I'd
13 like to know whether there's anybody in-house, like in
14 the IG's office, who could help us look at this also.
15 So, you know, see what input we could get hopefully for
16 free.

17 CHAIRMAN STRICKLAND: Well, by way of
18 suggestion, Sarah, in response to your own good
19 suggestion, I think it's extraordinarily tedious for
20 the whole board to sit around and go through a
21 document. I think we need to run it through the
22 committee process.

1 Then it's a matter of determining, right now,
2 the appropriate committee. And be careful, it may go
3 to the Ad Hoc Committee.

4 (Laughter.)

5 MR. MEITES: Frank, I might suggest it go to
6 the Audit Committee.

7 MS. SINGLETON: We couldn't here that.

8 CHAIRMAN STRICKLAND: He suggested it go to
9 the Audit Committee.

10 MS. SINGLETON: How about a combined project
11 of the Audit and the Ad Hoc Committee?

12 MR. MEITES: Fine.

13 CHAIRMAN STRICKLAND: Okay. That's fine.
14 Suppose we do this, then: We'll give it that direction
15 that the risk management program draft is hereby being
16 referred to a combination of the Ad Hoc and Audit
17 Committees.

18 MS. SINGLETON: And then it's like we'll maybe
19 have a telephone meeting before the January meeting so
20 that --

21 CHAIRMAN STRICKLAND: You could. I think in
22 the interim we'd want individual board members to

1 provide to -- if we can get somebody to circulate to
2 all board members exactly who's on those two
3 committees. I can't recall right now. I know Sarah is
4 on the Ad Hoc Committee, and maybe -- are you also --

5 MS. SINGLETON: Jonann's on both. I'm not on
6 Audit.

7 CHAIRMAN STRICKLAND: You're not? Okay.

8 MS. SINGLETON: Herb's on Audit. Tom Meites
9 is on Audit.

10 CHAIRMAN STRICKLAND: Yes. Those are the
11 three. Let's circulate the proper addressees for board
12 members so that individuals, the board members, can
13 submit their own comments on the draft risk management
14 plan. And it may be that it's a good idea to convene a
15 meeting of those combined committees between now and
16 the January meeting to review any comments that you
17 might receive, and also to present a report at the
18 January meeting.

19 MR. GARTEN: I would not want to wait for a
20 full meeting of the committee to discuss this matter.
21 We're not going to be coming to any conclusions or
22 recommendations unless we have it. But we're going to

1 be having discussions, which I think that we can have
2 without running afoul of the Sunshine Act. And that's
3 exactly what we have done up till now in establishing
4 the -- some other discussions.

5 So if Vic is there, I presume he could give us
6 an opinion on that.

7 CHAIRMAN STRICKLAND: What I'm trying to
8 avoid, Herb, is having the entire board sitting around
9 a table going over item by item this individual --

10 MS. SINGLETON: But could we --

11 MR. GARTEN: But we (words missing) --

12 CHAIRMAN STRICKLAND: We just --

13 MR. GARTEN: -- that it be advertised for and
14 have a bearing upon that. We're not going to --

15 MS. SINGLETON: Vic, if the Audit Committee
16 and the Ad Hoc Committee want to have a telephone call
17 where they provide comments to Charles on the draft
18 risk document, do we have to give notice under the
19 Open -- under the Sunshine Act?

20 MR. FORTUNO: In short, I think yes. I think
21 that if individual directors were to communicate
22 individually their thoughts or comments to Charles for

1 Charles to take into account, that's one thing.

2 If you were to have a quorum of each of those
3 two committees come together and, as a group, provide
4 direction to Charles, then it seems to me that the
5 formulation of that direction to provide to Charles is
6 the kind of activity that's supposed to occur in open
7 session.

8 MS. SINGLETON: Well, how hard would it be to
9 give the notice if we wanted to do that?

10 MR. FORTUNO: We can have a telephonic meeting
11 where the committee can meet and deliberate all it
12 wants and provide all the direction it would want.

13 MS. SINGLETON: And how much lead time do you
14 need to do that?

15 MR. FORTUNO: Seven days, unless there are no
16 earlier --

17 MS. SINGLETON: I'll undertake to ascertain
18 what would be a good time -- because we can do
19 scheduling without all that -- what would be a good
20 time for everybody. And I don't see any harm in giving
21 the notice and having a telephone meeting.

22 CHAIRMAN STRICKLAND: No. There's no harm in

1 that at all.

2 MR. GARTEN: Frank, (words missing) meeting we
3 have without coming to any decision, if we have a
4 telephone conference call where we review and study
5 what management has proposed without coming to any vote
6 or any decision regarding it?

7 MR. FORTUNO: I think that so long as you're
8 being provided information by management, and that
9 would include being given answers to your questions by
10 grant, you're fine.

11 I think that if you start to essentially
12 communicate among one another, especially if you're
13 looking to influence one another's views -- that is,
14 when I say one another, I mean members of the board or
15 in this case the committees -- then I think that's when
16 you're running the risk of running afoul of Sunshine.

17 MR. GARTEN: How about if we get (words
18 missing)? We can have a study group, so to speak,
19 without running afoul of the law, as I understand it.

20 MR. FORTUNO: I'm not sure I caught the last
21 statement.

22 MR. GARTEN: I said at the conclusion of the

1 study group, reviewing it without coming to any
2 decision so that we understand and we take into
3 consideration comments given to us by board members,
4 and we don't come to any decisions and we don't vote on
5 anything, can we proceed along those lines, and at such
6 point as we feel ready to make a decision, then call
7 for a formal meeting?

8 MR. FORTUNO: If you have a quorum, clearly
9 voting is one of the clearest indications of
10 deliberation. But you can run afoul of Sunshine even
11 short of voting if you are attempting to
12 influence -- if you have a quorum, first of all, if you
13 have a quorum and are attempting to influence the views
14 of others in that group.

15 Then even though you haven't taken a vote, but
16 you're trying to influence views of others so that when
17 it does come into a meeting and a vote is taken those
18 views have been shaped and formed, then you're running
19 the risk of violating Sunshine there.

20 Because it's one thing to hear a briefing and
21 maybe even ask some questions for the sake of
22 clarification. But it's another thing if you start to

1 confer among one another in an effort to persuade one
2 another as to the correctness of your particular
3 position.

4 MR. GARTEN: Sarah, how many people are on the
5 Ad Hoc Committee?

6 MS. SINGLETON: You, Jonann, and me. In
7 essence, it's the Audit Committee plus me that we're
8 talking about.

9 MR. GARTEN: I didn't follow that. If we're
10 talking about this joint committee, what is a quorum?
11 We have three members of the Audit Committee. How many
12 members are there of the Ad Hoc Committee?

13 MS. SINGLETON: Three.

14 CHAIRMAN STRICKLAND: But there's overlap.

15 MS. SINGLETON: Two of them are the same as
16 people on the Audit Committee.

17 MR. FORTUNO: Because of the overlap, you're
18 talking about a universe of four people.

19 MS. SINGLETON: Right.

20 MR. GARTEN: If you have a quorum --

21 CHAIRMAN STRICKLAND: Let's bring this
22 discussion to a close. We are not going to necessarily

1 get this resolved today. But we are referring the
2 matter to the combined Audit and Ad Hoc Committee, with
3 instructions for them to work out how to get together
4 and deal with a study of the draft risk management
5 program.

6 MS. SINGLETON: We might have to have an open
7 meeting to do that.

8 (Laughter.)

9 CHAIRMAN STRICKLAND: Well, we might. And
10 admittedly, the Sunshine Act is tedious. But we are
11 covered by it and we've got to act accordingly.

12 So with that referral, let's bring the
13 discussion on the matter to a close, and move to public
14 comment. Is there any public comment?

15 (No response.)

16 CHAIRMAN STRICKLAND: Hearing none, is there
17 any other business to come before the meeting?

18 (No response.)

19 CHAIRMAN STRICKLAND: Let's consider and act
20 on a motion to adjourn. Is there such a motion?

21 M O T I O N

22 MR. FUENTES: So move.

1 CHAIRMAN STRICKLAND: A second?

2 MR. GARTEN: Second.

3 CHAIRMAN STRICKLAND: And we're adjourned.

4 (Whereupon, at 4:12 p.m., the open meeting of
5 the board of directors was adjourned.)

6 * * * * *

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22