

LEGAL SERVICES CORPORATION

Board of Directors Meeting

September 30, - October 2, 2012

Location:

HILTON DURHAM HOTEL

3800 – Hillsborough Road
Durham, North Carolina 27705



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Schedule

**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

**Hilton Durham Hotel
3800 Hillsborough Road
Durham, North Carolina
Tel: 919-383-8033**

SUNDAY, SEPTEMBER 30, 2012

Start	End	Meeting/Event	Location
1:15pm	2:15pm	Finance Committee	Hilton Durham Trinity AB
2:15pm	3:15pm	Governance and Performance Committee	Hilton Durham Trinity AB
3:30pm	4:45pm	Operations & Regulations Committee	Hilton Durham Trinity AB
4:45pm	5:30pm	Institutional Advancement Committee	Hilton Durham Trinity AB
4:45pm	6:30pm	Audit Committee	Hilton Durham Trinity AB

EMERGENCY CONTACTS:

In the case of an emergency, please contact Rebecca Fertig at (202) 577-6313 or fertigr@lsc.gov or Bernie Brady at (202) 295-1568 or bradyb@lsc.gov

**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

**Hilton Durham Hotel
3800 Hillsborough Road
Durham, North Carolina
Tel: 919-383-8033**

MONDAY, OCTOBER 1, 2012

Start	End	Meeting/Event	Location
9:00am	10:30am	<p>Panel of Distinguished Judges & Justices <i>Judge Allyson Duncan</i>, U.S. Court of Appeals for the 4th Circuit <i>Chief Judge John C. Few</i>, South Carolina Court of Appeals <i>Justice S. Bernard Goodwyn</i>, Supreme Court of Virginia <i>Chief Justice Carol Hunstein</i>, Supreme Court of Georgia <i>Chief Justice Menis E. Ketchum II</i>, West Virginia Supreme Court of Appeals <i>Dean Martha Minow</i>, Harvard Law School (Moderator) <i>Chief Justice Sarah Parker</i>, Supreme Court of North Carolina</p>	<p>Duke University Fuqua School of Business HCA Auditorium 100 Fuqua Drive Durham, NC 27708</p>
10:45am	12:00pm	<p>Panel on the Legal Aid Needs of Military Veterans <i>Will Gunn</i>, U.S. Department of Veterans Affairs, General Counsel <i>Nan Heald</i>, Pine Tree Legal Assistance, Inc., Executive Director <i>Kenneth Perri</i>, Legal Assistance of Western New York, Inc., Executive Director <i>Nicole Perez</i>, Legal Aid Foundation of Los Angeles, Bill Smith Homeless Veterans Project, Staff Attorney <i>George Hausen</i>, Legal Aid of North Carolina, Inc., Executive Director <i>Jim Sandman</i>, Legal Services Corporation, President (Moderator)</p>	<p>Duke University Fuqua School of Business HCA Auditorium 100 Fuqua Drive Durham, NC 27708</p>

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**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

**Hilton Durham Hotel
3800 Hillsborough Road
Durham, North Carolina
Tel: 919-383-8033**

12:30pm	1:45pm	Lunch – Pro Bono Task Force Report	Hilton Durham University 1 & 2
2:00pm	3:00pm	Legal Aid of North Carolina Presentation	Hilton Durham Trinity ABC
3:00pm	4:15pm	Promotion and Provision Committee	Hilton Durham Trinity ABC
4:30pm	5:30pm	OPEN Board Meeting	Hilton Durham Trinity ABC
6:00pm	7:30pm	<p style="text-align: center;">Pro Bono Awards Reception <u>Guest Speakers</u> <i>Alan Duncan</i>, Incoming President, North Carolina Bar Association <i>Jim Fox</i>, President, North Carolina State Bar <u>Awardees</u> <u>Nominated by Legal Aid of North Carolina, Inc:</u> <i>Thomas S. Berkau</i> <i>Auley “Lee” M. Crouch III</i> <i>Charles R. Holton</i> <i>Sylvia King Kochler</i> <i>Paul C. Shepard</i></p>	Duke University School of Law Star Commons 210 Science Drive Durham, NC 27708

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**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

**Hilton Durham Hotel
3800 Hillsborough Road
Durham, North Carolina
Tel: 919-383-8033**

TUESDAY, OCTOBER 2, 2012

Start	End	Meeting/Event	Location
8:00am	9:00am	OPEN Board Meeting	Hilton Durham Trinity C
9:00am	9:45am	CLOSED Board Meeting	Hilton Durham Trinity AB

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**LEGAL SERVICES CORPORATION BOARD OF DIRECTORS
MEETING SCHEDULE**

**Hilton Durham Hotel
3800 Hillsborough Road
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Tel: 919-383-8033**

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Duke University Events

Panel of Distinguished Justices and Judges

October 1, 2012

Duke Fuqua School of Business

Judge Allyson K. Duncan, United States Court of Appeals for the 4th Circuit

Judge Duncan was nominated by George W. Bush on April 28, 2003, to a seat vacated by Samuel J. Ervin III. She was confirmed by the Senate on July 17, 2003, and received commission on August 15, 2003.

Prior to her confirmation, Judge Duncan was in private practice in Raleigh, North Carolina from 1998-2003. Before that, she served as the Commissioner of the North Carolina Utilities Commission from 1991-1998. She has also served as an Associate Judge in the North Carolina Court of Appeals and as an Associate professor at North Carolina Central University School of Law. Judge Duncan was also previously an attorney with the Equal Employment Opportunity Commission, and she a law clerk to the Honorable Julia Cooper Mack in the District of Columbia Court of Appeals.

Judge Duncan received her Bachelor of Arts from Hampton University and her law degree from Duke University School of Law.

Chief Judge John C. Few, South Carolina Court of Appeals

Chief Judge Few grew-up in Greenwood, South Carolina. He attended college at Duke University. During his junior year, he served as Duke's athletic mascot, the Blue Devil. In 1985, he was graduated from Duke with a Bachelor of Arts degree in English and Economics.

Chief Judge Few then attended the University of South Carolina School of Law, where he was a member of The Order of Wig and Robe, The Order of the Coif, and the South Carolina Law Review, which he served as Student Works Editor. He received his Juris Doctor degree in 1988.

Chief Judge Few first served as law clerk to The Honorable G. Ross Anderson, Jr., United States District Judge, in Anderson. From 1989 until 2000, John practiced law in Greenville. John has been admitted to practice in all Courts of South Carolina, the United States District Court for the District of South Carolina, the United States Court of Appeals for the Fourth Circuit, and the United States Supreme Court. John served as a Circuit Court Judge from July 1, 2000 until February 3, 2010. On that day Judge Few was elected and sworn in as Chief Judge of the South Carolina Court of Appeals.

Judge Few has been active in teaching law. He has been a member of the Faculty at the National Judicial College in Reno, Nevada, since 2005. Judge Few has been an Adjunct Professor of Law at the Charleston School of Law since 2008, where "Professor" Few has taught Evidence and Advanced Evidence. In the summer of 2010 Charleston School of Law named him a Distinguished Visiting Professor. He has also given and moderated numerous Continuing Legal Education Seminars in South Carolina, and several other states. In 1996, he gave a speech entitled "Citizen Participation in the Legal System," for which he was awarded First Place in the American Bar Association's nationwide Edward R. Finch Law Day speech contest. Judge Few is a Fellow in the Liberty Fellowship Class of 2008, and a Senior Advisor to a member of the Liberty Fellowship Class of 2012.

Justice S. Bernard Goodwyn, Supreme Court of Virginia

Justice Goodwyn is currently serving his first 12-year term as a Justice on the Supreme Court of Virginia. Justice Goodwyn was appointed on October 10, 2007 by Governor Timothy M. Kaine to fill the vacancy created by the retirement of Justice Elizabeth B. Lacy early in 2007. Such pro tempore appointments are only valid until 30 days after the Virginia General Assembly next meets. In the 2008 session of the Virginia General Assembly, a political standoff between the Democratic-controlled Senate and the Republican-controlled House of Delegates resulted in Goodwyn's nomination being put on hold until February 8, 2008, the day the pro tempore appointment would have expired.^[1] On that day, however, the General Assembly unanimously appointed Justice Goodwyn to a 12-year term.^[2]

Justice Goodwyn was, until his appointment, a trial court judge in the First Judicial Circuit Court in Chesapeake, Virginia where he has served since 1997. Prior to being named to the circuit court, he served two years as a general district court judge. A Southampton County native, Justice Goodwyn received his undergraduate degree in economics from Harvard University and his J.D. from the University of Virginia's School of Law in 1986, where he was an editor for the Virginia Tax Review and received the Ritter Award for honor, character and integrity. Justice Goodwyn also served on the faculty of the school during the 1994-95 school year as a Research Associate Professor of Law. Before he was appointed to the bench, Justice Goodwyn practiced law at the law firm of Willcox & Savage for eight years.

Justice Goodwyn is married to Sharon Smith Goodwyn and has two children, Samuel Jared Goodwyn and Sarah Elizabeth Goodwyn.

Chief Justice Carol W. Hunstein, Supreme Court of Georgia

Chief Justice Hunstein was appointed to the Supreme Court in November 1992 by then Governor Zell Miller. She is the second woman in history to serve as a permanent member of the Court.

In 1984 Justice Hunstein won election to the Superior Court of DeKalb County. Prior to serving on the bench, Justice Hunstein was in private practice. She has been a member of the Georgia Bar since 1976.

Justice Hunstein received her Juris Doctor in 1976 from Stetson University College of Law. She received a Bachelor of Science degree from Florida Atlantic University in 1972 and an Associate of Arts degree from Miami-Dade Junior College in 1970.

As a superior court judge, she was active at the county, state and national levels. She chaired many DeKalb County Committees including the Alimony and Support Unit Committee, the Diversion Center Committee, the Probation Committee and the Domestic Violence Task Force. In 1989, then Chief Justice Marshall appointed her to Chair the Georgia Commission on Gender Bias in the Judicial System, which issued its report to the Supreme Court in 1991. She is a former district director of the National Association of Women Judges (NAWJ) and chaired the local host committee for the NAWJ 1995 Annual Conference which was held in Atlanta.

Justice Hunstein was the first woman to serve as President of the Council of Superior Court Judges. By virtue of that office, she was the first person ever to have served as Chief Justice of the Supreme Court before becoming a permanent member of the Court. (In 1991, all seven sitting justices recused themselves and designated seven superior court judges to hear and decide a case. Justice Hunstein, as President of the Council, served by designation as Chief Justice.)

Justice Hunstein chaired the 1993, 1998 and 2001 State Commissions on Child Support Guidelines. She has served on the Advisory Board of the Justice Center of Atlanta and the Georgia Campaign for Adolescent Pregnancy Prevention. She is a former Rosalynn Carter Honorary Fellow in Public Policy at the Emory University Institute on Women's Studies.

She is the former chair of the Georgia Commission on Access and Fairness, which was charged with implementing the recommendations of the Commission on Gender Bias and the Commission on Racial and Ethnic Bias. She also chaired the Georgia Commission on Interpreters and the Unauthorized Practice of Law Committee. . She is a member of the American Bar Association's Public Perceptions Committee, the Bleckley Inn of Court, and has served as liaison to the Chief Justice's Commission on Professionalism since 1992.

In the course of her career, she has received many honors including an honorary LLD from Stetson University College of Law, a commendation for outstanding service from the Georgia General Assembly, the Emory University Legal Association for Women Students' Public Service Award, the DeKalb County Women's Network "Women Who Have Made a Difference" Award, the Joseph T. Tuggle Professionalism Award and, in 1999, the American Bar Association Commission on Women in the Profession's Margaret Brent Award. Florida Atlantic University has inducted her into its Hall of Fame. She recently received the Commitment to Equality Award from the State Bar of Georgia Committee on Women and Minorities in the Profession.

In addition to her judicial duties, Justice Hunstein frequently serves as an adjunct professor at Emory University School of Law. She has three children.

Chief Justice Menis E. Ketchum II, West Virginia Supreme Court of Appeals

Chief Justice Ketchum was elected to a full twelve-year term of the Supreme Court of Appeals on November 4, 2008. Chief Justice Ketchum was born in 1943 in Huntington, West Virginia, and was raised in Wayne County.

He was educated in Wayne County public schools before attending Ohio University in Athens, Ohio, where he played varsity baseball and was a member of the 1964 Mid-American Conference Championship Baseball Team. Chief Justice Ketchum returned to West Virginia to attend West Virginia University College of Law. While in law school he was a contributing writer and associate editor of the West Virginia Law Review. He received his law degree in 1967 and returned to Huntington to join his father, Chad W. Ketchum (1911-1998), in the practice of law with the firm of Greene, Ketchum & Baker. He practiced at that firm and its successors, eventually becoming the senior partner, until his election to the Court. Chief Justice Ketchum's law practice included insurance defense, personal injury, and criminal defense.

He was recognized continuously from 1989 to 2008 in The Best Lawyers in America and was a member of the Leading Honoraries, the American College of Trial Lawyers, and the American Board of Trial Advocates. Throughout his legal career he published legal articles and presented numerous continuing legal education seminars. Chief Justice Ketchum also served as a member of the Board of Governors of Marshall University from 2002 until his campaign for the Court, and served as Chairman or Vice-Chairman of the Board from 2003 until 2008. At the time of his election to the Court, he served on the Boards of the Public Defender Corporations for the Sixth and Twenty-Fourth Judicial Circuits.

He previously served on the Huntington Urban Renewal Authority, participated in the statewide Vision Shared Health Care Team, and the Governor's Mine Safety Task Force. Chief Justice Ketchum has been married to the former Judy Varnum since 1966. They have three children – Kelli Morgan, Bert Ketchum, and Chad Ketchum – and six grandchildren.

Chief Justice Sarah Parker, Supreme Court of North Carolina

Chief Justice Parking received her high school education in Charlotte, North Carolina. She received her Bachelor of Arts from Meredith College and her law degree from the University of North Carolina-Chapel Hill School of Law.

Chief Justice Parker has served in her current role since February 1, 2006. Before that, she was an Associate Justice with the North Carolina Supreme Court for several terms. She was also appointed and then re-elected for several terms as a Judge in the North Carolina Court of Appeals.

Chief Justice Parker worked in private practice for 15 years before serving as a Judge. Before practicing, she was a volunteer with the U.S. Peace Corps in Ankara, Turkey.

Chief Justice Parker served as the N.C. Bar Association Vice President from 1987-88. She is also a member of the American Bar Association; the Wake County Bar Association; the Mecklenburg County Bar- serving as Secretary-Treasurer, 1982-1984 and on the Executive Committee from 1976-1978; the N.C. Association of Women Attorneys; the National Association of Women Judges; the Institute of Judicial Administration; the Raleigh Executives Club; the Women's Forum of North Carolina; the North Carolina International Women's Forum; and the Woman's Club of Raleigh.

Moreover, she is on the Governor's Crime Commission; the North Carolina Equal Access to Justice Commission; the State Advisory Council on Juvenile Justice and Delinquency Prevention. She is a former Member Board of Visitors, UNC-Chapel Hill; a former Member N.C. Courts' Commission; a former Member, Advisory Council, N.C. Correctional Center for Women; and the Former Director, Charlotte YWCA.

Chief Justice Parker is the recipient of numerous awards, including: Gwyneth B. Davis Public Service Award, N.C. Women Attorneys Association; Distinguished Woman of North Carolina Award, 1997; General Federation of Women's Clubs Woman of Achievement Award, 1997; honorary Doctor of Humane Letters Queens College, 1998; Judge of the Year, N.C. Women Attorneys Association, 2002; Fellow, American Bar Foundation; Distinguished Alumni Award University of North Carolina Law School, 2003; NC Association of Black County Officials Humanitarian Award, 2003; and honorary Doctor of Laws Pfeiffer University, 2006.

Panel on the Legal Aid Needs of Military Veterans

October 1, 2012

Duke Fuqua School of Business

Will Gunn, U.S. Department of Veterans, General Counsel

Will A. Gunn was sworn in as the General Counsel for the Department of Veterans Affairs on May 26, 2009. Mr. Gunn is a retired Air Force colonel, having served as a military lawyer in the Air Force Judge Advocate General Corps.

The Office of General Counsel provides proactive legal advice and representation to the Department concerning all aspects of its program and management responsibilities. The General Counsel supervises 717 employees in Washington, DC and in field locations across the United States. As the Department's top lawyer, Mr. Gunn oversees approximately 450 attorneys.

In 2003, Mr. Gunn was named the first-ever Chief Defense Counsel in the Department of Defense Office of Military Commissions. He built a defense team and supervised all defense activities for detainees selected for trial before military commissions—the first proceedings of their kind to be conducted by the United States in over 60 years. Mr. Gunn won acclaim for his principled leadership and commitment to ensuring that detainees received effective representation. In doing so, he set the tone so that the military lawyers under his leadership were able to vigorously defend their clients. These efforts radically changed public perceptions about military lawyers and raised international attention on the Guantanamo prison camp.

A native of Fort Lauderdale, Mr. Gunn graduated from the United States Air Force Academy with military honors in 1980. He is a 1986 cum laude graduate of Harvard Law School and while at Harvard, he was elected President of the Harvard Legal Aid Bureau, the nation's oldest student run legal services organization. In 1990, he was selected as a White House Fellow and served in the Executive Office of the President in the Office of Cabinet Affairs. He also has a Masters of Laws degree in Environmental Law from the George Washington University School of Law and a Master of Science degree in National Resource Strategy from the Industrial College of the Armed Forces. Mr. Gunn retired from the military in 2005 and was named President and CEO of Boys & Girls Clubs of Greater Washington where he led one of the largest affiliates of Boys & Girls Clubs of America. In 2008, he founded the Gunn Law Firm to provide representation to military members and veterans in a range of administrative matters.

Mr. Gunn has served as chairman of the American Bar Association's Commission on Youth at Risk and has served on the boards of Christian Service Charities and the Air Force Academy Way of Life Alumni Group. He has held leadership positions in a host of other bar association and community organizations and has also received numerous awards and honors including the Harvard Legal Aid Bureau's Outstanding Alumni Award, a Human Rights Award from the Southern Center for Human Rights, and the American Bar Association's Outstanding Career Military Lawyer Award. In 2002, he was elected to the National Bar Association's Military Law Section Hall of Fame. He is a licensed minister and he and his wife, Dawn, live in Northern Virginia.

George R. Hausen, Jr., Legal Aid of North Carolina, Inc., Executive Director

George R. Hausen, Jr. is the President and Executive Director of Legal Aid of North Carolina (LANC), a statewide, nonprofit law firm that provides free legal services to low-income people in civil cases. LANC serves approximately 25,000 North Carolinians a year with critical legal issues ranging from foreclosure to domestic violence. As head of the organization, Hausen oversees a large staff of lawyers, paralegals and administrative professionals in 20 field offices and seven statewide projects.

Dedication to public service has been the hallmark of Hausen's career. He has led LANC since its founding in 2002, when independent legal aid programs throughout North Carolina merged to form a unified, statewide organization. He previously was interim executive director of Legal Services of North Carolina in Raleigh, one of LANC's predecessors, which he joined in 1999 as an assistant director before taking the helm two years later.

Hausen began his legal career in his hometown of Chicago, where he worked as a full-time law clerk for the well-known Cabrini Green Legal Aid Clinic while attending evening classes at the DePaul University College of Law. After graduating in 1988, Hausen volunteered with the Peace Corps in Haiti and the Dominican Republic, where he became fluent in Spanish. He returned to Chicago in 1991 and clerked for the Lawyers' Committee for Civil Rights Under Law. Later that year he became a staff attorney at the Lawyers' Committee for Better Housing, a position he held until 1998.

Hausen served in the U.S. Marine Corps and earned his undergraduate degree from the University of Illinois. He was recently named a Leader in the Law by North Carolina Lawyers Weekly and Elon University School of Law.

Nan Heald, Pinetree Legal Services, Inc., Executive Director

Nan Heald grew up in Oquossoc in the western mountains of Maine, graduating from Smith College in 1977 and George Washington University Law School in 1980. Immediately following law school, Ms. Heald worked for five years for the federal government and in private practice. In 1985, she joined Pine Tree Legal Assistance, Maine's oldest and largest legal aid provider, as a staff attorney in its Native American Unit. Her primary responsibility in that position was to redress the exclusion of the Aroostook Band of Micmacs from the 1980 Maine Indian Claims Settlement Act, which was eventually achieved through passage of federal legislation providing federal recognition to the tribe.

In 1990, at the age of 34, Ms. Heald became Executive Director of Pine Tree Legal Assistance and continues in that position to date. Through the creative use of funding opportunities and other leveraged support, her leadership has enabled Pine Tree to strengthen and expand legal services to diverse client populations and in new areas of law, and to make justice more accessible for all the people of Maine. She has encouraged the innovative use of technology to expand access to legal information and self-help tools, an effort which began in 1996 with creation of www.ptla.org, as the first legal aid website in the country to include self-help resources. By constantly adding high quality and user-friendly original content, the website remains one of the most popular legal aid websites in the country. Other programs created during her tenure at Pine Tree include the formation of Maine's first and only children's law project (www.kidslegal.org), expanded support to self-represented family law litigants and victims of domestic violence or sexual assault, and new legal representation projects

addressing foreclosure, housing discrimination, and the needs of low-income taxpayers. Pine Tree Legal Assistance has won several awards for non-profit excellence and is one of only six Maine nonprofits to voluntarily meet the standards of an approved local charity with the Better Business Bureau. Maine ranks third in the nation in the percentage of its population who are veterans: her concern for the legal needs of low-income veteran and military families inspired the creation of a new national website addressing those issues, www.statesidelegal.org which Pine Tree launched in 2010 with funding from the Legal Services Corporation. StatesideLegal has been commended by the Pentagon as an "innovative community practice" and a recent VA directive encourages its use for homeless veterans. Ms. Heald is also working to encourage expanded legal services to this client population on a statewide and national basis.

Ms. Heald currently serves on the national LSC Task Force on Pro Bono, the Maine Judicial Branch's Advisory Committee on Fees, and the Advisory Committee of Providers to Maine's Justice Action Group. Ms. Heald was recognized as one of the inaugural Lawdragon 500 Leading Lawyers in America (2005) and selected as a MaineBiz "Woman to Watch" in 2010. She has also been honored for her work by the Maine Veterans Coordinating Committee, the Maine Judicial Branch, and the Maine Civil Liberties Union.

Nicole Perez, Legal Aid Foundation of Los Angeles, Bill Smith Homeless Veterans Project, Staff Attorney

Nicole M. Perez is a staff attorney in the Supportive Services for Veteran Families Program at Legal Aid Foundation of Los Angeles (LAFLA). For over 80 years, LAFLA has been the frontline law firm for low-income people in Los Angeles County. LAFLA is committed to promoting access to justice, strengthening communities, fighting discrimination, and effecting systemic change through representation, advocacy, and community education. LAFLA has six neighborhood offices, three domestic violence clinics, four self-help centers and a variety of community clinics.

As a disabled woman from a marginalized community, Ms. Perez has dedicated her career to fighting for economic and racial justice. Prior to graduate school, Ms. Perez analyzed welfare reform policies affecting American Indians at California Indian Legal Services, and collaborated with community-based groups in over 30 countries to write and edit self-help literature for caregivers of children with disabilities living in rural and resource poor communities while at a small public health non-profit.

Ms. Perez then began her legal career at LAFLA as a Skadden Fellow performing holistic homelessness advocacy for Los Angeles' disproportionately large homeless community. In 2009, Ms. Perez transitioned to exclusively serving homeless veterans through LAFLA's Bill Smith Homeless Veterans Project (BSHVP). The BSHVP helps homeless veterans and those at risk of homelessness secure veterans and other benefits, medical care and support services to stabilize their living situations. The BSHVP is the oldest pro bono legal services program for veterans in Los Angeles County and was created in 2000 in response to the appalling fact that despite their service to our country, at least a quarter of the homeless individuals in Los Angeles are veterans. In 2011, the BSHVP, staffed by Ms. Perez, obtained

approximately \$500,000 in retroactive benefits and \$20,000 in ongoing monthly benefits for veterans and their families.

In 2012, Ms. Perez assumed her new position as staff attorney of LAFLA's Supportive Services for Veteran Families Program (SSVF) where she continues to work passionately alongside disabled and homeless veterans to advocate for government benefits, prevent veteran homelessness, and access civil justice. In partnership with U.S. Veteran's Initiative, the largest social services provider for homeless veterans in the nation, LAFLA's SSVF Program helps to prevent veteran homelessness and maintain veteran housing stability through legal advocacy, case management, and temporary financial assistance. Through SSVF, Ms. Perez handles issues spanning the civil legal spectrum, including benefits, housing and eviction defense, citation defense, family law, consumer concerns, and employment law.

In addition to her zealous approach to client-centered advocacy, Ms. Perez is a leader in veteran policy advocacy and community education. In 2011, Ms. Perez spoke before the Legal Services Corporation Board of Directors on homeless veteran advocacy, submitted comments on proposed regulations affecting veterans, developed a pilot program with the Los Angeles County welfare department to transition extremely low-income veterans from LA County general assistance to VA benefits, and co-coordinated LAFLA's new SSVF Program. In 2012, she presented at the NLADA Equal Justice Works Conference and the National Coalition for Homeless Veterans Conference, and initiated an unprecedented bimonthly work group with the Department of Veterans Affairs Los Angeles Regional Office to improve the claims process for low-income and homeless veterans in Los Angeles County. Since 2009, Ms. Perez has trained hundreds of pro bono attorneys, law and social work students, mental health and medical professionals, and community members on veterans benefits advocacy, and is currently preparing for her fourth year of teaching a veterans benefits practicum at Loyola Law School.

Ms. Perez earned her Juris Doctor and Master's in Social Work from the University of California, Los Angeles, and her bachelor's degree from the University of California, Berkeley.

C. Kenneth Perri, Legal Assistance of Western New York, Executive Director

Since 2004, C. Kenneth Perri has served as the executive director of Legal Assistance of Western New York, Inc.[®], a not-for-profit corporation established to provide access to the justice system to low-income people and other vulnerable populations who have civil legal problems. LawNY[®] provides civil legal services throughout a large 14 county service area in western New York with staffed offices in Bath, Elmira, Geneva, Ithaca, Jamestown, Olean and Rochester. Mr. Perri's present responsibilities include managing the \$6.8 million organization; resource development; working with funders, community groups, other civil legal service providers and the private bar; and supervising the management staff of deputy directors, managing attorneys and the chief fiscal officer. Presently, with a staff of 84, including 40 attorneys and 22 AmeriCorps attorneys and paralegals, LawNY[®] provides services to the residents of Allegany, Cattaraugus, Chautauqua, Chemung, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Tioga, Tompkins, Wayne and Yates Counties. In 2011, LawNY[®] closed 7,292 cases benefiting 16,860 people, including 39% in the area of government benefits, 32% in housing, 14% in family law and 3% in

consumer law.

Mr. Perri is a 1981 graduate of Boston University School of Law. He has worked with civil legal services programs his entire professional career. He began as a legal intern with Greater Boston Legal Services from 1980 - 1981. From 1982 - 1986, he worked as a staff attorney and then as a senior staff attorney with the Dothan Regional Office of the Legal Services Corporation of Alabama. In 1986, he became the managing attorney of Legal Assistance of the Finger Lakes in Geneva, New York. In 2002, he became the executive director of the program, overseeing the operations of the Geneva office and the larger urban office, Monroe County Legal Assistance Corporation, in Rochester, New York. In 2004, the program expanded from a six county to a 14 county service area and was renamed LawNY®.

Mr. Perri is a member of the American Bar Association, the New York State Bar Association, the Monroe County Bar Association and the Ontario County Bar Association. Within NYSBA, he presently serves on the Committee on Legal Aid and the President's Committee on Access to Justice. He chaired the Committee on Legal Aid from 6/1/07 – 5/31/11.

Finance Committee

FINANCE COMMITTEE

September 30, 2012

Agenda

OPEN SESSION

1. Approval of agenda
2. Approval of the minutes of the meeting of July 17, 2012
3. Approval of the minutes of the meeting of July 27, 2012
4. Approval of the minutes of the meeting of August 20, 2012
5. Presentation on LSC's Financial Reports for Ten-Month period ending July 31, 2012
 - Presentation by David Richardson
6. Staff report on status of FY 2013 appropriations process
 - Presentation by Carol Bergman
7. Consider and act on **Resolution # 2012-0XX**, Temporary Operating Budget for FY 2013
 - Presentation by David Richardson
8. Briefing on lease for 3333 K Street
9. Public comment
10. Consider and act on other business
11. Consider and act on adjournment of meeting

Legal Services Corporation
Telephonic Meeting of the Finance Committee
Open Session
Tuesday, July 17, 2012

DRAFT MINUTES

Chairman Robert Grey convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Finance Committee ("the Committee") at 11:08 a.m. on Tuesday, July 17, 2012. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarter, 3333 K Street NW, Washington DC 20007.

The following Committee members were present by telephone:

Robert J. Grey, Jr., Chairman
Sharon L. Browne
Martha L. Minow
Father Pius Pietrzyk
Robert E. Henley, Jr. (Non-Director member)
Allan Tanenbaum (Non-Director member)
John G. Levi, *ex officio*

Other Board Members Present:

Victor B. Maddox
Charles N.W. Keckler

Also attending were:

James J. Sandman	President
Richard L. Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Kathleen McNamara	Executive Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Katherine Ward	Executive Assistant, Office of Legal Affairs (OLA)
David L. Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Carol Bergman	Director, Office of Government Relations and Public Affairs (GRPA)
Treefa Aziz	Government Affairs Representative, GRPA
Brendan Valentine	Intern, GRPA
Emily Gydesen	Intern, Executive Office
Chuck Greenfield	National Legal Aid and Defender Association (NLADA)

The following summarizes actions taken by, and presentations made to, the Committee:

MOTION

Dean Minow moved to approve the agenda. Ms. Browne seconded the motion.

VOTE

The motion passed without objection.

MOTION

Dean Minow moved to approve the minutes of the Committee's June 11, 2012 meeting.
Ms. Browne seconded the motion.

VOTE

The motion passed without objection.

Chairman Grey welcomed Mr. Tannenbaum as the Committee's newest Non-Director Member.

President Sandman then presented Management's recommendation for the Corporation's budget request for fiscal year 2014, which provided a recommended range of \$470 million to \$490 million, and the Committee members discussed the recommendation.

Chairman Grey solicited public comments and heard from Mr. Greenfield, NLADA.

There was no other business to consider

MOTION

Father Pius moved to adjourn the meeting. Dean Minow seconded the motion.

VOTE

The motion passed without objection.

The open session meeting of the Committee was adjourned at 11:51 a.m.

Legal Services Corporation
Meeting of the Finance Committee

Open Session

Friday, July 27, 2012

DRAFT MINUTES

Chairman Robert J. Grey, Jr. convened an *open session* meeting of the Legal Services Corporation's ("LSC") Finance Committee ("the Committee") at 10:40 a.m. on Friday, July 27, 2012. The meeting was held at the Sheraton Ann Arbor Hotel, 3200 Boardwalk Street, Ann Arbor, MI 48108.

The following Committee members were present:

Robert J. Grey, Jr., Chairman
Sharon L. Browne
Martha L. Minow
Father Pius Pietrzyk
Robert E. Henley, Jr. (Non-Director Member)
Allan Tanenbaum (Non-Director Member)
John G. Levi, *ex officio*

Other Board Members Present:

Victor B. Maddox
Charles N.W. Keckler
Harry J.F. Korrell, III
Julie A. Reiskin
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Richard Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
David L. Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
Matthew Glover	Associate Counsel, Office of the Inspector General
Joel Gallay	Special Counsel to the Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Carol Bergman	Director, Office of Government Relations and Public Affairs
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs
Janet LaBella	Director, Office of Program Performance
Glenn Rawdon	Program Counsel, Office of Program Performance
Kenneth Penokie	Executive Director, Legal Services of Northern Michigan
Len Sanchez	Executive Director, Neighborhood Legal Services Michigan
Mary Kavanaugh-Gahn	Deputy Director, Legal Services of Northern Michigan
Steve Gottlieb	Executive Director, Atlanta Legal Aid
Colleen Cotter	Executive Director, Cleveland Legal Aid
Don Saunders	National Legal Aid and Defender Association (NLADA)
Chuck Greenfield	National Legal Aid and Defender Association (NLADA)
Meredith McBurney	American Bar Association's Resource Center
Terry Brooks	American Bar Association's Standing Committee on Legal Aid and Indigent Defendants (SCLAID)

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Grey called the open session meeting to order.

MOTION

Ms. Browne moved to approve the agenda. Dean Minow seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Richardson, Treasurer and Comptroller, presented LSC's financial report for the first eight months of fiscal year 2012, as well as the revised Consolidated Operating Budget for fiscal year 2012.

MOTION

Father Pius moved to recommend to the full Board the adoption of the resolution approving the revised Consolidated Operating Budget for fiscal year 2012, as amended by the Committee. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Richardson then gave a presentation on the Guidelines for Adoption, Review, and Modification of the Consolidated Operating Budget and answered Committee members'

questions. President Sandman and Mr. Fortuno provided additional comments regarding the process for adoption and modification of the guidelines.

MOTION

Dean Minow moved for the Committee to adopt the Guidelines for Adoption, Review, and Modification of the Consolidated Operating Budget, as amended by the Committee. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Bergman reported on the status of the fiscal year 2013 appropriations process. She stated that the House and Senate would likely pass a six-month Continuing Resolution for the upcoming fiscal year.

President Sandman led the discussion before the Committee on to further discuss Management's recommendation to the full Board for the fiscal year 2014 budget request.

Chairman Grey invited public comment and received none.

There was no other business to consider.

MOTION

Chairman Grey moved to adjourn the meeting. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

The open session meeting of the Committee adjourned at 12:14 p.m.

Legal Services Corporation
Meeting of the Finance Committee
Open Session
Monday, August 20, 2012

DRAFT MINUTES

Chairman Robert J. Grey, Jr. convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Finance Committee ("the Committee") at 4:05 p.m. on Monday, August 20, 2012. The meeting was held at John N. Erlenborn Conference Room, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington DC 20007.

The following Committee members were present by telephone:

Robert J. Grey, Jr., Chairman (in person)
Sharon L. Browne
Martha L. Minow
Father Pius Pietrzyk
Robert E. Henley, Jr. (Non-Director Member)
Allan Tanenbaum (Non-Director Member)
John G. Levi, *ex officio* (in person)

Other Board Members Present:

Charles N.W. Keckler (in person)
Laurie I. Mikva

Also attending were:

James J. Sandman	President
Richard Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Kathleen McNamara	Executive Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Katherine Ward	Executive Assistant, Office of Legal Affairs
David L. Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Laurie Tarantowicz	Assistant Inspector General and Legal Counsel, Office of the Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs (GRPA)
Elizabeth Arledge	Communications Manager, GRPA
Treefa Aziz	Government Affairs Representative, GRPA
Don Saunders	National Legal Aid and Defender Association (NLADA)
Ann Carmichael	American Bar Association's Standing Committee on Legal Aid and Indigent Defendants (SCLAID)

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Grey called the open session meeting to order and noted a quorum.

MOTION

Father Pius moved to approve the agenda. Ms. Browne seconded the motion.

VOTE

The motion passed without objection.

President Sandman summarized Management's recommendation and justification for LSC's fiscal year 2014 budget request. He also shared data that LSC staff compiled to address questions and concerns that were raised by the Committee during the past several meetings. The Committee discussed Management's recommendation.

MOTION

Dean Minow moved to recommend to the Board LSC's budget request for fiscal year 2014 in the amount of \$481 million. Father Pius seconded the motion.

Chairman Grey solicited public comments on the budget request recommendation and heard from Mr. Saunders, NLADA, and Ms. Carmichael, ABA.

VOTE

The motion passed by voice vote.

There was no other business to consider.

MOTION

Father Pius moved to adjourn the meeting. Dean Minow seconded the motion.

VOTE

The motion passed by voice vote.

The open session meeting of the Committee adjourned at 4:55 p.m.

FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Jr., Finance Committee Chairman
FROM: David L. Richardson, Treasurer/Comptroller *dlr*
DATE: September 6, 2012
SUBJECT: July 2012 Financial Report

The financial report for the period ending July 31, 2012, is attached for your review. The first section of Attachment A presents information for the Delivery of Legal Assistance, *Roman numeral I*, and the Herbert S. Garten Loan Repayment Assistance Program (LRAP), *Roman numeral II*. The expenditures for the reporting period are compared to the annual budget and the report shows the variance for each budget line. The expenditures are also compared to the same period of the prior year.

- I. There are four elements included in the Delivery of Legal Assistance:
 1. The Basic Field Programs budget is \$324,066,604 and the grant expenses are \$323,213,547. The remaining funds of \$853,057 are earmarked to support grants in the Mississippi, Wyoming, and American Samoa service areas.
 2. The U.S. Court of Veterans Appeals Funds budget totals \$2,730,170. A grant award was completed for \$2,700,000 and the remaining funds of \$30,170 will support this year's administrative expenses. The administrative costs are accumulated throughout the year and are charged to the grant at the end of the fiscal year.
 3. The Grants from Other Funds budget totals \$725,077; emergency grants totaling \$253,346 have been awarded. The balance of \$471,731 is available to support additional one-time grants.

4. The Technology Initiatives budget totals \$7,226,487. Net grant expenses are \$3,553,984 and are comprised of thirty-seven grants totaling \$3,644,146 and the cancelation of four grants totaling \$90,162. The remaining funds of \$3,672,503 will be used for this year's technology grants and other technology initiative expenses.
- II. The LRAP budget is \$2,181,550. Adjustments to the Loan Repayment Allowance account created expenditures for the period totaling \$552,654. The balance of \$1,628,896 will be used for future loans.

The second section of Attachment A presents expenditures for Management and Grants Oversight (MGO), *Roman numeral III*, and the Office of Inspector General (OIG), *Roman numeral IV*. The expenditures are compared to a pro rata allocation of the annual budget based on the number of months into the fiscal year. The presentation is made this way because MGO and OIG expenditures occur on a monthly basis.

- III. MGO's annual budget totals \$21,595,956. The budget is comprised of the MGO operating budget of \$19,445,600 and the Contingency Funds totaling \$2,150,356.

The MGO operating budget allocation is \$16,204,666 and is compared to the expenditures of \$13,178,448. This is \$3,026,218 or 18.67% under budget. Encumbrances for the period are \$119,180. The expenditures are \$989,848 less than the same period in 2011. (MGO's previous month's variance was \$2,739,556 or 18.78% under budget.)

When the MGO Contingency Funds budget allocation of \$1,791,963 for the period is included, the percentage under budget is 26.77%. This compares to a percentage of 26.87% under budget from the June Financial Report.

- IV. The OIG's annual budget totals \$6,431,553. The budget consists of the OIG operating budget of \$5,330,755 and the Contingency Funds of \$1,100,798 to support the office's multi-year budget plans.

The OIG operating budget allocation is \$4,442,296 and compares to the actual expenditures of \$3,732,225. This is \$710,071 or 15.98% under budget. Encumbrances for the period are \$255,540. The expenditures are \$403,305 more than in 2011. (OIG's previous month's variance was \$629,612 or 15.75% under budget.)

Including the OIG Contingency Funds budget allocation of \$917,332, the percentage under budget is 30.36%. This compares to 31.17% under budget from the previous month's report.

Attachment B, page 1, presents comparative budgets and expenditures for MGO by cost center; all cost centers are under budget. Attachment B, page 2, shows the budgets and expenditures by budget category for the MGO operating budget. The variances show that we are under budget in each category.

The largest variance under budget totaling \$1,128,524 is from the Compensation and Benefits category. The reason for this variance is because we continue to have a number of open positions.

The open positions by cost center are as follows:

Executive Office – Vice President for Grants Management, Director of Institutional Advancement, and an Administrative Assistant;

Legal Affairs – Assistant General Counsel and an FOIA Administrator;

Information Technology – Chief Information Officer;

Program Performance – Deputy Director, Program Counsel, and Program Analyst;

Information Management – Research Assistant; and

Compliance and Enforcement – Director and an Administrative Assistant.

The second largest variance under budget is in the Consulting budget category in the amount of \$679,919. The cost centers that account for these variances include:

Board of Directors – for costs associated with the Strategic Planning, for the implementation phase of the Fiscal Oversight Task Force recommendations, and for developing an institutional development plan and guide to establish a development operations;

Executive Office – for a union negotiation facilitator that will not be needed this year;

Legal Affairs – for outside counsel costs;

Human Resources – for an auditor regarding LSC's retirement program;

Program Performance – for a consulting firm to review the internal controls of the grant competition process, per a Government Accountability Office recommendation; and

Compliance and Enforcement – for consulting services related to developing a fiscal risk assessment program and on-site fiscal review program consistent with best practices.

The third largest variance under budget is in the Travel and Transportation category in the amount of \$495,708. Travel expenses are projected to increase in the coming months because of the seasonality of travel during the fiscal year.

Attachment B, page 3, shows the MGO Contingency Funds budget categories.

Attachment B, page 4, provides a summary of the expenditures by office and by budget category. When the MGO Operating Budget and Contingency Funds are combined, Other Operating Expenses has the largest variance under budget.

Attachment C, pages 1 and 2, presents a breakdown of the other operating expenses by account code and by cost center. The Board of Directors requested this review because when the MGO Operating Budget and Contingency Funds other operating expenses budget categories are combined, they create the second largest category within MGO. All of the cost centers are under budget.

Attachment D, page 1, shows a comparative OIG budget and expenditures by budget category and all are under budget.

The largest budget category variance in the OIG budget includes funds for:

- A. Consulting totaling \$305,927; the OIG has \$207,540 in encumbrances for the second round of Quality Control Reviews (QCR) of grantees' audit reports performed by independent public accountants and for IT support services including network operations, a new OIG intranet and a document management system.
- B. Travel/Transportation are \$144,639; the OIG has \$22,000 in encumbrances for the second round of the QCRs of grantees' audit reports; certain units plan for more travel and training expenditures during this last quarter of the fiscal year.
- C. Compensation and Benefits variance totals \$142,138 because of three open positions -- a Program Evaluation Analyst and two Auditors.

Attachment D, page 2, shows the OIG Contingency Funds. The unused OIG Contingency Funds are earmarked for the multi-year spend-down plan.

If you have any questions, please let me know.

Attachments (A – B – C - D)

LEGAL SERVICES CORPORATION
 CONSOLIDATED OPERATING BUDGET WORKSHEET
 FOR THE TENTH MONTH OF FISCAL YEAR 2012
 PERIOD ENDING JULY 31, 2012

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	FISCAL YEAR 2012						COMPARATIVE	
	ANNUAL BUDGET	ACTUAL	ANNUAL BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM- BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
I. DELIVERY OF LEGAL ASSISTANCE								
1. Basic Field Programs	\$324,066,604	\$323,213,547	\$324,066,604	\$853,057	0.26	\$0	\$377,622,784	(\$54,409,237)
2. US Court of Vets Appeals Funds	2,730,170	2,700,000	2,730,170	30,170	1.11	0	1,820,018	879,982
3. Grants From Other Funds	725,077	253,346	725,077	471,731	65.06	0	111,409	141,937
4. Technology Initiatives	7,226,487	3,553,984	7,226,487	3,672,503	50.82	0	3,030,894	523,090
TOTAL DELIVERY OF LEGAL ASSISTANCE	\$334,748,338	\$329,720,877	\$334,748,338	\$5,027,461	1.50	\$0	\$382,585,105	(\$52,864,228)
II. HERBERT S. GARTEN LOAN REPAYMENT ASSISTANCE PROGRAM	\$2,181,550	552,654	2,181,550 **	\$1,628,896	74.67	\$0	\$863,620	(\$310,966)
			TENTH MONTH OF FY 2012	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM- BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
III. MANAGEMENT & GRANTS OVERSIGHT								
1. M G & O Operating Budget	\$19,445,600	\$13,178,448	\$16,204,666	\$3,026,218	18.67	\$119,180	\$14,168,296	(\$989,848)
2. M G & O Contingency Funds	2,150,356	0	1,791,963	1,791,963	100.00	0	0	0
TOTAL MANAGEMENT GRANTS & OVERSIGHT	\$21,595,956	\$13,178,448	\$17,996,629	\$4,818,181	26.77	\$119,180	\$14,168,296	(\$989,848)
IV. INSPECTOR GENERAL								
1. I G Operating Budget	\$5,330,755	\$3,732,225	\$4,442,296	\$710,071	15.98	\$255,540	\$3,328,920	\$403,305
2. I G Contingency Funds	1,100,798	0	917,332	917,332	100.00	0	0	0
TOTAL INSPECTOR GENERAL	\$6,431,553	\$3,732,225	\$5,359,628	\$1,627,403	30.36	\$255,540	\$3,328,920	\$403,305
TOTAL	\$364,957,397	\$347,184,204	\$360,286,145	\$13,101,941		\$374,720	\$400,945,941	(\$53,761,737)

* 10/12THS OF THE 12 MONTH BUDGET

** \$11,986 LRAP ACCOUNTS RECEIVABLE

LEGAL SERVICES CORPORATION
CONSOLIDATED OPERATING BUDGET WORKSHEET
FOR THE TENTH MONTH OF FISCAL YEAR 2012
PERIOD ENDING JULY 31, 2012

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	FISCAL YEAR 2012						COMPARATIVE	
	ANNUAL BUDGET	ACTUAL	TENTH MONTH OF FY 2012 BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUM- BRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
III. MANAGEMENT & GRANTS OVERSIGHT								
1. Board of Directors	\$630,500	\$279,111	\$525,417	\$246,306	46.88	\$28,599	\$325,721	(\$46,610)
2. Executive Office	1,298,500	467,511	1,082,083	614,572	56.80	0	361,277	106,234
3. Legal Affairs	1,437,850	970,193	1,198,208	228,015	19.03	0	1,009,416	(39,223)
4. Government Relations/Public Affairs	913,200	675,803	761,000	85,197	11.20	0	679,333	(3,530)
5. Human Resources	798,200	589,803	665,167	75,364	11.33	13,230	561,493	28,310
6. Financial & Admin Services	3,389,200	2,511,693	2,824,333	312,640	11.07	11,304	2,612,728	(101,035)
7. Information Technology	1,855,950	1,218,998	1,546,625	327,627	21.18	16,772	1,584,700	(365,702)
8. Program Performance	4,198,650	3,122,307	3,498,875	376,568	10.76	0	3,349,770	(227,463)
9. Information Management	675,250	493,148	562,708	69,560	12.36	0	524,267	(31,119)
10. Compliance & Enforcement	4,248,300	2,849,881	3,540,250	690,369	19.50	49,275	3,159,591	(309,710)
MANAGEMENT & GRANTS OVERSIGHT SUBTOTAL	\$19,445,600	\$13,178,448	\$16,204,666	\$3,026,218	18.67	\$119,180	\$14,168,296	(\$989,848)
11. M G & O Contingency Funds	2,150,356	0	1,791,963	1,791,963	100.00	0	0	0
TOTAL MANAGEMENT & GRANTS OVERSIGHT	\$21,595,956	\$13,178,448	\$17,996,629	\$4,818,181	26.77	\$119,180	\$14,168,296	(\$989,848)

* 10/12THS OF THE 12 MONTH BUDGET

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE TENTH MONTH OF FY 2012 - PERIOD ENDING JULY 31, 2012
MANAGEMENT AND GRANTS OVERSIGHT

BUDGET CATEGORY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	ANNUAL BUDGET	ACTUAL	TENTH MONTH BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUMBRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)	
		FISCAL YEAR 2012						COMPARATIVE	
TOTAL COMP./BENEFITS	\$12,899,050	9,620,681	10,749,205	1,128,524	10.50	-	10,052,373	(431,692)	
TEMP. EMPLOYEE PAY	659,950	331,894	549,959	218,065	39.65	-	410,388	(78,494)	
CONSULTING	1,346,100	441,830	1,121,749	679,919	60.61	91,104	427,504	14,326	
TRAVEL/TRANSPORTATION EXPS	1,306,650	593,167	1,088,875	495,708	45.52	-	647,882	(54,715)	
COMMUNICATIONS	152,150	81,348	126,792	45,444	35.84	-	91,333	(9,985)	
OCCUPANCY COST	1,758,500	1,425,500	1,465,417	39,917	2.72	-	1,433,151	(7,651)	
PRINTING & REPRODUCTION	91,100	52,471	75,918	23,447	30.88	11,304	50,480	1,991	
OTHER OPERATING EXPENSES	843,400	568,197	702,834	134,637	19.16	16,772	567,685	512	
CAPITAL EXPENDITURES	388,700	63,360	323,917	260,557	80.44	-	487,500	(424,140)	
TOTAL	\$19,445,600	13,178,448	16,204,666	3,026,218	18.67	\$119,180	14,168,296	(989,848)	

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE TENTH MONTH OF FY 2012 - PERIOD ENDING JULY 31, 2012
MANAGEMENT GRANTS & OVERSIGHT CONTINGENCY FUNDS

BUDGET CATEGORY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ANNUAL BUDGET	ACTUAL	TENTH MONTH BUDGET	FISCAL YEAR 2012		ENCUM- BRANCES	COMPARATIVE	
				VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)		PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
TOTAL COMP./BENEFITS	\$420,000	-	350,000	350,000		-	-	-
TEMP. EMPLOYEE PAY	-	-	-	-		-	-	-
CONSULTING	-	-	-	-		-	-	-
TRAVEL/TRANSPORTATION EXPS	-	-	-	-		-	-	-
COMMUNICATIONS	-	-	-	-		-	-	-
OCCUPANCY COST	-	-	-	-		-	-	-
PRINTING & REPRODUCTION	-	-	-	-		-	-	-
OTHER OPERATING EXPENSES	1,730,356	-	1,441,963	1,441,963		-	-	-
CAPITAL EXPENDITURES	-	-	-	-		-	-	-
TOTAL	\$2,150,356	-	1,791,963	1,791,963		\$0	-	-

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LEGAL SERVICES CORPORATION
OPERATING EXPENSES FOR FISCAL YEAR 2012
FOR THE TENTH MONTH OF FY 2012 - PERIOD ENDING JULY 31, 2012
MANAGEMENT AND GRANTS OVERSIGHT

BUDGET CATEGORY	BOARD OF DIRECTORS	EXECUTIVE OFFICE	LEGAL AFFAIRS	GOV'T REL PUBLIC AFFS	HUMAN RESOURCES	OFFICE FINANCIAL & ADMIN SRVCS
COMPENSATION & BENEFITS	-	445,866	782,287	635,579	521,845	746,582
TEMPORARY EMPLOYEE PAY	-	-	10,900	-	14,390	-
CONSULTING	132,689	-	145,945	2,128	19,959	-
TRAVEL/TRANSPORTATION EXPS	112,401	18,348	9,696	10,566	1,520	8,017
COMMUNICATIONS	2,777	3,042	3,070	2,729	1,758	17,999
OCCUPANCY COST	-	-	-	-	-	1,425,000
PRINTING & REPRODUCTION	-	-	-	3,506	-	48,965
OTHER OPERATING EXPENSES	31,244	255	18,295	21,295	30,331	258,517
CAPITAL EXPENDITURES	-	-	-	-	-	6,613
TOTAL	\$279,111	\$467,511	\$970,193	\$675,803	\$589,803	\$2,511,693
BUDGET CATEGORY	INFORMATION TECHNOLOGY	PROGRAM PERFORMANCE	INFORMATION MANAGEMENT	COMPLIANCE & ENFORCEMENT	CONTINGENCY	TOTAL MGT & GRANTS OVERSIGHT
COMPENSATION & BENEFITS	842,124	2,642,876	474,707	2,528,815	-	9,620,681
TEMPORARY EMPLOYEE PAY	-	188,580	-	118,024	-	331,894
CONSULTING	97,884	32,500	-	10,725	-	441,830
TRAVEL/TRANSPORTATION EXPS	22,799	226,025	-	183,795	-	593,167
COMMUNICATIONS	28,317	13,184	23	8,449	-	81,348
OCCUPANCY COST	-	500	-	-	-	1,425,500
PRINTING & REPRODUCTION	-	-	-	-	-	52,471
OTHER OPERATING EXPENSES	171,127	18,642	18,418	73	-	568,197
CAPITAL EXPENDITURES	56,747	-	-	-	-	63,360
TOTAL	\$1,218,998	\$3,122,307	\$493,148	\$2,849,881	\$0	\$13,178,448

OTHER OPERATING EXPENSES FOR THE MONTH OF JULY 2012

ANNUAL BUDGET	ACTUAL	10-MONTH BUDGET	VARIANCE
\$843,400.00	568,197.00	702,834.00	134,637.00

ACCOUNT CODES	DESCRIPTION	COST CENTERS	YTD EXPENSE
		BOARD OF DIRECTORS	16,944.18
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	298.56
		FINANCIAL & ADMIN SERVICES	16,677.40
		INFORMATION TECHNOLOGY	102,064.16
5600	EQUIPMENT RENTAL	TOTAL	135,984.30
		LEGAL AFFAIRS	69.69
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	1,256.99
		FINANCIAL & ADMIN SERVICES	48,367.03
		INFORMATION TECHNOLOGY	8,318.15
		PROGRAM PERFORMANCE	860.00
		INFORMATION MANAGEMENT	1,231.12
5610	OFFICE SUPPLIES	TOTAL	60,102.98
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	440.33
		HUMAN RESOURCES	388.66
		FINANCIAL & ADMIN SERVICES	3,774.74
		INFORMATION TECHNOLOGY	13,947.28
5611	OFFICE EQUIPMENT	TOTAL	18,551.01
		OFAS / MAIL & REPROGRAPHICS	131,560.51
5620	COMMERICAL INSURANCE	TOTAL	131,560.51
		LEGAL AFFAIRS	17,100.00
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	62.95
		HUMAN RESOURCES	9,440.00
		FINANCIAL & ADMIN SERVICES	21,967.55
		INFORMATION TECHNOLOGY	45,807.73
		INFORMATION MANAGEMENT	1,099.86
5640	DATA PROCESSING	TOTAL	95,478.09

OTHER OPERATING EXPENSES FOR THE MONTH OF JULY 2012

ANNUAL BUDGET	ACTUAL	10-MONTH BUDGET	VARIANCE
\$843,400.00	568,197.00	702,834.00	134,637.00

ACCOUNT CODES	DESCRIPTION	COST CENTERS	YTD EXPENSE
		BOARD OF DIRECTORS	13,616.00
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	5,185.19
		HUMAN RESOURCES	11,316.50
		PROGRAM PERFORMANCE	15,534.29
5650	ADVERTISING & CLIPPING SERVICES	TOTAL	45,651.98
		EXECUTIVE OFFICE	255.00
		LEGAL AFFAIRS	765.00
5660	DUES & MEMBERSHIPS	TOTAL	1,020.00
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	13,784.79
		HUMAN RESOURCES	3,450.32
		FINANCIAL & ADMIN SERVICES	756.15
		INFORMATION TECHNOLOGY	380.00
		PROGRAM PERFORMANCE	1,160.24
		INFORMATION MANAGEMENT	11,114.62
		COMPLIANCE & ENFORCEMENT	62.70
5670	SUBSCRIPTIONS	TOTAL	30,708.82
		HUMAN RESOURCES	3,301.81
		FINANCIAL & ADMIN SERVICES	26,899.24
5680	EMPLOYEE LECTURES/OTHER ACTIVITIES	TOTAL	30,201.05
		BOARD OF DIRECTORS	684.14
		LEGAL AFFAIRS	360.30
		GOVERNMENT RELATIONS/PUBLIC AFFAIRS	266.00
		HUMAN RESOURCES	2,433.46
		FINANCIAL & ADMIN SERVICES	8,514.24
		INFORMATION TECHNOLOGY	610.00
		PROGRAM PERFORMANCE	1,087.47
		INFORMATION MANAGEMENT	4,971.99
		COMPLIANCE & ENFORCEMENT	10.00
5690	OFFICE EXPENSES	TOTAL	18,937.60
TOTAL OTHER OPERATING EXPENSES			\$568,196.34

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE TENTH MONTH OF FY 2012 - PERIOD ENDING JULY 31, 2012
INSPECTOR GENERAL

BUDGET CATEGORY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	ANNUAL BUDGET	ACTUAL	TENTH MONTH BUDGET	VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)	ENCUMBRANCES	PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)	
		FISCAL YEAR 2012						COMPARATIVE	
TOTAL COMP./BENEFITS	\$3,954,400	3,153,195	3,295,333	142,138	4.31	-	2,943,522	209,673	
TEMP. EMPLOYEE PAY	40,000	22,647	33,333	10,686	32.06	-	6,166	16,481	
CONSULTING	619,850	210,615	516,542	305,927	59.23	207,540	91,338	119,277	
TRAVEL/TRANSPORTATION EXPS	385,000	176,194	320,833	144,639	45.08	22,000	144,843	31,351	
COMMUNICATIONS	34,050	16,021	28,375	12,354	43.54	-	14,456	1,565	
OCCUPANCY COST	6,000	-	5,000	5,000	100.00	-	1,007	(1,007)	
PRINTING & REPRODUCTION	10,100	6,985	8,417	1,432	17.01	-	7,594	(609)	
OTHER OPERATING EXPENSES	81,355	37,802	67,796	29,994	44.24	-	45,317	(7,515)	
CAPITAL EXPENDITURES	200,000	108,766	166,667	57,901	34.74	26,000	74,677	34,089	
TOTAL	\$5,330,755	3,732,225	4,442,296	710,071	15.98	\$255,540	3,328,920	403,305	

LEGAL SERVICES CORPORATION
FINANCIAL REPORT BY BUDGET CATEGORY
FOR THE TENTH MONTH OF FY 2012 - PERIOD ENDING JULY 31, 2012
INSPECTOR GENERAL CONTINGENCY FUNDS

BUDGET CATEGORY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	ANNUAL BUDGET	ACTUAL	TENTH MONTH BUDGET	FISCAL YEAR 2012		ENCUM- BRANCES	COMPARATIVE	
				VARIANCE BUD VS ACT UNDER / (OVER)	% OF VARIANCE UNDER / (OVER)		PRIOR Y-T-D ACTUAL	VARIANCE ACTUAL VS PRIOR Y-T-D INCR / (DECR)
TOTAL COMP./BENEFITS	-	-	-	-	-	-	-	-
TEMP. EMPLOYEE PAY	-	-	-	-	-	-	-	-
CONSULTING	-	-	-	-	-	-	-	-
TRAVEL/TRANSPORTATION EXPS	-	-	-	-	-	-	-	-
COMMUNICATIONS	-	-	-	-	-	-	-	-
OCCUPANCY COST	-	-	-	-	-	-	-	-
PRINTING & REPRODUCTION	-	-	-	-	-	-	-	-
OTHER OPERATING EXPENSES	\$1,100,798	-	917,332	917,332	-	-	-	-
CAPITAL EXPENDITURES	-	-	-	-	-	-	-	-
TOTAL	\$1,100,798	-	917,332	917,332	-	\$0	-	-

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FINANCIAL & ADMINISTRATIVE SERVICES

MEMORANDUM

TO: Robert J. Grey, Finance Committee Chairman

FROM: David L. Richardson, Treasurer/Comptroller *dlr*

DATE: September 19, 2012

SUBJECT: Fiscal Year (FY) 2013 Proposed Temporary Operating Budget (TOB)

Each October, Management provides a proposed TOB to the Board of Directors for consideration. The base funding amounts are provided by the Continuing Resolution, which includes \$350,129,760 for LSC and \$2,726,363 for the U.S. Court of Veterans Appeals. A projection of FY 2012 carryover of \$10,032,899 is also included which brings the TOB to a total of \$360,889,022.

Attachment A presents a breakdown of the TOB by budget line in four columns.

Column 1 presents the funds from the FY 2013 Continuing Resolution;
Column 2 provides an estimate of the FY 2012 Carryover;
Column 3 shows the FY 2013 Court of Veterans Appeals Grant; and
Column 4 combines columns 1 through 3.

The following is a description of how the projected TOB is allocated.

The Basic Field Grant funds are distributed based on the funding formula provided in the appropriation. A competitive process for approximately one-third of the service areas is undertaken each year. In most instances, grantees receive multi-year grants subject to continued appropriations. Basic Field carryover funds are set aside to support one service area, America Samoa, which does not currently have a grantee.

The US Court of Veterans Appeals Grant is also awarded based on a competitive process, and a multi-year grant is issued subject to continued funding. Some of the carryover funds in this category will be used to support the grant administrative costs.

Grants From Other Funds are carryover funds that LSC receives from grant recoveries and are used to provide emergency and special one-time grants.

The Technology Initiatives budget line is for grants to be awarded for special projects involving the improvement of access to justice through technology following a competitive process.

The Management and Grants Oversight (MGO) budget is created by the Office Directors under the direction and with the approval of the President. Attachment B presents a summary of the resulting budgets. Key areas of the proposed budget for MGO include the following items:

- 5 three-day board meetings, 2 to be held in Washington, D.C. and 3 at other sites.
- Board of Directors – Funds are budgeted for 36 guests to attend the 5 board meetings and for all 11 board members to take a total of 25 trips while attending to LSC business.
- 106 full time staff employees in MGO detailed as follows:

	Current Staffing	2013 Projected Staffing
Executive Office	5	7
Legal Affairs	6	7
Government Relations/Public Affairs	6	7
Human Resources	6	6
Financial and Administrative Services	9	9
Information Technology	8	9
Program Performance	24	28
Information Management	5	5
Compliance and Enforcement	22	28
Totals	91	106

We currently have 91 full time staff members and 15 open positions. The 15 open positions include:

Executive Office – Chief Development Officer and an Administrative Assistant;

Legal Affairs – Assistant General Counsel;

Government Relations/Public Affairs – Web Content Manager;

Information Technology – Chief Information Officer;

Program Performance – Deputy Director, Program Counsel III, Research Analyst II , and a Program Analyst I; and

Compliance and Enforcement – Deputy Director, four Fiscal Oversight Analysts, and an Administrative Assistant.

- Executive Office – \$91,500 for travel, which includes 12 speaking engagements, grantee travel to Washington for training, and travel for one emerging-issues working group.
- Legal Affairs – \$250,000 in the consulting budget line for outside counsel.
- Government Relations/Public Affairs – The consulting budget is \$41,500, of which \$40,000 is for further reconstruction of the website.
- Human Resources – Consulting costs of \$85,400 includes new expenses of \$30,000 for a compensation survey in support of collective bargaining negotiations and \$23,100 for employee training.
- Financial and Administrative Services – The budget includes funds for occupancy costs of \$1,720,000, of which \$1,710,000 is for lease payments and \$10,000 is for maintenance; other operating expenses totaling \$372,000 is to fund expenses for office equipment rental and maintenance, office supplies and equipment, outside payroll services, bank service charges, commercial insurance coverage, and directors' and officers' insurance; and capital expenditures of \$50,000 is for equipment and furniture replacements.
- Information Technology – Other operating expenses for \$332,900 consists of the maintenance of computer systems and yearly software renewal fees; capital expenditures for \$101,250 are for new computers, servers and software.

- Office of Program Performance – OPP will continue to invest resources in program quality visits, capability assessment visits, training and other projects for program support. These initiatives are supported by temporary employees with an estimated cost of \$302,750. The travel budget totaling \$313,025 supports travel for staff and temporary employees. There are 52 program visits planned that will utilize a total of 605 person days.
- Compliance and Enforcement – OCE has budgeted for on-site reviews supported by temporary employees with estimated costs of \$276,100 and travel totaling \$444,800. There are 32 program visits planned that will utilize a total of 1,120 person days.
- Research Initiative – The balance of the Public Welfare Foundation funding totaling \$287,073 will be used to research and improve LSC's data collection systems and to will help grantees improve their own data collection and better manage their operations.
- Contingency Funds – Funds totaling \$2,799,517 have been set aside for future Corporation needs, including possible hiring and staffing reconfigurations to implement the recommendations of the Fiscal Oversight Task Force.

The following budget information is provided by the Office of Inspector General.

The statutorily independent OIG's FY 2013 TOB funds the executive, audit, investigative, management and evaluation and legal review functions required by the Inspector General Act. The budget is based on a \$4,225,704 base and a projected \$1,800,000 in carryover. Key budget areas include:

1. Quantity controls reviews of selected independent public accountants work in performing the annual audits of the LSC grantees at a cost of \$260,000 (in consulting and travel lines).
2. Information management support and systems upgrade to better support OIG's internal communications and disaster readiness budgeted at \$230,000 (in consulting, other operating and capital budget lines).
3. As mandated by the IG Act, the OIG has budgeted \$13,800 to fund the Council of Inspectors General on Integrity and Efficiency and \$60,000 for staff training.
4. Contingency Funds of \$525,704 have been set aside as part of the multiyear OIG budget planning.

Robert J. Grey
FY 2013 TOB
Page 5 of 5

This TOB allows the OIG's work plan to remain flexible and can accommodate additional independent and objective reviews as requested by the Board or the Congress.

Attached is a draft TOB resolution for your consideration along with two supporting worksheets, 1) the Temporary Operating Budget Worksheet and 2) the budget by office and by budget category. If you have any questions regarding the proposed MGO budget, give me a call at (202) 295-1510. Questions regarding the Office of Inspector General's budget should be directed to Jeffrey Schanz (202) 295-1677 or David Maddox (202) 295-1653.

Attachments



BOARD OF DIRECTORS

Legal Services Corporation
America's Partner For Equal Justice

RESOLUTION

TEMPORARY OPERATING BUDGET AND SPECIAL CIRCUMSTANCE OPERATING AUTHORITY FOR FISCAL YEAR 2013

WHEREAS, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) has reviewed information regarding the status of the Fiscal Year (FY) 2013 appropriation, the U.S Court of Veterans Appeals grant, and the projected FY 2012 carryover. The projected funds available for the Temporary Operating Budget (TOB) include:

- 1) a FY 2013 Continuing Resolution funding totaling \$350,129,760;
- 2) U.S. Court of Veterans Appeals Funds totaling \$2,726,363;
- 3) carryover in the amount of \$10,032,899, which is comprised of:
 - a. Basic Field Programs of \$833,865;
 - b. U.S. Court of Veterans Appeals of \$1,000;
 - c. Grants from Other Funds of \$519,138;
 - d. Technology Initiatives of \$100,000;
 - e. Herbert S. Garten Loan Repayment Assistance Program of \$1,628,896;
 - f. Management and Grants Oversight of \$5,150,000; and
 - g. Office of Inspector General of \$1,800,000; and

WHEREAS, Management and the Inspector General recommend that a TOB be adopted reflecting the projected funds available; and

NOW, THEREFORE, BE IT RESOLVED THAT, that the Board hereby adopts a TOB for FY 2013 totaling \$362,889,022 of which \$331,974,262 is for the *Delivery of Legal Assistance*; \$2,635,016 is for the *Herbert S. Garten Loan Repayment Assistance Program*; \$22,254,040 is for *Management Grants Oversight*; and \$6,025,704 is for the *Office of Inspector General*; all as reflected in the attached documents, and

BE IT FURTHER RESOLVED THAT the Board hereby authorizes Management, in consultation with the Chairman of the Board and Chairman of the Finance Committee, to increase or decrease the annual grants awards, as necessary, in reaction to the FY 2013 appropriation.

Adopted by the Board of Directors
on October 2, 2012

John G. Levi
Chairman

Victor M. Fortuno
*Vice President for Legal Affairs,
General Counsel & Corporate Secretary*

LEGAL SERVICES CORPORATION
PROPOSED TEMPORARY OPERATING BUDGET

FOR THE FISCAL YEAR 2013

	(1)	(2)	(3)	(4)
	FY 2013 CONTINUING RESOLUTION FUNDING -----	FY 2012 PROJECTED CARRYOVER -----	COURT OF VETS APPEALS & ADJUSTMENTS -----	FY 2013 TEMPORARY OPERATING BUDGET -----
I. DELIVERY OF LEGAL ASSISTANCE -----				
1. Basic Field Programs	324,373,088	833,865	-	325,206,953
2. U.S. Court of Veterans Appeals Funds	-	1,000	2,726,363	2,727,363
3. Grants From Other Funds	-	519,138	-	519,138
4. Technology Initiatives	3,420,808	100,000	-	3,520,808
	-----	-----	-----	-----
DELIVERY OF LEGAL ASSISTANCE TOTALS	327,793,896	1,454,003	2,726,363	331,974,262
II. HERBERT S. GARTEN				
LOAN REPAYMENT ASSISTANCE PROGRAM	1,006,120	1,628,896	-	2,635,016
III. MANAGEMENT & GRANTS OVERSIGHT -----				
1. M & G O Operations	17,104,040	2,063,410	-	19,167,450
2. M & G O Research Initiative	-	287,073	-	287,073
3. M & G O Contingency Funds	-	2,799,517	-	2,799,517
	-----	-----	-----	-----
MANAGEMENT & GRANTS OVERSIGHT TOTALS	17,104,040	5,150,000	-	22,254,040
IV. INSPECTOR GENERAL -----				
1. IG Operations	4,225,704	1,274,296	-	5,500,000
2. IG Contingency Funds	-	525,704	-	525,704
	-----	-----	-----	-----
INSPECTOR GENERAL TOTALS	4,225,704	1,800,000	-	6,025,704
	-----	-----	-----	-----
TOTAL BUDGET	\$350,129,760	\$10,032,899	2,726,363	\$362,889,022
	====50=====	=====	=====	=====

**LEGAL SERVICES CORPORATION
PROPOSED TEMPORARY OPERATING BUDGET
FOR MANAGEMENT AND GRANTS OVERSIGHT
AND INSPECTOR GENERAL
FOR FISCAL YEAR 2013**

<u>BUDGET CATEGORY</u>	<u>BOARD OF DIRECTORS</u>	<u>EXECUTIVE OFFICES</u>	<u>LEGAL AFFAIRS</u>	<u>GOVERNMENT RELATIONS & PUB AFFS</u>	<u>HUMAN RESOURCES</u>	<u>OFFICE FINANCIAL & ADMIN SRVCS</u>
COMPENSATION & BENEFITS	0	967,700	966,750	938,850	706,700	1,000,600
TEMP. EMPLOYEE PAY	0	0	14,550	22,100	7,500	10,100
CONSULTING	133,200	0	250,000	41,500	85,400	0
TRAVEL & TRANSPORTATION	240,600	91,500	16,400	25,825	45,100	16,200
COMMUNICATIONS	6,000	6,900	5,350	3,600	2,600	19,700
OCCUPANCY COSTS	0	0	0	0	0	1,720,000
PRINTING & REPRODUCTION	0	100	0	7,000	0	85,000
OTHER OPERATING EXPENSES	48,100	400	23,650	30,025	27,400	372,000
CAPITAL EXPENDITURES	0	0	0	0	0	50,000
TOTAL	<u>427,900</u>	<u>1,066,600</u>	<u>1,276,700</u>	<u>1,068,900</u>	<u>874,700</u>	<u>3,273,600</u>

<u>BUDGET CATEGORY</u>	<u>INFORMATION TECHNOLOGY</u>	<u>PROGRAM PERFORM</u>	<u>INFORMATION MANGEMENT</u>	<u>COMPLIANCE & ENFORCE</u>	<u>MGT & GRNTS OVERSIGHT</u>	<u>INSPECTOR GENERAL</u>
COMPENSATION & BENEFITS	1,102,200	3,637,075	562,850	3,722,800	13,605,525	4,363,500
TEMP. EMPLOYEE PAY	0	302,750	0	276,100	633,100	25,000
CONSULTING	79,600	85,000	0	50,000	724,700	550,000
TRAVEL & TRANSPORTATION	30,650	313,025	5,000	444,800	1,229,100	321,600
COMMUNICATIONS	40,400	21,100	100	16,700	122,450	28,000
OCCUPANCY COSTS	0	2,100	0	0	1,722,100	4,000
PRINTING & REPRODUCTION	0	0	0	0	92,100	12,000
OTHER OPERATING EXPENSES	332,900	20,550	30,900	1,200	887,125	100,900
CAPITAL EXPENDITURES	101,250	0	0	0	151,250	95,000
TOTAL	<u>1,687,000</u>	<u>4,381,600</u>	<u>598,850</u>	<u>4,511,600</u>	<u>19,167,450</u>	<u>5,500,000</u>

**Governance & Performance
Committee**

GOVERNANCE AND PERFORMANCE REVIEW COMMITTEE

September 30, 2012

Agenda

OPEN SESSION

1. Approval of agenda
2. Approval of minutes of the Committee's meeting of July 27, 2012
3. Staff report on progress in implementing GAO recommendations
4. Report on Public Welfare Foundation grant
 - Presentation by Jim Sandman
5. Consider and act on other business
6. Public comment
7. Consider and act on motion to adjourn meeting

Legal Services Corporation

Meeting of the Governance & Performance Review Committee

Open Session

Friday, July 27, 2012

DRAFT MINUTES

Chair Martha L. Minow convened an *open session* meeting of the Legal Services Corporation's ("LSC") Governance & Performance Review Committee ("the Committee") at 8:45 a.m. on Friday, July 27, 2012. The meeting was held at the Sheraton Ann Arbor Hotel, 3200 Boardwalk Street, Ann Arbor, MI 48108.

The following Committee members were present:

Martha L. Minow, Chair
Sharon L. Browne
Charles N.W. Keckler
Julie A. Reiskin
John G. Levi, *ex officio*

Other Board Members Present:

Robert J. Grey, Jr.
Victor B. Maddox
Laurie Mikva
Father Pius Pietrzyk
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Richard L. Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Jeffrey E. Schanz	Inspector General, Office of the Inspector General
Joel Gallay	Special Counsel to the Inspector General, Office of the Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Carol Bergman	Director, Office of Government Relations and Public Affairs
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs
Glenn Rawdon	Program Counsel, Office of Program Performance
Kenneth Penokie	Executive Director, Legal Services of Northern Michigan
Mary Kavanaugh-Gahn	Deputy Director, Legal Services of Northern Michigan
Colleen Cotter	Executive Director, Cleveland Legal Aid
Herbert S. Garten	Non-Director Member, LSC Institutional Advancement Committee
Allan Tanenbaum	Non-Director Member, LSC Finance Committee
Chuck Greenfield	National Legal Aid and Defender Association (NLADA)
Don Saunders	National Legal Aid and Defender Association (NLADA)
Terry Brooks	American Bar Association

The following summarizes actions taken by, and presentations made to, the Committee:

Chair Minow called the open session meeting to order.

MOTION

Ms. Reiskin moved to approve the agenda. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Ms. Reiskin moved to approve the minutes of the Committee's April 15, 2012 meeting.

Mr. Keckler seconded the motion. The motion was treated as approved.

Ms. Bergman gave a report on the certification letter regarding the GAO 2007 recommendations, which was sent to the House and Senate Appropriations Committees. She also provided an update on the progress in implementing GAO recommendations. Ms. Bergman answered Committee members' questions.

There was no other business to consider.

Chair Minow invited public comment and received none.

MOTION

Chairman Levi moved to adjourn the meeting. Ms. Reiskin seconded the motion.

The open session meeting of the Committee adjourned at 9:00 a.m.

**GAO Recommendations from June 2010 Report
 “Improvements Needed in Controls over Grant Awards & Grantee Program Effectiveness”**

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
1	Develop and implement procedures to provide a complete record of all data used, discussions held, and decisions made on grant applications.	Accepted	<p>June 2010</p> <p>August 2010</p> <p>June 2010</p>	<p>Real time observation of LSC Grants</p> <p>Real time observation of LSC Grants</p> <p>Real time observation of LSC Grants</p>	<p>Changes to the LSC Grants software program have been implemented and include:</p> <ul style="list-style-type: none"> • The home page of the LSC Grants review module has been revised to include a listing of grant documents that must be reviewed (if applicable). The final page of the review module requires the reviewer to certify, by entering the reviewer’s name, that all applicable grant documents have been reviewed in completing the grant application evaluation. • LSC grants includes a page for OPP management to use in certifying the meeting(s) held with staff reviewers to discuss data used in the evaluation process, the reviewer’s recommendations, and management’s final funding recommendation for the grant applicant. • The evaluation module of LSC grants is modified to designate certain reviewer data fields as required, which prohibits a reviewer from submitting an application evaluation that is incomplete. As an example, the field that reviewers use to certify that all required grant documents have been reviewed is a required field. Also, data fields linked to particular responses provided in other data fields are designated as required fields. 	<p>Dec. 2011: GAO reviewed the changes to LSC grants in a follow-up visit and is currently in the process of formally closing out this recommendation.</p>

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
2	Develop and implement procedures to carry out and document management's review and approval of the grant evaluation and award decisions.	Accepted	December 2010	Real time observation of LSC Grants	<p>The following changes were incorporated for the 2011 grant decision cycle:</p> <ul style="list-style-type: none"> • LSC grants has been revised to include a page for the LSC Vice President for Programs and Compliance and a page for the LSC President to use in certifying the meeting(s) held with OPP and OCE management to discuss the evaluation process, and OPP and OCE management recommendations. • The Vice President's page includes a funding recommendation for the grant Applicant and the President's page includes a line for certifying the funding decision for each Applicant. Funding decisions were completed in December 2010. 	Dec. 2011: GAO reviewed the changes to LSC grants in a follow-up visit and is currently in the process of formally closing out this recommendation.
3	Conduct and document a risk-based assessment of the adequacy of internal control of the grant evaluation and award and monitoring process from the point that the Request for Proposal is created through award, and grantee selection.	Accepted	Ongoing.	Documentation of the risk based internal control assessment of the process and any related risk remediation efforts.	<p>LSC has engaged an outside expert to develop and perform a full evaluation and assessment of the competitive grants process.</p> <p>This includes conducting a risk-based assessment of the internal control of the grant evaluation, award, and monitoring process; recommendations of additional internal control options; recommendations for maximizing information reporting capabilities; and a report on internal controls and options implemented.</p>	September 2012: Contract for consultant services entered into Sept 2012 with L&L Consulting Services to assess the effectiveness of LSC's controls in its grant-making processes. Final report expected by Oct 31 st .

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
4	Conduct and document a cost benefit assessment of improving the effectiveness of application controls in LSC Grants such that the system's information capabilities could be utilized to a greater extent in the grantee application evaluation and decision-making process.	Accepted	November 2010	<p>Cost benefits assessment.</p> <p>Real time observation of the required fields, certs etc. in LSC Grants</p> <p>Evidence of the continuous internal evaluation by staff.</p>	<p>LSC implemented the use of the required fields, certifications required by reviewers documenting the review process, and certifications by management and the Executive Office documenting the process for reaching final funding recommendations and funding decisions.</p> <p>LSC Grants will undergo a continuous internal evaluation by staff and management to assess the effectiveness of the control features implemented, and consider additional control feature options.</p>	<p>Dec. 2011: GAO reviewed the changes to LSC grants in a follow-up visit and is currently in the process of formally closing out this recommendation.</p>
	Grantee Oversight Activities					
5	Develop and implement procedures to ensure that grantee site visit selection risk criteria are consistently used and to provide for summarizing results by grantee.	Accepted	August 16, 2010	Evidence of outside labor counsel review and implementation.	OPP and OCE Manuals have been revised to include procedures for risk criteria used for selecting grantee site visit. Also, both offices have developed summarized results of the selection process by grantee. Outside labor counsel has reviewed LSC's response.	<p>September 2012: GAO in process of formal close out.</p>
6	Establish and implement procedures to monitor OCE grantee site visit report completion against the 120 day time frame provided in the OCE Procedures Manual.	Accepted	April 2012	Evidence of outside labor counsel review and implementation.	OCE has developed an annual tracking document that includes comprehensive information on grantee site visits, and reporting date and issuance (OCE/OPP combined visit list). Outside labor counsel has reviewed LSC's response.	<p>September 2012: GAO in process of formal close out.</p>

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
7	Execute a study to determine an appropriate standard timeframe for OLA opinions to be developed and issued. Develop and implement procedures to monitor completion of OLA opinions related to OCE site visits against the target time frame for issuing opinions.	Accepted	August 20, 2010	Copy of study and new OLA Opinions Protocol. Also, evidence of implementation of the new protocol.	Office of Legal Affairs (OLA) issued a new Opinions Protocol that sets forth the procedures and processes to be followed in the development and issuance of both Advisory and Internal Opinions. As part of this effort, OLA implemented appropriate timeframes for response to requests for opinions.	Dec. 2011: GAO in process of formal close out.
8	Develop and implement procedures to provide a centralized tracking system for LSC's recommendations to grantees identified during grantee site visits and the status of grantees' corrective actions.	Accepted	August 2011	Evidence of procedures and implementation of the centralized tracking system for LSC recommendations.	Both OPP and OCE currently monitor recommendations and corrective actions through separate processes in each office. LSC has implemented a method of monitoring the status of top tier recommendations from OPP program quality visits in LSC Grants. The system requires grantees to discuss the status of the implementation of the report recommendations in their annual competition or renewal application submissions to LSC.	Dec. 2011: GAO in process of formal close out.
Performance Management						
9	Develop and implement procedures to link performance measures (1) to specific offices and their core functions and activities, and (2) to LSC's strategic goals and objectives.	Accepted	Ongoing	Evidence of procedures and sustainable implementation.	<p>The LSC Board of Directors has developed a new strategic plan for the Corporation which will include linking performance measures to LSC's strategic goals and objectives.</p> <p>LSC is in process of revising its employee performance evaluation system and currently reviewing all position descriptions to link to strategic goals and objectives. Revisions will be discussed with the union.</p>	September 2012: LSC in process of evaluating all staff Job Analysis Questionnaires and position descriptions as part of a new performance management system.
10	Develop and implement procedures for periodically assessing performance measures to ensure they are up-to-date.	Accepted	Ongoing	Evidence of implementation.	LSC will develop and implement procedures to periodically assess performance measures after a new strategic plan is finalized.	Sept 2012: Awaiting final implementation of new strategic plan.

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
	Staffing Needs Assessment					
11	Develop and implement procedures to provide for assessing all LSC component staffing needs in relation to LSC's strategic and strategic human capital plans.	Accepted	Ongoing	Evidence of procedures and their sustainable implementation.	LSC will develop and implement a human capital plan consistent with the new strategic goals the Board adopts.	September 2012: LSC in process of evaluating all staff Job Analysis Questionnaires and position descriptions as part of a new performance management system.
12	Develop and implement a mechanism to ensure that all LSC staff receives annual performance assessments.	Accepted	Ongoing	Evidence of procedures and their sustainable implementation e.g., most recent actual performance assessments for all OPP and OCE employees. Also list of OPP and OCE staff on board at time of performance assessment cycle.	LSC is in the process of developing a new performance appraisal system and aims to conduct staff performance assessments covering 2012. Since the GAO requires two consecutive years of performance appraisals to close out the recommendation, expected completion date 2015.	September 2012: LSC in process of evaluating all staff Job Analysis Questionnaires and position descriptions as part of a new performance management system.
	Budget Controls					
13	Develop and implement a process to monitor contract approvals to ensure that all proposed contracts are properly approved before award.	Accepted	October 2009	Evidence of process design and implementation.	Recommendation completed. LSC implemented new Administrative Manual procedures to better monitor contract approvals and ensure that funds are available and all contracts receive appropriate approvals prior to issuance. This policy and practice was in place prior to GAO's completing their fieldwork for this report, and a review of LSC's practices since October 1, 2009 will show that the procedures are being followed and all contracts are now being properly approved.	Closed by GAO (10/13/2011)

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
14	Develop and implement procedures for contracts at or above established policy thresholds, to ensure the LSC President provides written approval in accordance with policy before contract award.	Accepted	October 2009	Evidence of procedures and their implementation.	<p>Recommendation completed. LSC implemented new Administrative Manual procedures to better monitor contract approvals and ensure that funds are available and all contracts receive appropriate approvals prior to issuance.</p> <p>This policy and practice was in place prior to GAO's completing their fieldwork for this report, and a review of LSC's practices since October 1, 2009 will show that the procedures are being followed and all contracts are now being properly approved.</p>	Closed by GAO (10/13/2011)
15	Develop and implement procedures to ensure budget funds are available for all contract proposals before contracts are awarded.	Accepted	October 2009	Evidence of sustainable implementation.	<p>Recommendation completed. LSC implemented new Administrative Manual procedures to better monitor contract approvals and ensure that funds are available and all contracts receive appropriate approvals prior to issuance.</p> <p>This policy and practice was in place prior to GAO's completing their fieldwork for this report, and a review of LSC's practices since October 1, 2009 will show that the procedures are being followed and all contracts are now being properly approved.</p>	Closed by GAO (10/13/2011)

No.	Grant Application Processing and Award	LSC Response	Date Documentation Submitted to GAO	Proposed Evidence Needed by GAO (Col. Added by GAO)	LSC Implementation	Current Status
	Internal Control Environment					
16	Develop and implement procedures for providing and periodically updating training for LSC management and staff on applicable internal controls necessary to effectively carry out LSC's grant award and grantee performance oversight responsibilities.	Accepted	Ongoing	Evidence demonstrating implementation of procedures for providing and periodically updating training for LSC management and staff on applicable internal controls necessary to effectively carry out LSC's grant award and grantee performance oversight.	LSC developed training procedures for LSC management and staff regarding internal controls to carry out grant award competition and grantee oversight responsibilities. LSC management received first of a 3-part training series on this topic on September 6, 2012. Second session scheduled for October.	September 2012: In final negotiations with GAO to close out recommendation.
17	Establish a mechanism to monitor progress in taking corrective actions to address recommendations related to improving LSC grants award, evaluation, and monitoring.	Accepted	October 2010	Evidence of implementation of the monitoring of corrective actions taken to address recommendations related to improving LSC grant award.	LSC has established a formal process to monitor and track actions taken by LSC in response to recommendations from the Government Accountability Office. This written procedure identifies the Office of Government Relations and Public Affairs as the office responsible for maintaining the tracking system and includes quarterly reporting on the status of any remediation efforts to the Board of Directors.	Dec. 2011: GAO in process of formal close out.

Total Number of Recommendations: 17
 Total Number in Process of Closure by GAO: 11
 Total Number of Open Items: 6

Operations & Regulations Committee

OPERATIONS & REGULATIONS COMMITTEE

September 30, 2012

Agenda

Open Session

1. Approval of agenda
2. Consider and act on possible revisions to the Corporation's Bylaws for implementation of the Corporation's Continuation of Operations Plan ("COOP")
3. Consider and act on rulemaking on grant termination procedures, enforcement mechanisms, and suspension procedures
 - Mark Freedman, Senior Assistant General Counsel
 - Matthew Glover, Associate Counsel to the Inspector General
 - Public comment on this rulemaking
4. Public comment
5. Consider and act on other business
6. Consider and act on adjournment of meeting



Legal Services Corporation

Continuity of Operations Plan

Revised September 2012

Legal Services Corporation (LSC) Continuity of Operations Plan

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Executive Overview

A. Organization Description

The Legal Services Corporation (LSC or Corporation) was established by an Act of Congress in 1974 and is the nation's largest single funder of civil legal aid programs for people in poverty. LSC currently provides grants to 135 independent, non-profit legal aid programs serving every county in the United States and the territories as well. LSC's mission is to promote equal access to justice in the United States and to fund high quality civil legal assistance to low-income persons throughout the country. LSC is responsible for overseeing grantees' compliance with legal requirements and prohibitions, for ensuring grantees' maintenance of the highest quality of service and professional standards, and for ensuring that grants are made so as to provide the most economical and effective delivery of legal assistance.

B. Purpose

To accomplish its mission, LSC must ensure that its operations are performed efficiently, and with minimal disruption -- especially during an emergency. This document provides planning and guidance to ensure that LSC is capable of conducting its essential mission and functions under all threats and conditions. While the severity and consequences of an emergency cannot be predicted, effective contingency planning can minimize the impact on the Corporation's mission, personnel, and facility.

The overall purpose of LSC's Continuity of Operations Plan (COOP or Plan) is to ensure the continuity of the Corporation's Mission Essential Functions (MEF) and identified essential functions under all conditions. The current changing threat environment and recent emergencies, including acts of nature, accidents, technological emergencies, and military or terrorist attack-related incidents, have increased the need for viable continuity of operations capabilities and plans that enable organizations to continue their essential functions across a spectrum of emergencies. These conditions, coupled with the potential for terrorist use of weapons of mass destruction, have increased the importance of having continuity programs that ensure continuity of essential operational functions.

C. Applicability and Scope

The Corporation's COOP is designed to maintain operational activities during emergency/disaster events, and seeks to effectively minimize system outages and down times while providing the highest level of service possible until normal operations fully resume. This plan also is intended to facilitate the response and recovery process.

This document applies to a full range of circumstances, from a short-term, localized event to a long-enduring regional emergency that may impact various operations, and applies to natural disaster events as well as man-made threats.

Events and hazards referenced in this plan include natural events, as well as intentional and non-intentional man-made events that could adversely affect the ability of the Corporation to perform

its essential functions. Natural hazards are those where the occurrence is beyond the control of the Corporation, including earthquakes, floods, ice storms, winter weather, and external fires. Intentional man-made hazards are also beyond the direct control of the Corporation, and could include events such as external sabotage, and terrorism. Non-intentional man-made events, such as power outages, fires, explosions, equipment failures, or human errors may or may not be within the control of the Corporation. Any of these events could lead to loss of physical space, reduction in workforce, or loss of critical support services -- leading to the partial or complete activation of the COOP.

This Plan does not apply to temporary disruptions of service including minor IT system or power outages and any other scenarios where essential functions can be readily restored in the Corporation's Washington, DC facility.

D. Concept of Operations

In order to achieve its intended goals, a COOP must be maintained at a high level of preparedness and be ready for implementation with little or no warning. As such, LSC has developed a concept of operations, which describes the approach to implementing the COOP. The Plan can be fully implemented within twenty-four to forty-eight hours of activation and be capable of sustaining operations for up to thirty days. The broad objective of this COOP is to provide for the safety and well-being of the Corporation's employees, and enable continued operations during any crisis or event. Specific COOP objectives include the following:

- Protect life, health and safety; protect property; and return to normal or near normal operations as quickly as is feasible;
- Enable staff to perform essential functions;
- Identify essential personnel, back-up and supporting staff for relocation or for performance of essential functions; and
- Protect and maintain vital records, systems and equipment.

E. Planning Assumptions

This COOP is based on the following assumptions:

- A major emergency or COOP implementation triggering event could happen at any time.
- Emergencies or threatened emergencies may adversely affect LSC's ability to continue to support essential operations and to provide services or support to grantees or other constituents. The effect to the Corporation's continued delivery of services can include loss of physical space, reduction or loss of personnel, or loss of internal or external support services.
- Personnel and other resources from the Corporation and possibly other organizations outside the area affected by the emergency or threat would be made available, if required, to assist with essential operations.
- Mobile communications capabilities will be used in the interim to ensure direction and control of the COOP activation.
- An emergency condition may require immediate activation of the COOP.

F. Essential Functions

The Corporation's functions are categorized as follows:

- f* Category 1: Mission Critical – services that must remain operational at all times
- f* Category 2: Immediate Post-Incident – services that must be brought back on-line as soon as possible, and no later than 24 hours after an incident
- f* Category 3: Normal Services – services that need not be restored in full until the incident has passed and Category 1 and 2 services are operational.

Both Category 1 and 2 are considered essential functions. The positions necessary to carry out these functions, along with requisite support duties are listed in Annex A, Essential Functions.

The COOP is based on the principle that the critical mission of the Corporation is altered during emergency incidents to include the preservation of life, health and safety, the protection of property, and the return to normal or near normal operations as quickly as is feasible. It is understood that maintaining or quickly restoring communication is central to these emergency functions. The circumstances that determine the degree to which the general functions of the Corporation are curtailed or suspended are as follows:

- Loss of ability to provide for the health and safety needs of LSC's personnel;
- Loss of use of LSC's office space;
- Loss of power;
- Loss of telecommunications; and
- Loss or inaccessibility of information technology systems

When confronted with events which disrupt the normal operations, the Corporation will provide those essential functions which must be continued even under the most challenging emergency circumstances. The Corporation has identified as essential functions only those most critical activities which: ensure the safety and security of LSC's employees; support the maintenance and/or restoration of internal operations; and facilitate emergency response operations.

Essential functions are organized by area of responsibility. After addressing life and health safety concerns, the most critical system is the Corporation's internal and external communications systems. The Corporation has identified critical processes, services, systems, and equipment necessary to support each essential function, as well as key personnel required. The prioritized listing of essential functions, and critical processes or services, personnel, records, equipment and resources, and systems supporting each essential function was determined through meetings of LSC's management team.

Essential Functions/Recovery Time Objectives

Essential Function	Essential Personnel and Back-up	Vendors and External Contracts	Vital Records	Equipment	Systems	Recovery Time Objective (RTO)
Electrical		PEPCO?		Transformers, Power lines	Power grid	24 hours
Information Technology Communication Services			Databases	Servers (Internet; e-mail; voicemail)	E-mail, phone, Internet	24 hours (Possibly faster with Disaster Recovery site)
Information Technology Applications				Servers, d-bases	Banner, Network	48 hours
Water		DC Water & Sewer Authority			Distribution System	4 hours
Access Control		Datawatch	D-base	Readers, cards	Program software	24 hours

G. Execution

The Corporation's President, or his or her designated successor, may activate the COOP. The COOP is activated based on known or anticipated threats and emergencies that may occur with or without warning. LSC will use a time-phased approach for implementation whereby critical resources are deployed early and other resources will follow as needed.

Known threats and emergencies (with warning): There are some threats to operations that may afford enough advance warning to allow for the orderly alert, notification, evacuation, and if necessary, relocation of employees. Situations that might provide such warning include a hurricane, a transportation accident resulting in a threat of a release of hazardous material (HAZMAT), severe weather, or a threat of a terrorist incident.

Unanticipated threats and emergencies (no warning): Incidents may also occur with no warning. In these circumstances, depending on the severity and anticipated duration of the emergency, the President would determine whether to activate the COOP – and, if so, at what point.

LSC makes no distinction between duty hours and non-duty hours in its COOP.

Implementation Scenarios

The Corporation is vulnerable to a full range of threats and hazards (man-made, natural and technological disasters). If properly implemented, this COOP will reduce or prevent disaster-related losses.

There are a range of plausible scenarios that could justify the implementation of the COOP, including the following:

- Scenario 1: Loss of Access to LSC's Office
- Scenario 2: Loss of Services Due to a Reduction of Workforce (e.g., illness; injury)
- Scenario 3: Loss of Services Due to Equipment or System Failure

Likewise, any of these scenarios might occur during or after traditional business hours.

COOP Implementation

Implementation of the plan is based on three phases of operation: activation; alternate facility operations (via telework); and reconstitution.

Phase I – Activation

This COOP provides for the protection, accessibility, and recovery of the Corporation's vital records, systems, and equipment. These are records that if lost, irretrievable, or damaged would materially impair the Corporation's long-term ability to conduct operations.

Once notified that the COOP is implemented, a designated department staff person notifies essential personnel for affected essential functions.

Supervisors and managers make contact with staff under their span of control via use of staff contact list, and, if applicable, confirm the safe evacuation of staff from LSC's offices. Designated personnel at the department level are responsible for keeping personnel contact lists current and maintaining the lists in hard-copy off-site.

Communications systems must provide a means to contact employees, external organizations (e.g., grantees, government agencies, vendors), and the public. To ensure communications during COOP events, the Corporation has identified primary and alternate modes of communication.

Phase II – Operations Via Alternate Location/Telework

In the event that there is a loss of access to LSC's office building, to the extent practicable, personnel should plan to work remotely, accessing LSC's computer network through Citrix or Outlook Web Access connections, until it is feasible and safe to return to LSC's office building. (Please refer to the Office of Information Technology's COOP for additional details regarding remote access log-in instructions.)

Phase III – Reconstitution

Essential personnel continue to provide essential services.

LSC's President or designee informs staff that the threat of, or actual emergency, no longer exists, and provides instructions and timeline for resumption of normal operations. Announcement is disseminated via established notification procedures (telephone/text message/e-mail trees).

Corporation reports the status of reconstitution to other key contacts (grantees, vendors, local jurisdictions, partners), as applicable.

Reconstitution Process: The Corporation's facilities management representatives must evaluate the physical structure and condition of the facility, and designate it safe to occupy. The building will not be declared habitable nor can internal functions resume until the Corporation's President or designee is satisfied that operations can be restored without reasonable fear of a re-evacuation.

Reconstitution Procedures: The Corporation will establish specific actions to ensure a timely and efficient return of communications, direction and control, and, if applicable, transfer of vital records to LSC's office building.

After-Action Review and Remedial Action Plans: The Corporation will assess all phases and elements of an activated COOP and prepare recommendations for improvement.

H. Leadership

Orders of Succession

There may be instances when an individual who is designated as a leader is unable to fill the leadership role. Because the role is essential to the department being able to complete its critical missions, a successor will need to assume that leadership role.

A successor will assume the duties of the leadership role when the usual leader is not able to be contacted by usual methods (e.g., telephone, cellular telephone, text message, e-mail, etc.), and will relinquish leadership duties when the usual leader is contacted or until a permanent successor has been named by the President or the President's designee.

Employees responsible for maintaining vital systems and records shall be considered key department positions for purposes of succession planning.

The order of succession applies in the event that any of those listed are unable to be reached or are otherwise incapacitated.

Delegations of Authority

Designated essential employees and their successors, upon appointment to an essential position, shall have the full authority and responsibility to carry out their essential functions unless otherwise indicated in this plan. “Succession,” in this context, pertains only to the activation of this COOP and the performance of the essential functions listed herein for the duration of COOP activation, or until relieved by proper authority.

Orders of Succession

Position	Successor 1	Successor 2	Successor 3
President			
Vice President and General Counsel			
Inspector General			
Treasurer/Comptroller			
IT Director			
HR Director			
Chief of Staff/Special Assistant to the President			
Special Assistant to the President			

I. COOP Maintenance and Testing

To maintain viable COOP capabilities, the Corporation is continually engaged in a process to designate essential functions and resources, define short- and long-term COOP goals and objectives, forecast budgetary requirements, anticipate and address issues and potential obstacles, and establish planning milestones. The following is a proposed list of activities necessary to monitor the dynamic elements of LSC’s COOP:

Activity	Tasks	Frequency
COOP review and update	<ul style="list-style-type: none"> Review entire plan for accuracy. Incorporate lessons learned and changes in policy and philosophy. Manage distribution. 	Annually
Maintain orders of succession and delegations of authority	<ul style="list-style-type: none"> Identify current incumbents. Update rosters and contact information. 	Semiannually
Monitor and maintain vital records management	<ul style="list-style-type: none"> Monitor volume of materials. Update/remove files. 	Ongoing
Test Remote Access	<ul style="list-style-type: none"> Test all systems, IT and communications 	Ongoing

Activity	Tasks	Frequency
Capabilities		
Train new key personnel	<ul style="list-style-type: none"> • Provide orientation. • Schedule participation in training and exercises. 	Within 30 days of appointment
Orient new leadership and senior management	<ul style="list-style-type: none"> • Brief officials on COOP philosophy. • Brief each position on his/her COOP responsibilities. 	Within 30 days of appointment
Plan and conduct exercises	<ul style="list-style-type: none"> • Conduct internal exercises. 	Annually or as needed
Review and Approve COOP	<ul style="list-style-type: none"> • Review COOP changes 	As needed

Operational Checklist

Item	Task	Task Assigned To	Date and Time Completed
Activation			
1	Receive notification of emergency		
2	If necessary, conduct evacuation		
3	Account for all staff		
4	If necessary, contact Emergency Responders (Fire, Police, EMS)		
5	Ensure that safety measures are put into effect		
6	Contact building maintenance for shutting down utilities to limit further damage		
7	Direct and assist emergency personnel as required		
8	Activate COOP as necessary		
9	If necessary, invoke Orders of Succession		
10	Initiate notification of all staff including continuity personnel		
11	Assemble supporting elements required for re-establishing and performing essential functions at continuity facility location, if applicable: <ul style="list-style-type: none"> ■ Vital files, records and databases ■ Critical equipment 		
12	Notify all support organizations and critical contacts of COOP activation		
13	Develop and deliver status report		
Continuity Operations			
14	Develop shift rotations, as required (if appropriate)		
15	Determine which mission essential functions have been affected		
16	Develop and deliver status report		

Item	Task	Task Assigned To	Date and Time Completed
17	Prioritize remaining essential functions for restoration		
18	Track status and restoration efforts of all essential functions		
19	Coordinate procurement of additional equipment, as required		
Reconstitution			
20	Appoint reconstitution team		
21	Survey condition of LSC's office building and determine feasibility of salvaging, restoring or returning to original facility when emergency subsidies or is terminated		
22	Develop long term reconstitution and recovery plans should original facility cannot be re-occupied.		
23	Inventory and salvage useable equipment, materials, records and supplies from damaged facility, if possible		
24	Evaluate original or new facility to assure that all critical services and support are available and operational		
25	Conduct transition of mission essential functions, personnel and equipment from continuity facility (telework locations) back to designated facility		
26	Conduct transition of remaining essential function, personnel and equipment from continuity facility (telework locations) back to designated facility		
27	Schedule and conduct initial debrief with staff		

Questions, comments, and suggestions for improvement of the Corporation's COOP should be submitted to:

LIST ALL RELEVANT CONTACT INFORMATION

Board of Directors (Board) Continuity of Operations Plan

Purpose

The COOP provides guidance to the Corporation's Board of Directors for an effective response to an emergency situation in which the LSC building is destroyed or becomes uninhabitable for a period of more than a few days. Each Board Member will be given a copy of the COOP and will be asked to keep it at home, either in hard copy or electronic form.

In the event of a declared emergency affecting the District of Columbia, and the consequent activation of the Continuity of Operations Plan, LSC's President (or successor, in capacity as Acting President) has the independent authority to, and shall, attempt to contact all Directors by whatever practicable means and convene a meeting in person, via telephone or via electronic communications, within 48 hours after the activation of the COOP, and following a meeting of the Executive Team (including, as necessary, designated successors). This emergency meeting of the Board shall be deemed closed, and public notice of the meeting shall be deemed waived if it is held in accordance with these procedures and related bylaws, as certified by the General Counsel (or successor, in capacity as Acting General Counsel). Minutes shall be kept of this meeting by the Corporate Secretary (or successor of same, or by any individual designated by the Director acting as Chair of meeting). An effective quorum for a meeting of the Board under emergency conditions shall consist of at least 2 Directors, and the President or Acting President shall be authorized, according to their discretion, to exercise a proposed and voted-upon course of action in the event of a tie vote.

In the absence of the Chair and Vice-Chair, the order of succession for Acting Chair, for purposes of an emergency meeting, shall proceed with Committee Chairs in the following precedence: (1) those Committee Chairs of the same political party as the duly-elected Board Chair, in order of the date of the establishment of the Committees they chair, earliest first; (2) other Committee Chairs, in order of the date of establishment of the Committees they chair, earliest first; or (3) length of service on the LSC Board of Directors, longest serving first. The Board may vote in emergency meeting to designate any Director as Acting Chair, who shall continue to serve as such in the absence of the Chair or Vice-Chair, or by action in a non-emergency meeting of the Board. The Board, meeting in emergency session, has the authority to set the time, place, and manner of a further such meeting, provided that there is a continuing duty on the part of the Corporation to use all practicable means to contact all Directors for the purposes of notice, and that the conditions of emergency continue.

The Board, meeting in emergency session, shall be authorized to confirm those individuals designated by succession as Officers of the Corporation, in acting appointments with full authority, until such time as the Board acts otherwise, and to ratify actions taken by agents of the Corporation prior to the emergency meeting.

The Board, meeting in emergency session, also has authority to allocate funds from the Management and Grants Oversight (MGO) budget to the preservation of the Corporation, the health, safety and welfare of its employees, and to corporate continuity of operations in accord with the approved COOP. The Board has authority to disburse any pre-existing emergency or

discretionary funds, such authorization being either for the emergency response and recovery of the Corporation, or for the use of its grantees affected by the emergency. Furthermore, the Board has authority to permit the President or Acting President, at his or her discretion, to seek from Congress (or the appropriate governmental body) the necessary flexibility for the use of other appropriated funds for emergency response and recovery. Any such disbursements or re-allocation shall be approved by both the President or Acting President, and the Treasurer of the Corporation (or successor, as Acting Treasurer).

Mission Essential Functions

In an emergency, as many members of the Board as possible need to meet as quickly as possible to assess the situation, understand the extent of the damage and anticipated duration of the emergency situation, and, in turn, to:

- (1) Confirm the order of succession and ratify any emergency acts; and
- (2) Provide authority and funds to restore the Corporation's normal operations.

During the emergency meeting, or as soon as practicable thereafter, the Board and the Corporation's Officers will determine an appropriate schedule for ongoing status reports.

Activation

Emergency Contact Information

Board Telephone Tree

BY-LAWS OF THE LEGAL SERVICES CORPORATION

[As adopted by the Board of Directors on Dec. 21, 2011.]

<u>Article I-Nature, Powers, and Duties of Corporation; Definitions</u>1	<u>Article V-Committees</u>9
1.01. Nature of the corporation.	5.01. Establishment and appointment of committees.
1.02. Powers and duties.	5.02. Committee procedures.
1.03. Definitions.	<u>Article VI-Officers</u>10
<u>Article II-Offices and Agents</u>2	6.01. Officers of the Corporation.
2.01. Principal office.	6.02. Appointment, term of office, and qualifications.
2.02. Agent.	6.03. Removal.
2.03. Other offices and agents.	6.04. Resignation.
<u>Article III-Board of Directors</u>2	6.05. The President.
3.01. General powers.	6.06. The Vice President.
3.02. Number, terms of office, and qualifications.	6.07. The Secretary.
3.03. Qualification.	6.08. The Treasurer.
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Authority: 42 U.S.C. §§ 2996 - 2996l; D.C. Code, §§ 29-101-01 – 107.05 and 29.401.01 – 29.414.03

Article I - Nature, Powers, and Duties of Corporation; Definitions

Section 1.01. Nature of the Corporation.

The Legal Services Corporation is the corporation established by section 1003 of the Legal Services Corporation Act, 42 U.S.C. § 2996b. The Act establishes the Corporation as a private, non-membership, non-profit corporation for the purpose of providing financial support for legal assistance in non-criminal proceedings or matters to persons financially unable to afford legal assistance. Except as otherwise specified in the Act, the Corporation shall not be considered a department, agency, or instrumentality of the Federal Government.

Section 1.02. Powers and duties.

The powers and duties of the Corporation are as set forth in the Act including, to the extent consistent with the Act, the powers conferred upon a non-profit corporation by the District of Columbia Nonprofit Corporation Act, D.C. Code Title 29, Chapter 5, except for the power to cease corporate activities and surrender the corporate franchise.

Section 1.03. Definitions.

As used in these By-Laws-

- (a) "**Act**" means the Legal Services Corporation Act, 42 U.S.C. §§ 2996-2996 l, as amended;
- (b) "**Board**" means the Board of Directors of the Corporation;
- (c) "**Corporation**" means the Legal Services Corporation established by the Act;
- (d) "**Director**" means a voting member of the Board appointed by the President of the United States;
- (e) "Electronic communications" refers to any means for transmitting written messages through electronic means, including email, fax machine, computer modem or any other electronic communication capable of transmitting a written message.
- (f) "Express mail" means United States mail sent as express mail or by any commercial delivery service or bonded carrier with one day service.
- (g) "**Member of the Board**" means a Director or the President of the Corporation;
- (h) "**Member of the immediate family**" means, with respect to any individual, his or her spouse or minor child;
- (i) "**Person**" means an individual;
- (j) "**Political**" means membership in or association with a political party or organization or participation in the campaign of a political party or candidate for elective public or party office, or engendering support for or opposition to any such political party or candidate;
- (k) "**Recipient**" means any grantee or contractor receiving financial assistance from the Corporation under section 1006(a)(1)(A) of the Act;

ARTICLE II - OFFICES AND AGENTS

Section 2.01. Principal office.

The Corporation shall maintain its principal office in the District of Columbia.

Section 2.02. Agent.

The Corporation shall maintain in the District of Columbia a designated agent to accept service of process for the Corporation.

Section 2.03. Other offices and agents.

The Corporation may also have offices and agents at such other places, either within or without the District of Columbia, as the business of the Corporation may require.

ARTICLE III - BOARD OF DIRECTORS

Section 3.01. General powers.

The Board shall have the power to direct the business and affairs of the Corporation and to control and safeguard its property, subject to the provisions of the Act.

Section 3.02. Number, terms of office, and qualifications.

(a) The Board shall consist of eleven Directors. The President of the Corporation shall serve as a non-voting ex officio member of the Board. The Directors shall be appointed by the President of the United States, by and with the advice and consent of the Senate. No more than six of the Directors shall be of the same political party. A majority of the Directors shall be members of the bar of the highest court of a state. None of the Directors shall be a full-time employee of the United States. The membership of the Board shall include eligible clients, and be generally representative of the organized bar, attorneys providing legal assistance to eligible clients, and the general public.

(b) The term of office of each Director shall be three years. Each Director shall continue to serve until such Director's successor has qualified. The term of each Director shall be computed from the date of termination of the preceding term. Any Director appointed to fill a vacancy occurring prior to the expiration of the term for which such Director's predecessor was appointed shall be appointed for the remainder of such term. No Director shall be reappointed to more than two consecutive terms immediately following such Director's initial term.

(c) Except as otherwise provided by law, the term of each Director shall expire on July 13th of the third year following commencement of the term for which such Director was appointed.

Section 3.03. Qualification.

A Director shall be deemed qualified when he or she is appointed by the President, the Senate having given its advice and consent. A Director appointed by the President during a recess of the Senate to fill a validly existing vacancy shall be considered qualified for the duration of such appointment.

Section 3.04. The Board Chair and Vice Chair.

(a) Annually or at such other time as there may be vacancies in such offices, the Board shall elect a Chair and Vice Chair of the Board from among its voting members. Each such officer shall serve at the pleasure of the Board, or until his or her successor has been duly elected in his or her stead, or until he or she shall resign or otherwise vacate his or her office or Board membership.

(b) The Board Chair shall, if present, preside at all meetings of the Board, shall carry out all other functions required of the Board Chair by the Act and these By-Laws, and shall perform such other duties as may be assigned by the Board.

(c) The Board Vice Chair shall, in the absence of the Board Chair, preside at meetings of the Board and shall, for purposes of these By-Laws, be considered the Chair of any meeting at which he or she so presides. In addition, the Vice Chair shall carry out all other functions required of the Vice Chair by these By-Laws and shall perform such other duties as may be delegated by the Board Chair or assigned by the Board.

Section 3.05. Outside interests of directors.

(a) No member of the Board may participate in any decision, action, or recommendation with respect to any matter which directly benefits such member or pertains specifically to any firm or organization, other than the Corporation, with which such member is then associated or has been associated within a period of two years. For the purposes of this paragraph:

(1) A member of the Board shall be deemed "associated" with a firm or organization if such member (i) is serving or within the two prior years has served as a director, officer, trustee, employee, consultant, attorney, agent or partner thereof, or in any of such other capacities as the Board may from time to time determine, (ii) is negotiating or has any arrangement concerning prospective employment therewith, (iii) is receiving any pension or deferred compensation subject to the control of or modification by such firm or organization; or (iv) has or has had, within the prior two years, any significant personal financial or ownership interest therein; and

(2) The term "member of the Board" includes a member of the immediate family of a member of the Board.

(b) Pursuant to guidelines to be established by the Board from time to time, each member of the Board, upon assuming office shall file with the Secretary a statement identifying any firm or organization with which he or she is then or has been within the prior two years associated (as defined in paragraph (a) of this section) and the nature of the association. In the event the association is a result of a financial or ownership interest, that fact shall be reflected in the statement, but the member need not reveal the degree of financial interest. Such Disclosure Statement shall be updated annually or more often as set forth in the guidelines.

Section 3.06. Removal.

(a) A Director may be removed by a vote of seven Directors at a meeting of the Board for persistent neglect of or inability to discharge his or her duties of office, for malfeasance in office, or for offenses involving moral turpitude, and for no other cause.

(b) The Board shall consider whether a Director shall be removed only when:

(1) Five or more Directors, or at least 40 percent of the Directors in office where the total number of Directors then in office is less than eleven, have stated in writing that they believe there is reasonable cause to consider such action, giving specific allegations in support of such belief; or

(2) A Director shall fail to participate in three consecutive meetings of the Board, or a majority of the meetings held in any one-year period.

(c) Whenever the requirements of paragraph (b) of this section are met, the Chair shall cause the agenda for the next meeting of the Board to include the question whether such Director shall be removed and the Secretary shall provide the notice required by paragraph (d) of this section. Should the scheduling of the next meeting of the Board not provide adequate time in which to comply with the requirements of paragraph (d) of this section, the question whether a Director shall be removed shall be placed on the agenda for the meeting of the Board immediately following the next meeting.

(d) A Director may not be removed unless (1) written notice of the basis of removal has been provided to such Director at least thirty days before a vote is taken concerning his or her removal and (2) the Director has been afforded the opportunity to contest the removal by making written submissions to the other members of the Board and by appearing in person with, without or by counsel at the meeting at which the vote concerning removal is taken.

Section 3.07. Resignation.

A Director may resign at any time by giving written notice of his or her resignation to the President of the United States, with a copy being sent to the Chair of the Board and to the President of the Corporation. A resignation shall take effect at the time received by the President of the United States, unless another time is specified therein. The acceptance of a resignation shall not be necessary to make it effective.

Section 3.08. Compensation.

To the extent provided for by resolution of the Board, Directors shall be entitled to receive compensation for their services on the Board or on any committee thereof and for other activity relating to the affairs of the Corporation. Such compensation shall be at a rate not in excess of the per diem equivalent of the Level V rate of the Executive Schedule specified from time to time in section 5316 of Title 5 U.S.C. Directors also shall be entitled to receive reimbursement for travel, subsistence, and other expenses necessarily incurred in connection with such services or activity. A Director shall not serve the Corporation in any other capacity or receive compensation for such service, except as authorized by the Board. In no event shall a Director receive compensation in more than one capacity.

ARTICLE IV - MEETINGS OF DIRECTORS**Section 4.01. Meetings.**

(a) Meetings of the Board shall be held at least four times a year. An annual meeting shall be held on the last Friday of January of each year at such hour and place as shall be determined by a majority of the Directors. All other meetings shall be held at such intervals and at such locations as shall be determined by a majority of Directors, except that special meetings may be called:

(1) by the Chair;

(2) by at least 40 percent of the Directors then in office; or

(3) by the President of the Corporation and at least 30 percent of the Directors then in office.

(b) A majority of the Directors may agree to postpone a meeting, including the annual meeting, or to reschedule a meeting, including the annual meeting, to a date in advance of the scheduled date for such meeting. Any postponement or rescheduling of the annual meeting shall be to a date not more than thirty (30) days before or after the date on which the annual meeting was originally scheduled.

(c) A Director may participate in a meeting of the Board by conference telephone or similar communications equipment by means of which all persons participating in the meeting are able to hear one another and by which interested members of the public are able to hear and identify all persons participating in the meeting. Any Director so participating in a meeting shall be deemed present for all purposes, including constituting a quorum. Any meeting of the Board may be conducted entirely by conference telephone or similar communications equipment, consistent with the requirements of this provision.

Section 4.02. Notice and waiver of notice.

(a) Notice of all meetings of the Board shall specify the place and time of the meeting and, in accordance with Section 4.03, shall include the agenda of matters to be discussed at the meeting.

(b) Notice of a meeting of the Board may be given by mail, by express mail, or by electronic communications, , or may be delivered in person. Notice of a meeting given by mail or express mail shall be deemed effective at the earliest of the following: (1) when received; (2) when left at the recipient's residence or usual place of business; (3) five days after its deposit in the US Mail or with a commercial delivery service; or (4) on the date shown on the return receipt for registered or certified mail with a return receipt requested or by commercial delivery service. Notice which is delivered to a Director shall be delivered at such address to a person having apparent authority to accept such delivery. Notice of a meeting given by electronic communications shall be deemed given when it enters an information processing system that the recipient has designated or uses for the purpose of receiving electronic records or information of the type sent and from which the recipient is able to retrieve the electronic record and it is in a form capable of being processed by that system. Notices given by electronic communications are deemed received if properly given even if no individual is aware of its receipt..

(c) Unless a majority of the Directors determines by recorded vote that Corporation business requires fewer than the specified days notice, notice of a meeting, including regular, special and rescheduled meetings, shall be mailed to each Director at least seven (7) days before the date of the meeting or shall be delivered, express mailed, or sent by electronic communications at least five (5) days before the date of the meeting; notice of postponement of a meeting shall be mailed to each Director at least five (5) days before the date on which such meeting was originally scheduled or shall be sent by electronic communications or express mailed or delivered at least three (3) days before such scheduled date. In the event fewer than the specified days notice is required, notice shall be mailed or sent by electronic communications or express mailed or delivered at the earliest practicable time.

(d) A waiver of notice of a meeting must be in writing and signed by the Director entitled to such notice and submitted by that Director to the Chair of the Board or the Secretary of the Corporation before or after the time of such meeting. Attendance of a Director at any meeting shall constitute a waiver by such Director of notice of such meeting, except where he or she attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 4.03. Agenda.

For each meeting, the Board Chair or the President of the Corporation shall cause to be prepared a working agenda of matters to be discussed at the meeting and shall include the agenda in the notice of the meeting required to be sent to all Directors by Section 4.02. Any matters appearing on the agenda which the Chair of the Board or the President believes should be discussed in an executive session in accordance with Section 4.07 shall be so noted.

Section 4.04. Public Announcement.

(a) There shall be a public announcement of every meeting of the Board. The announcement shall include:

- (1) The time, place, and subject matter of the meeting;
- (2) Whether the meeting or a portion thereof will be closed to public observation; and
- (3) The name and telephone number of a person designated to respond to requests for information about the meeting.

(b) Public announcement shall be given at least seven (7) calendar days before the meeting, unless a majority of the Directors determines by a recorded vote that Corporation business requires a meeting on fewer than seven (7) days notice. In the event that such a determination is made, public announcement shall be posted at the earliest practicable time.

(c) The public announcement shall be posted at the offices of the Corporation in an area to which the public has access and filed for publication in the Federal Register. Reasonable effort shall be made to send the notice to the governing board and the program director of every recipient.

(d) There shall be issued at the earliest practicable time an amended announcement of any change in the information provided by a public announcement. Such changes shall be made in the following manner:

- (1) The time or place of a meeting may be changed without a recorded vote.
- (2) The subject matter of a meeting, or a decision to open or close a meeting or portion thereof, may be changed by recorded vote of a majority of the Directors that Corporation business so requires and that no earlier announcement of the change was possible.

(e) An amended public announcement shall be made in the manner specified in sections (a) and (c) hereof. In the event that changes are made pursuant to section (d)(2) hereof, the amended public announcement shall also include the vote of each Director upon such change.

Section 4.05. Organization of Directors' meetings.

At each meeting of the Board, the Board Chair, or in the Chair's absence the Vice Chair, shall preside. The Secretary of the Corporation shall act as secretary at all meetings of the Board. In the absence of the Secretary from any such meeting, the Chair of the meeting shall appoint a person to act as secretary of the meeting.

Section 4.06. Quorum, manner of acting, and adjournment.

(a) At each meeting of the Board, the presence of a majority of the Directors then in office, but in no event fewer than four (4) Directors, shall constitute a quorum for the transaction of business. Except as otherwise specifically provided by law or these By-

Laws, the vote of a majority of the Directors present shall be the act of the Board, provided a quorum was present. If a quorum is present at any time during a meeting, the quorum shall be deemed to continue and any action subsequently taken is a valid action, unless during the meeting and prior to taking such action a Director suggests the absence of a quorum and there is, in fact, no quorum present when the vote is taken. A Director who is present at a meeting of the Board, but who is required to or who does abstain from participation in the vote upon any matter, whether he or she remains in the meeting or not, may be counted for the purpose of determining whether a quorum is present.

(b) A majority of the Directors present at a duly convened meeting, whether or not they comprise a quorum, may temporarily recess the meeting. Whenever a meeting is temporarily recessed to a date not more than five (5) business days following such recess, it shall not be necessary to give any notice of the recessed meeting or of the business to be transacted thereat otherwise than by an announcement at the meeting at which such recess is taken.

(c) Each Director shall be entitled to one vote. Voting rights of Directors may not be exercised by proxy.

Section 4.07. Public meetings; executive sessions.

All meetings of the Board shall be open to the public in accordance with the requirements of Section 1004(g) of the Act, 42 U.S.C. § 2996c(g), and the Corporation regulation promulgated thereunder, 45 C.F.R. Part 1622, unless closed to the public as authorized by law or the regulations of the Corporation. That part of the meeting closed to the public shall be known as an executive session. The Chair of the meeting shall announce the general subject of the executive session prior thereto.

Section 4.08. Public participation.

The Board welcomes written and other communication from members of the public. By written request in advance of a meeting, members of the public may seek to be invited by the Chair of the meeting to address that meeting. Other members of the public may address a meeting of the Board upon invitation of the Chair of the meeting, under terms and conditions established by the Chair, unless the Board otherwise directs.

Section 4.09. Emergency proceedings.

If, in the opinion of the Board Chair or of the Director presiding at a meeting, the Directors are rendered incapable of conducting a meeting by the acts or conduct of any member of the public present at the meeting, the Directors may thereupon determine by a recorded vote of the majority of the Directors present at the meeting that the Board Chair or the Director presiding at the meeting shall have the authority to have such member of the public who is responsible for such acts or conduct removed from the meeting.

Section 4.10. Minutes.

The minutes of each meeting of the Board, including an executive session, shall record the names of the Directors present, the actions taken and the result of each vote. If there is a division on a vote, the minutes shall record the vote of each Director. A copy of the minutes of each meeting shall be supplied to each Director in advance of the next meeting and shall be presented for approval by the Board at such meeting. The minutes of each meeting or portion thereof open to public observation shall be available for inspection by the public.

Section 4.11. Action by directors without a meeting.

Any action which may be taken at a meeting of the Board may be taken without a meeting, if a consent in writing to such action is signed by all of the Directors. Any action so taken shall be included in the notice of the next meeting of the Board, unless the action is such as might have been taken in an executive session of a Board meeting as authorized by law or these By-laws.

ARTICLE V-COMMITTEES**Section 5.01. Establishment and appointment of committees.**

(a) The Board may establish or dissolve committees as follows:

(1) A committee which may exercise the authority of the Board shall be established and thereafter dissolved only by resolution of a majority of the Directors in office. Such committee must consist of three or more Directors;

(2) A committee which will not exercise the authority of the Board may be established and thereafter dissolved by resolution of a majority of the Directors present at a meeting where a quorum is present. The membership of any committee not exercising the authority of the Board may include non-Directors as well as Directors.

(3) The resolution creating any committee shall set out the authority, responsibility and limitations, if any, of such committee.

(b) The Board may appoint and designate or may delegate to the Board Chair the authority to appoint Directors or non-Directors, as appropriate, to serve on committees, or to designate committee chairs. Any non-Director may be appointed to serve as a voting or non-voting member of a committee, as determined by the Board or, if the appointing authority has been delegated, by the Board Chair. The Board Chair shall be an ex officio voting member of each committee.

Section 5.02. Committee procedures.

(a) Except as otherwise provided in these By-Laws or in the resolution establishing the committee, a majority of the voting members thereof, or one-half of such members if

their number is even, shall constitute a quorum. The vote of a majority of the voting members present at the time of a vote, if a quorum is present at such time, shall be the act of the committee. Meetings of each committee shall be called by the chair of the committee or any two members of the committee with notice thereof provided to each committee member.

(b) Notice of a committee meeting shall be provided to members of the committee in the manner required for notice of meetings of the Board in Section 4.02. Notice may be waived in the manner described in Section 4.02(d). Public announcement of meetings of committees created under Section 5.01(a)(1) shall be given in the manner provided in Section 4.04. Announcement of meetings of committees created under Section 5.01(a)(2) shall be given so as to provide reasonable notice to the public. The agenda for the meeting shall be prepared by the Committee Chair in consultation with the Corporation Secretary and, in the case of a committee created under Section 5.01(a)(1), the Board Chair.

(c) The meetings of any committee created pursuant to Section 5.01(a)(1) shall be open to the public in accordance with the requirements of section 1004(g) of the Act, 42 U.S.C. § 2996c(g), and the Corporation regulation promulgated thereunder, 45 C.F.R. Part 1622, unless closed to the public as authorized by law or the regulations of the Corporation. The meetings of any committee created pursuant to Section 5.01(a)(2) shall be open to the public unless closed to the public as authorized by Part 1622 of the Corporation regulations.

(d) Minutes of each committee meeting shall record the names of the committee members present, the actions taken and the result of each vote. If there is a division on a vote, the minutes shall record the vote of each committee member. A copy of the minutes of each committee meeting shall be supplied to each committee member in advance of the next meeting and shall be presented for approval by the committee at such meeting. The minutes of each meeting or portion thereof open to public observation shall be available for inspection by the public.

(e) Any member of the Board shall have access to all the records of any committee.

ARTICLE VI-OFFICERS

Section 6.01. Officers of the Corporation.

The officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board determines to be necessary, all of whom shall serve at the pleasure of the Board. All officers shall be appointed by a majority of the Directors in office. The officers shall have such authority and perform such duties, consistent with the Act and these By-Laws, as may from time to time be determined by the Board or, with respect to the officers other than the President, by the President of the Corporation consistent with any such determination of the Board.

Section 6.02. Appointment, term of office, and qualifications.

An officer shall be appointed whenever a vacancy arises. An officer shall hold office until his or her successor has been duly appointed or until the officer dies, resigns or is removed in the manner provided in Section 6.03. Any two offices except the offices of the President and Secretary may be held by the same person.

Section 6.03. Removal.

Any officer may be removed from office, with or without cause, by a majority of the Directors in office, but any such removal shall be without prejudice to the contract rights, if any, of the person so removed. Removal from office may or may not terminate the employment of the person so removed as determined by the Board, in the case of the President, or by the President, in the case of any other officer.

Section 6.04. Resignation.

Any officer may resign his or her office at any time by giving a written notice of resignation to the Board Chair. An officer other than the President shall also submit his or her resignation to the President. Such resignation shall take effect at the time received, unless another time is specified therein or by the Board. The acceptance of such resignation shall not be necessary to make it effective. Resignation from an office does not necessarily terminate the employment of the person so resigning. That determination will be made by the Board, in the case of the President, or by the President, in the case of any other officer.

Section 6.05. The President.

(a) The President of the Corporation shall be its Chief Executive Officer and shall have responsibility and authority in accordance with the Act, rules and regulations promulgated pursuant to the Act and these By-Laws, subject to the direction of and policies established by the Board, for:

- (1) The day-to-day administration of the affairs of the Corporation;
- (2) The supervision of the other officers of the Corporation in the performance of their duties;
- (3) The appointment of such employees of the Corporation as the President determines to be necessary to carry out the purposes of the Corporation, and the removal of such employees;
- (4) Determining the compensation of employees appointed pursuant to paragraph (a)(3) of this section, at such rates as the President determines appropriate, but not to exceed the rate of Level V of the Executive Schedule specified in section 5316 of Title 5, U.S.C.

(5) Making grants and entering into contracts; and

(6) The exercise of such other powers incident to the office of President of the Corporation and the performance of such other duties as the Board may prescribe.

(b) The President of the Corporation shall be a member of the bar of the highest court of a state and shall be a non-voting ex officio member of the Board of Directors.

Section 6.06. The Vice President.

The Vice President(s), including an Executive Vice President, if any, shall have such powers and perform such duties as the President may from time to time prescribe, consistent with any determination of the Board. In the absence of or upon delegation by the President, the Executive Vice President shall perform the duties of the President. In the absence of an Executive Vice President, the President shall delegate to any other Vice President the authority to perform the duties of the President during the President's absence. Any Vice President performing the duties of the President pursuant to this paragraph shall have all the powers of, and shall be subject to all restrictions upon, the President. Any such Vice President shall be a member of the bar of the highest court of a state.

Section 6.07. The Secretary.

The Secretary shall:

(a) Ensure that all notices are duly given in accordance with the Act and these By-Laws;

(b) Be the custodian of the seal of the Corporation and affix such seal to all documents the execution of which is authorized by the Board or which are executed by any officer or employee of the Corporation to whom the power to execute the document has been delegated;

(c) Keep, or cause to be kept, in books provided for the purpose, minutes of the meetings of the Board and each committee;

(d) Ensure that the books, reports, statements and all other documents and records over which the Secretary has custody or control are properly kept and filed;

(e) Sign such instruments as require the signature of the Secretary; and

(f) In general, perform all the duties incident to the office of the Secretary and other duties assigned by the Board or the President.

Section 6.08. The Treasurer.

The Treasurer shall:

- (a) Have charge and custody of, and be responsible for, all funds and securities of the Corporation and (with the exception of petty cash) cause to be deposited all such funds and securities in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these By-Laws;
- (b) Receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever;
- (c) Sign such documents as shall require the signature of the Treasurer;
- (d) Render at each meeting of the Board, and at such other times as the Board may require, a report on the financial condition of the Corporation; and
- (e) In general, perform all the duties incident to the office of Treasurer and other duties assigned by the Board or the President of the Corporation. The Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such sureties as the Board shall determine.

Section 6.09. Other Officers.

The Board may appoint such other officers, including, but not limited to Assistant Secretary or Assistant Treasurer, as the Board deems necessary to conduct the business of the Corporation and may assign to them such duties and responsibilities as it deems necessary or appropriate.

Section 6.10. Compensation.

The President shall be compensated at a rate determined by the Board from time to time, but not to exceed the rate of Level V of the Executive Schedule specified in section 5316 of Title 5, U.S.C. The compensation of each officer other than the President shall be fixed by the President, after consultation with the Board, at a rate not to exceed the rate of Level V of the Executive Schedule referenced above. No officer of the Corporation may receive any salary or other compensation for services from any sources other than the Corporation during his or her period of employment by the Corporation, except as authorized by the Board.

Section 6.11. Prohibition against using political test or qualification.

No political test or political qualification shall be used in selecting, appointing, promoting or taking any other personnel action with respect to any officer, agent or employee of the Corporation, or in selecting or monitoring any grantee, contractor, or person or entity receiving financial assistance under the Act.

Section 6.12. Outside interests of officers and employees.

The Board may from time to time adopt rules and regulations governing the conduct of officers or employees with respect to matters in which they have or may have any interest adverse to the interests of the Corporation. Such rules and regulations may forbid officers or employees from participating in corporate action with respect to any contract, grant, transaction or other matter in which, to the knowledge of such officers or employees, they or any member of their immediate families have any interest, financial or otherwise, unless (a) such officer or employee makes full disclosure of the circumstances to the Board or its delegate and the Board or its delegate determines that the interest is not so substantial as to affect the integrity of the services of such officer or employee, or (b) on the basis of standards to be established in such rules and regulations, the interest is too remote or too inconsequential to affect the integrity of such services. Such rules and regulations may define an interest adverse to the interests of the Corporation as, among other things, (a) the ownership by an officer or employee, or member of his or her immediate family, of securities of any firm, corporation or other entity doing a substantial volume of business with the Corporation; or (b) the association by an officer or employee, or member of his or her immediate family, with any firm, corporation or other entity doing a substantial volume of business with the Corporation. Such rules and regulations also may establish appropriate limits and reasonable prohibitions upon the conduct or transaction of any corporate-related business or affairs by the Corporation through its officers, employees or agents with any former officers or employees of the Corporation or with any entities with which or persons with whom any former officer or employee is associated.

ARTICLE VII-DEPOSITS AND ACCOUNTS**Section 7.01. Deposits and accounts.**

All funds of the Corporation, not otherwise employed, shall be deposited from time to time in general or special accounts in such banks, trust companies or other depositories as the Board may select, or as may be selected by an officer, agent or employee of the Corporation to whom such power has been delegated by the Board. For purposes of deposit and collection for the account of the Corporation, checks, drafts and other orders for the payment of money payable to the order of the Corporation may be endorsed, assigned and delivered by any officer of the Corporation designated by the Board. No Director, officer or employee of the Corporation may borrow money in the name of the Corporation or pledge the credit of the Corporation without express authority from the Board which may be given in the form of budget approval.

ARTICLE VIII-SEAL**Section 8.01. Seal.**

The Corporation shall have a corporate seal, which shall include the words "Established by Act of Congress July 25, 1974" and shall be in the form adopted by the Board from time to time.

ARTICLE IX-FISCAL YEAR**Section 9.01. Fiscal year.**

The fiscal year of the Corporation shall begin on October 1 of each year.

ARTICLE X-INDEMNIFICATION**Section 10.01 Indemnification.**

(a) For purposes of this section:

- (1) "**Agent**" means an individual who has an agency relationship with the Corporation, is serving in a voluntary capacity, and is acting on behalf of the Corporation and within the scope of the agency.
- (2) "**Director**" means a Director of the Corporation, as defined in these By-Laws, who is acting on behalf of the Corporation in his or her official capacity.
- (3) "**Employee**" means an individual who has an employment relationship with the Corporation and is acting on behalf of the Corporation and within the scope of employment.
- (4) "**Expenses**" means those expenses actually and necessarily incurred by a party in connection with a proceeding including, for example, attorneys' fees and charges, court costs and witness fees.
- (5) "**Indemnitee**" means a person seeking indemnification or advancement of expenses under this section including a director, officer, employee or agent of the Corporation.
- (6) "**Liability**" means the obligation to pay a judgment, settlement, penalty, fine, or reasonable expenses incurred with respect to a proceeding.
- (7) "**Officer**" means an individual who holds an office of the Corporation and is acting on behalf of the Corporation in his or her official capacity as contemplated in these By-Laws.
- (8) "**Party**" means an individual who was, is or is threatened to be made a named defendant, respondent, responsible individual, witness in, or subject of, a proceeding.
- (9) "**Proceeding**" includes any threatened, pending, or completed action, suit or proceeding of any type, whether civil, criminal, administrative, legislative, or investigative and whether formal or informal.

(b) Subject to paragraph (d) of this section, the Corporation shall indemnify any person involuntarily made a party to a proceeding because he or she is or was a director, officer, employee or agent of the Corporation against liability incurred in the proceeding if:

- (1) such person conducted himself or herself in good faith; and
- (2) such person reasonably believed his or her conduct to be in the best interests of the Corporation; and

(3) such person reasonably believed his or her conduct to be in accord with the law, regulations, and Corporation policies in effect at the time of such conduct; and

(4) in the case of any criminal proceeding, such person had reasonable cause to believe his or her conduct was lawful.

(c) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or equivalent, is not, of itself, determinative that the person did not meet the standard of conduct described in paragraph (b) of this section.

(d) The Corporation shall not indemnify any person under this section:

(1) in connection with a proceeding by or in the right of the Corporation in which the person has been adjudged liable to the Corporation or in which the Corporation prevails, unless and only to the extent that the forum conducting the proceeding shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which a court or other tribunal shall deem proper; or

(2) in connection with any other proceeding in which he or she was adjudged liable on the basis that personal benefit was improperly received by the indemnitee; or

(3) in connection with any proceeding in which he or she was adjudged liable for gross negligence or willful misconduct.

(e) Expenses of the indemnitee may be paid by the Corporation in advance of the final disposition of a proceeding as authorized by the Board in any case upon receipt of a written affirmation of the good faith belief of the indemnitee that he or she has met the standard of conduct necessary for indemnification and of an undertaking acceptable to the Corporation by or on behalf of the indemnitee to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this section.

(f) In order to obtain indemnification or advancement of expenses under this section, the indemnitee shall submit to the Corporation a written request, including such documentation and information as is reasonably necessary to determine whether and to what extent the indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 90 days after receipt by the Corporation of a complete written request, provided that any indemnification under this section (unless ordered by the forum conducting the proceeding) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in paragraph (b) of this section. Such determination shall be made (1) by the vote of a majority of Directors who were not parties to the proceeding, but in no event shall such majority be fewer than three, or (2) if such vote is not obtainable or, even if obtainable, a majority of disinterested Directors so directs, by independent legal

counsel in a written opinion. If a person is entitled to only a portion of the indemnification claimed, the Corporation nevertheless shall indemnify the portion of such liability and/or expenses to which such person is entitled.

(g) The right to indemnification or to advances under this section shall be enforceable by the indemnitee in any court of competent jurisdiction in the District of Columbia, if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 90-day period referred to in paragraph (f). However, prior to any judicial action to compel indemnification or advancement of expenses under this section, the Corporation and the indemnitee may mutually agree to submit the issue to arbitration, pursuant to procedures which shall be established by the Board from time to time. Once the Corporation and the indemnitee agree to submit to arbitration, such arbitration shall be binding, irrevocable, and enforceable. The indemnitee shall be indemnified for expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any proceeding to compel indemnification.

(h) The indemnification provided by this section shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any agreement or vote of disinterested Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while serving as a director, officer, employee or agent of the Corporation, and shall continue as to a person who has ceased to hold such office and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE XI-AMENDMENTS

Section 11.01. Amendments.

These By-Laws may be amended by a vote of a majority of the Directors in office, provided that (a) such amendment is not inconsistent with the Act; (b) the notice of the meeting at which such action is taken shall have stated the substance of the proposed amendment; (c) the notice of such meeting shall have been given as provided in Section 4.02(c) and publicly announced as provided in Section 4.04.

PROPOSED AMENDMENT TO BY-LAWS OF THE LEGAL SERVICES CORPORATION

ARTICLE IV – MEETINGS OF DIRECTORS

Section 4.01a. Emergency Meetings

(a) In the event that the Corporation activates its Continuity of Operations Plan (COOP), the Corporation’s operations are otherwise jeopardized or compromised, or if the Board, LSC’s President, or LSC’s Acting President finds that an imminent peril to public health, safety, or welfare requires an immediate meeting notwithstanding the notice provisions of Section 4.02 of the By-Laws, the Board may hold an emergency meeting under Section 4.01(a) without a prior recorded vote regarding notice, provided that, at or before the emergency meeting:

(1) The Board, LSC’s President, or LSC’s Acting President states in writing the reasons for these findings;

(2) A majority of the Directors present at the meeting or in total agree that the findings are correct and an emergency exists to justify convening an emergency meeting; and

Comment [s1]: TO BE DISCUSSED. Can those Directors not present convey agreement via e-mail, text, or other means?

(3) The Board limits its action in the emergency meeting to those actions that must be taken on or before the date that a meeting would have been held, had the board noticed the meeting pursuant to the seven- and five-day meeting notice requirements in Section 4.02.

(b) If an unanticipated event requires the Board to take action on a matter over which it has supervision, control, duty, power, or authority within less time than is provided for in Section 4.02 to notice and convene a meeting of the Board, the Board may hold an emergency meeting to deliberate and decide whether and how to act in response to the unanticipated event, provided that:

(1) The Board states in writing the reasons for its finding that an unanticipated event has occurred and that an emergency meeting is necessary;

(2) A majority of Directors present at the meeting or in total agree that the conditions necessary for an emergency meeting under this subsection are met; and

Comment [s2]: SAME AS ABOVE -- TO BE DISCUSSED. Can those Directors not present convey agreement via e-mail, text, or other means?

(3) The Board limits its action in the emergency meeting only to those actions that must be taken on or before the date that a meeting would have been held, had the board noticed the meeting pursuant to the seven and five day notice requirements in Section 4.02.

(c) For purposes of this part, an “unanticipated event” means:

(1) An event of which the Directors did not have sufficient advance knowledge or could not reasonably have known from information generally available;

(2) A deadline established by a legislative body, a court, or a government agency beyond the control of the Board; or

(3) A consequence of an event for which reasonably informed Board members could not have taken all necessary action.

(d) An emergency meeting notice must be distributed and publicly posted, to the extent practicable, at any time prior to the emergency meeting. To the extent practicable, the emergency meeting notice shall state the date, time, place and purpose of the meeting and the facts and circumstances of the emergency. In the event of an emergency meeting, the Corporation shall make its best efforts to provide actual notice to individuals and organizations that may have a direct interest in the meeting, but the failure to provide notice shall not be a basis for challenge to the emergency meeting or the actions taken.

Comment [s3]: TO BE DISCUSSED – NEED TO DEFINE.

(e) Emergency meetings may be held by telephone conference or other electronic means.

(f) Quorum: An effective quorum for a meeting of the Board under emergency conditions shall consist of at least 2 Directors, and the President or Acting President shall be authorized, according to their discretion, to exercise a proposed and voted-upon course of action in the event of a tie vote.

(g) Order of Succession: For purposes of convening and conducting emergency meetings of the Board, the following order of succession shall govern:

(1) Board of Directors: Board Chair; Board Vice-Chair; Board Committee Chairs;

Comment [RS4]: TO BE DISCUSSED

(2) Officers of the Corporation: President;

Comment [RS5]: TO BE DISCUSSED

(h) Emergency Powers: In the event of an emergency meeting, the Board may modify lines of succession to accommodate incapacity or unavailability of any Director, Officer, or employee.



BOARD OF DIRECTORS

Legal Services Corporation
America's Partner For Equal Justice

RESOLUTION
ADOPTING AMENDMENTS
TO THE BYLAWS
OF THE
LEGAL SERVICES CORPORATION

WHEREAS, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) adopted the Corporation’s revised Continuity of Operations Plan (“COOP”) on July 27, 2012; and

WHEREAS, pursuant to the District of Columbia Nonprofit Act of 2010, the revised COOP includes a protocol for the LSC Board to follow under emergency circumstances;

NOW, THEREFORE, BE IT RESOLVED THAT the Board hereby adopts the attached conforming amendments to LSC’s Bylaws, with such amendments to become effective immediately.


Adopted by the Board of Directors
on October 2, 2012

John G. Levi
Chairman

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

OFFICE OF LEGAL AFFAIRS

To: Operations and Regulations Committee
Through: Victor M. Fortunato, Vice President and General Counsel
From: Mark Freedman, Senior Assistant General Counsel
Re: Summary of Comments on the August 8, 2012, Further Notice of Proposed Rulemaking Regarding Enforcement Mechanisms
Date: September 18, 2012

A handwritten signature in black ink is written over the "Through:" and "From:" lines of the memo header.

INTRODUCTION

The Operations and Regulations Committee (Committee) is considering proposed rules for adoption of additional enforcement mechanisms. The proposed mechanisms are 1) limited reductions in funding (under five percent), 2) suspension of funding for up to ninety days, and 3) immediate special grant conditions. LSC published for comment proposed rules through a Notice of Proposed Rulemaking (NPRM) on January 31, 2012. Based in part on comments to the NPRM, LSC published revisions to the proposed rules in an August 8, 2012, Further Notice of Proposed Rulemaking (FNPRM). LSC received seven comments on the FNPRM, all of which arrived on, or before, the September 6 deadline. The comments have been posted on the LSC website at <http://www.lsc.gov/about/regulations-rules/open-rulemaking>. This memo provides a brief summary and guide to the comments. As a general matter, the comments provided a number of useful suggestions. Management has concerns about the suggestions for increasing the standards and procedures beyond what is already in the existing rules or the proposed rules. The proposals for enhanced standards and procedures could lead to the kinds of delay and uncertainty that would interfere with the effective use of these new enforcement tools. The primary goal of this rulemaking is to provide LSC with tools for measured and immediate responses to substantial, but manageable, compliance concerns.

COMMENTS SUBMITTED

LSC received comments from the following entities:

- The LSC Office of Inspector General (OIG) (nine pages)
- American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID) (ten pages)
- National Legal Aid & Defender Association (NLADA) (eight pages)
- New York State Bar Association Committee on Legal Aid (CoLA) (five pages)
- Legal Services Association of Michigan (thirteen legal aid programs) (one page)
- Midwest Project Directors Group (twenty-one legal aid programs) (two pages)
- All six LSC recipients in New York State outside of New York City (two pages)
- Northwest Justice Project (NJP) (Washington State) (five pages)

None of the comments opposed the FNPRM changes to the original proposed rule. The OIG supported the FNPRM, subject to their prior comments on the NPRM. The other six comments proposed adding more standards and procedures, many of which would alter the existing standards and procedures for terminations, debarments, and suspensions. SCLAID continued to support the goal of the rulemaking, subject to suggestions for improvement in these areas. NLADA and three other comments opposed the rulemaking, and, in the alternative, strongly recommended improvements to standards and procedures. NJP opposed new or additional sanctions without the same due process protections provided in the existing rules for terminations and debarment. Many comments provided technical suggestions that Management agrees with or that raised concerns about ambiguities that Management will consider addressing. For example, some comments noted that the FNPRM used both the terms “lesser reductions in funding” and “limited reductions of funding.” Management agrees that one term should be used, and suggests “limited reductions of funding.”

Only NLADA submitted comments formatted to respond to the six questions posed in the FNPRM. All of the comments submitted will be addressed, notwithstanding the failure to follow the format requested. Many comments provided very useful suggestions of alternative language in redline format.

OIG Comments

The OIG reiterated its support for the proposed regulations, with the caveats provided in its earlier comments. The OIG provided the following analysis.

- The reordering of the limited reductions language improved the structure of Part 1606.
- The existing five-factor standard for terminations in Part 1606 is sufficient for limited reductions; there is no need to make the “knowing and willful” factor mandatory.
- The proposed rules provide for more proportionate responses to violations than the current rules.
- Additional procedures are unlikely to deter hypothetical future abuses of these rules by LSC, but they would make the rules more cumbersome and would not further the purpose of adopting more flexible enforcement tools.
- The final appeal to the President for limited reductions provides a process that appears to be sufficiently streamlined to provide meaningful review while not unduly slowing down enforcement.
- The updates to Part 1618 are consistent with actual practice and the other regulations.
- As specified in Part 1618, it is appropriate to consider imposing sanctions when there is a substantial violation and the recipient does not agree to informal sanctions.
- The proposed rules would continue the current distinction in the rules between the higher “knowing and willful” standard, which is a factor in Part 1606 determinations, and the lower Part 1618 “intentionally violated” threshold for proceeding to enforcement options.

- A requirement could be added to Part 1606 for publication of final decisions regarding terminations, debarment, or limited reductions.

The OIG noted a concern that the example regarding Part 1618 in the FNPRM might indicate a misreading of the current rule. The example used a persistent *and* intentional violation, while the rule only requires a persistent *or* intentional violation.

The example was meant to provide an extreme case in which both elements are present. It does not indicate any intent to read the current rule, or the FNPRM, to require both.

SCLAID Comments

SCLAID provided detailed comments with redline suggestions for revisions. These suggestions reiterated points from SCLAID's comments on the January NPRM. SCLAID recommended adding a "knowing and willful" threshold to Part 1606 for terminations, debarments, and limited reductions; increased procedural protections; and applying those enhancements to the Part 1623 suspension rule if that rule is expanded to ninety-day suspensions.

- *Knowing and Willful Threshold for Sanctions.* SCLAID proposed moving the "knowing and willful" factor out of the five factors for consideration in the current Part 1606 rule to make it a required, threshold factor for terminations, debarments, and limited reductions. Additionally, SCLAID proposed adding a requirement that "a recipient will not be considered to have acted in a knowing and willful manner when it has relied in good faith on a reasonable interpretation of state or federal law as a basis for its action or failure to act." SCLAID's proposal does not directly address the question of a difference of interpretation between LSC and the recipient.
- *Consideration of the Amount of Funds Misused.* SCLAID proposed adding a new factor for consideration of "the amount of funding that was inappropriately used."
- *Guidance on the Magnitude of the Reduction in Funding for Terminations or Lesser Reductions.* Part 1606 uses a set of five factors for determining whether to take enforcement action and how much to reduce funding (in a termination or limited reduction). SCLAID proposed separating those inquiries into two stages for the questions of 1) whether LSC would impose a termination or limited reduction and 2) the magnitude of the termination or limited reduction. For the second question, SCLAID proposed a new, separate set of factors. Those factors would include the four factors in the current rule (excluding the fifth factor for "knowing and willful" because SCLAID would promote it to a threshold factor). SCLAID would add the factor regarding the amount of funding misused, mentioned above, and another three factors regarding the availability of other funds and the impact of the reduction in funding on the recipient and on client services.
- *Appeals.* The proposed Part 1606 uses the Part 1630 appeal procedure for limited reductions. The President would hear the appeal, unless he or she had involvement in the prior decision, in which case the President would appoint a senior LSC staff person to hear the appeal. SCLAID observed that the President has supervisory control over all LSC staff, and as such there is a question if an appeal would be meaningful if the

President had been involved in the initial decision. SCLAID proposed that appeals should go to the President only if he or she had no prior involvement in the matter. Otherwise, the appeal should be heard by an external independent hearing examiner. This would be the only situation in which the LSC regulations explicitly contemplate a non-LSC employee making the final decision regarding a change in recipient funding.

- *Suspensions—Standards, Impact, and Appeals.* SCLAID proposed adding to Part 1623 the same enhancements discussed above for Part 1606.

NLADA

NLADA submitted comments with similar recommendations as SCLAID, including redlined suggestions, but NLADA also continued to oppose the rulemaking entirely. NLADA reiterated its reasons why the rulemaking should not proceed: 1) a lack of actual need, 2) sufficiency of existing tools, 3) harm to clients and potential clients, 4) lack of due process, 5) insufficient standards, and 6) no recommendation for new enforcement tools by the GAO or LSC's Fiscal Oversight Task Force. NLADA organized its comments to correspond to the six questions posed in the FNPRM; it was the only commenter to follow those instructions.

- *Q1: Changes to the NPRM.* NLADA supported the direction of the changes to the NPRM as improvements, but also urged LSC to add additional due process protections.
- *Q2: Changes to the lesser reductions procedures.*
 - NLADA proposed the same additions to the standards regarding knowing and willful violations and good faith reliance on reasonable interpretations as SCLAID recommended.
 - NLADA also proposed a new procedural threshold of \$10,000. Any limited reductions in funding that exceed \$10,000 would trigger the same process as terminations (of between five and one-hundred percent) or debarments. That process includes a hearing before an impartial hearing officer, who makes a recommendation to the President for a final decision. The President may have been involved in the prior consideration of the matter, and the President is not bound by the hearing officer's recommendation.
 - NLADA also proposed a change to the existing hearing officer requirements, which provide that the President appoints the impartial hearing officer, who may be an LSC employee. NLADA proposed changing the rule to prohibit the appointment of an LSC employee as the hearing officer.
 - These changes would also apply to NLADA's proposed appeal procedures for Part 1623 suspensions of over \$10,000, as discussed below.
- *Q3: Whether the proposed structural changes to the rule would result in substantive changes to terminations or debarments.* NLADA did not find any structural changes that produced substantive changes to terminations or debarments, although NLADA recommended its own substantive changes to terminations and debarments as discussed above.

- *Q4: New definitions.* NLADA made recommendations regarding changes to the definitions, as discussed in response to Question 3.
- *Q5: New proposed final appeal process for limited reductions.* NLADA recommended adding more process for limited reductions over \$10,000 as discussed in response to Question 2.
- *Q6: New proposed language for Part 1618.* NLADA did not comment on the proposed language for Part 1618. NLADA recommended changing the existing “persistently or intentionally” threshold in Part 1618 (unchanged in the FNPRM) to a “knowing and willful” threshold consistent with NLADA’s proposal to use that language as a threshold in Part 1606, as discussed in response to Question 2.
- *Suspensions.* NLADA also provided comments on the existing suspension procedures. The NPRM proposed extending non-audit suspensions from a maximum of thirty days to a maximum of ninety days, after which the suspended funds would be provided to the recipient. The FNPRM did not change this proposal. NLADA observed that suspensions of up to ninety days can carry far greater financial consequences than thirty-day suspensions for recipients that may already be suffering from severe funding losses. NLADA provided the example of a full suspension of funding on a one million dollar grant, which could amount to \$250,000. If the suspension lasted for ninety days, then the recipient would operate without \$83,333 during the first month, which would increase to \$166,666 in the second month, and then increase to \$250,000 in the third month. As anticipated in the NPRM, extending suspensions to ninety days could have a powerful impact on recipients if imposed on one hundred percent of a recipient’s funding. NLADA noted that any resulting disruption in client services might not be immediately remedied upon resumption of funding. NLADA suggested the following enhancements to Part 1623:
 - The “knowing and willful” definition would be enhanced with the same “reasonable interpretation” language proposed by NLADA and SCLAID for Part 1606.
 - As with NLADA and SCLAID’s suggestions for Part 1606, the “knowing and willful” factor could be elevated to a threshold requirement for determining whether a violation is substantial instead of as one of the five factors for consideration.
 - A new “substantial violation” definition could be added and cross referenced with the same definition provided in the FNPRM for Part 1606. This appears to be a technical clarification without any substantive changes.
 - The requirement in Part 1606 that LSC act through someone at the level of deputy director or above, as proposed in the FNPRM, could also be added to Part 1623 suspensions.
 - Part 1623 currently does not provide for an appeal after the informal meeting with LSC to review the proposed suspension. NLADA recommends adding a right to an appeal to an impartial, non-LSC, hearing officer and then to the President for suspensions of over \$10,000. Part 1623 would use the same procedures recommended in response to Question 2 for limited reductions of over \$10,000.

New York State Bar Association Committee on Legal Aid (CoLA)

CoLA continued to oppose the rulemaking for the same reasons as NLADA, reiterated its original comments on the NPRM, and joined in the comments of NLADA, which opposed the rulemaking, and suggested changes to the standards and procedures if rulemaking proceeds. CoLA emphasized the recommendation that the definition of a Part 1606.2 violation should require a “knowing and willful” threshold with an exception for good-faith reliance on reasonable interpretation of federal or state laws or regulations.

Legal Services Association of Michigan

The Legal Services Association of Michigan, representing thirteen legal aid programs, endorsed the NLADA comments, which opposed the rulemaking, and suggested changes to the standards and procedures if rulemaking proceeds.

Midwest Project Directors Group

The Midwest Project Directors Group, representing twenty-one legal aid programs, endorsed the NLADA comments, which opposed the rulemaking, and suggested changes to the standards and procedures if rulemaking proceeds.

New York State LSC Recipients Outside of New York City

These six LSC recipients submitted two pages of comments that opposed the rulemaking for the same six reasons identified by NLADA. These comments also made the following proposals, if the rulemaking were to proceed, which appear identical to the NLADA proposals:

- LSC should add due process procedures and protections for limited reductions of less than five percent.
- For Part 1606 substantial violations, LSC should require that the violations are “knowing and willful,” that the recipient had “actual knowledge” that it was violating the rules, and that it was not relying in good faith on a reasonable interpretation of state or federal law.
- LSC should provide a right of appeal to an independent, impartial hearing office. It appears that the addition of “independent” to the impartial hearing officers’ qualifications is meant to exclude LSC employees, as per the change recommended by NLADA.

Northwest Justice Project (NJP)

NJP is the statewide LSC recipient in Washington State. NJP continued to oppose the rulemaking unless the new or additional sanctions are afforded the same degree of due process provided in Part 1606 for terminations or debarments. NJP also provided a number of helpful technical suggestions for the language of the rules. NJP proposed the following enhancements for the proposed rules, which are similar to many of the suggestions of NLADA and SCLAID:

- The Part 1606 termination and debarment due process procedures should be available for appeals of limited reductions in funding of over \$10,000.
- The definitions of “knowing and willful” and “substantial violation” should exclude legitimate disagreements or good faith misinterpretations of the rules.
- The new Part 1606 appeals for limited reductions should always go to the LSC President, who should not be involved in the prior decisions (as stated in NJP’s follow up e-mail to their comments). NJP questioned the value of an appeal if the President was involved in the preliminary decisions to impose a reduction in funding.
- The FNPRM proposal to only permit senior LSC staff to make decisions on limited reductions should be modified to exclude deputy directors.
- The FNPRM adds to the preliminary determination for terminations, debarments, or limited reductions the option for LSC to specify “what, if any, corrective actions the recipient can take to avoid the proposed action.” This option currently appears in Part 1623—Suspensions and was included in the original NPRM, but only for limited reductions. NJP suggests making explicit that, as an alternative to an appeal, a recipient could respond to a proposed Part 1606 enforcement action by implementing the proposed corrective action.
- The FNPRM continues the provisions of the current rules that informal conferences, as the first level of review for all Part 1606 preliminary determinations, are conducted by the same LSC employee who issued the preliminary determination. NJP questioned the value of a conference in which the recipient would functionally be asking the LSC employee to reverse his or her own preliminary decision. NJP suggested that the informal conference should be conducted by a more neutral third party such as a different senior staff person at LSC (other than the President) or a non-LSC professional mediator.

CONCLUSION

The comments to the August FNPRM continue the themes set in the comments to the January NPRM. The comments generally welcomed the restructuring of the rules and a number of the enhancements. The comments also offered many helpful suggestions for technical improvements to the rules. Nonetheless, NLADA and the majority of the commenters continue to oppose the adoption of any new enforcement mechanisms. All of the commenters, other than the OIG, have pushed for standards and procedures that would change the current rules and might render the new enforcement mechanisms difficult to apply as quickly and decisively as Management has proposed.

Enforcement Mechanisms Timeline Comparison

1623 Susp.—Suspensions

1606 LR—Limited Reductions in Funding (August 8 FNPRM)

1606 Term.—Terminations

1630—Disallowed Costs

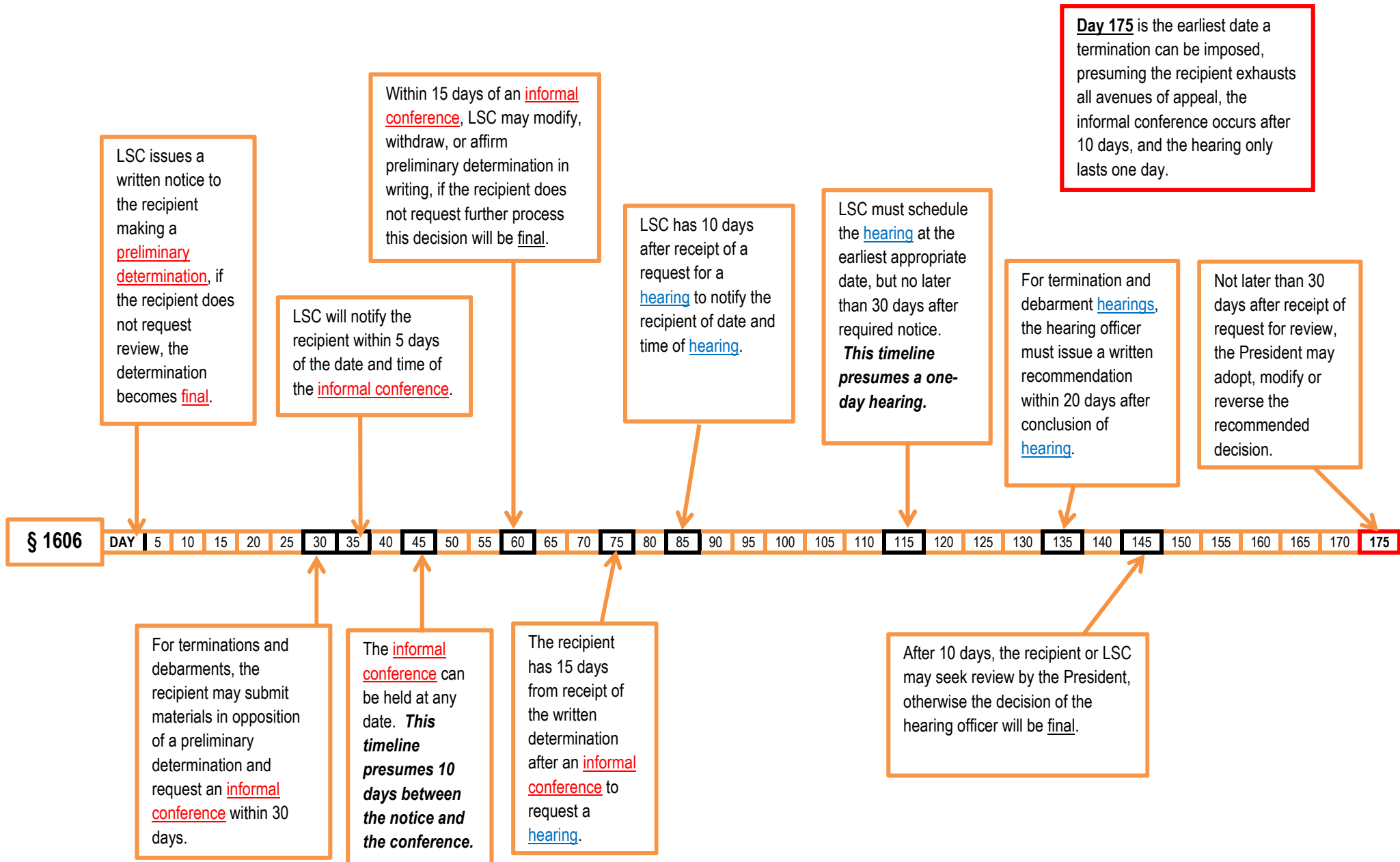
§1623 Susp.	10	<u>11</u> Days		40											If funds are suspended on day 11, then they are <u>released on day 41</u> (unless it is an audit-related suspension). LSC can implement the suspension at any time on or after day 11.				
§1606 LR	10	20	30	40	50	60	70	80	<u>80</u> Days										
§1630	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	<u>150</u> Days (above \$2,500) <u>90</u> Days (below \$2,500)			
§1606 Term.	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	175	<u>175</u> Days (presuming a one-day hearing)

For 1606 limited reductions or terminations, the timeline presumes that LSC will schedule the informal conference for 10 days after the notice—the regulation does not specify a time limit. The timeline also presumes that informal conferences will last one day or less.

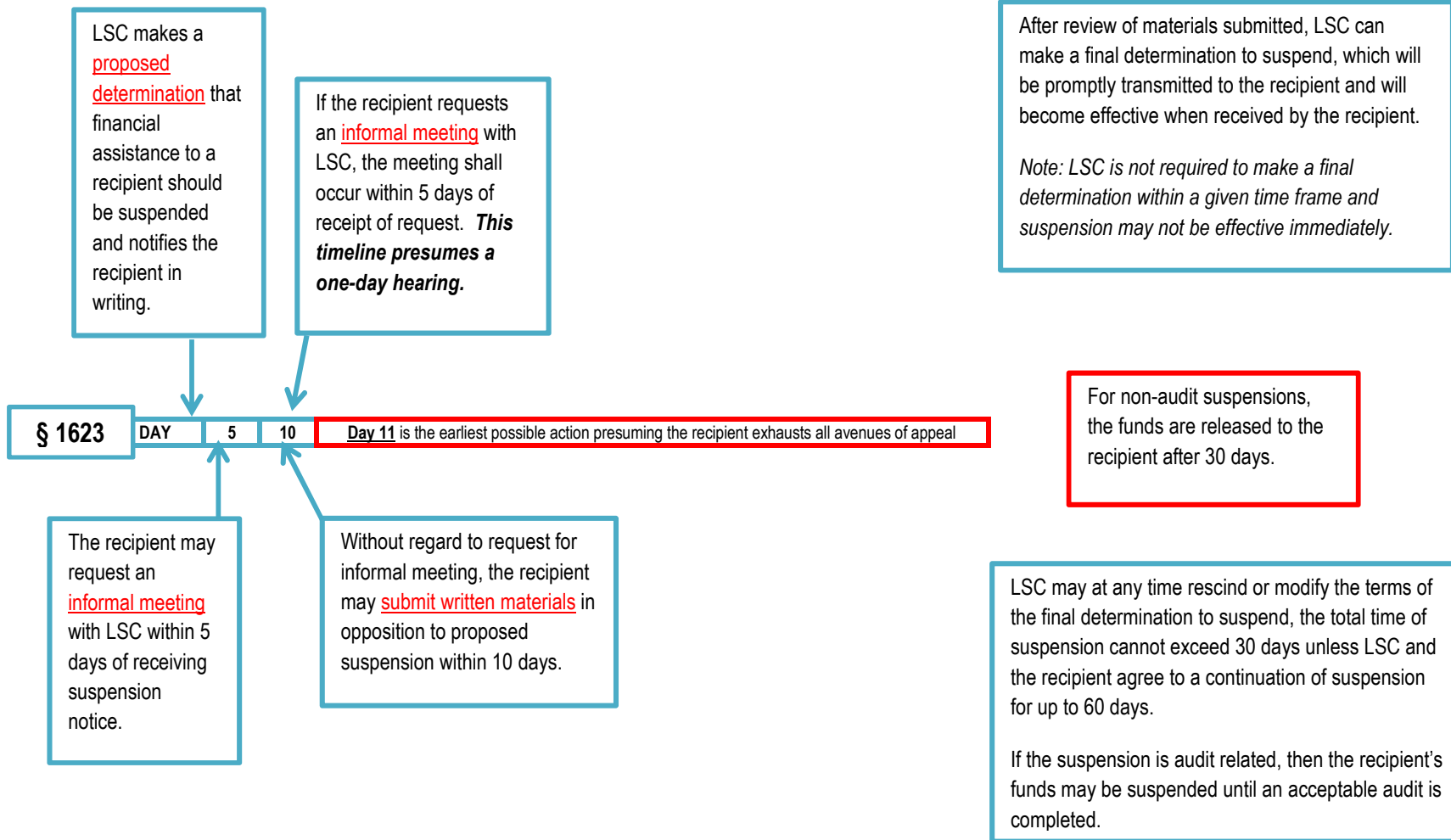
All timelines presume the maximum amount of allowed time for each time period and the use of the full process.

Business days are converted to calendar days by adding the maximum number of weekend days, but no additions are made for holidays, which could increase the times by a few days.

§1606: TERMINATION AND DEBARMENT PROCEDURES



§1623: SUSPENSION PROCEDURES



LSC makes a proposed determination that financial assistance to a recipient should be suspended and notifies the recipient in writing.

If the recipient requests an informal meeting with LSC, the meeting shall occur within 5 days of receipt of request. ***This timeline presumes a one-day hearing.***

§ 1623 DAY 5 10 Day 11 is the earliest possible action presuming the recipient exhausts all avenues of appeal

After review of materials submitted, LSC can make a final determination to suspend, which will be promptly transmitted to the recipient and will become effective when received by the recipient.

Note: LSC is not required to make a final determination within a given time frame and suspension may not be effective immediately.

For non-audit suspensions, the funds are released to the recipient after 30 days.

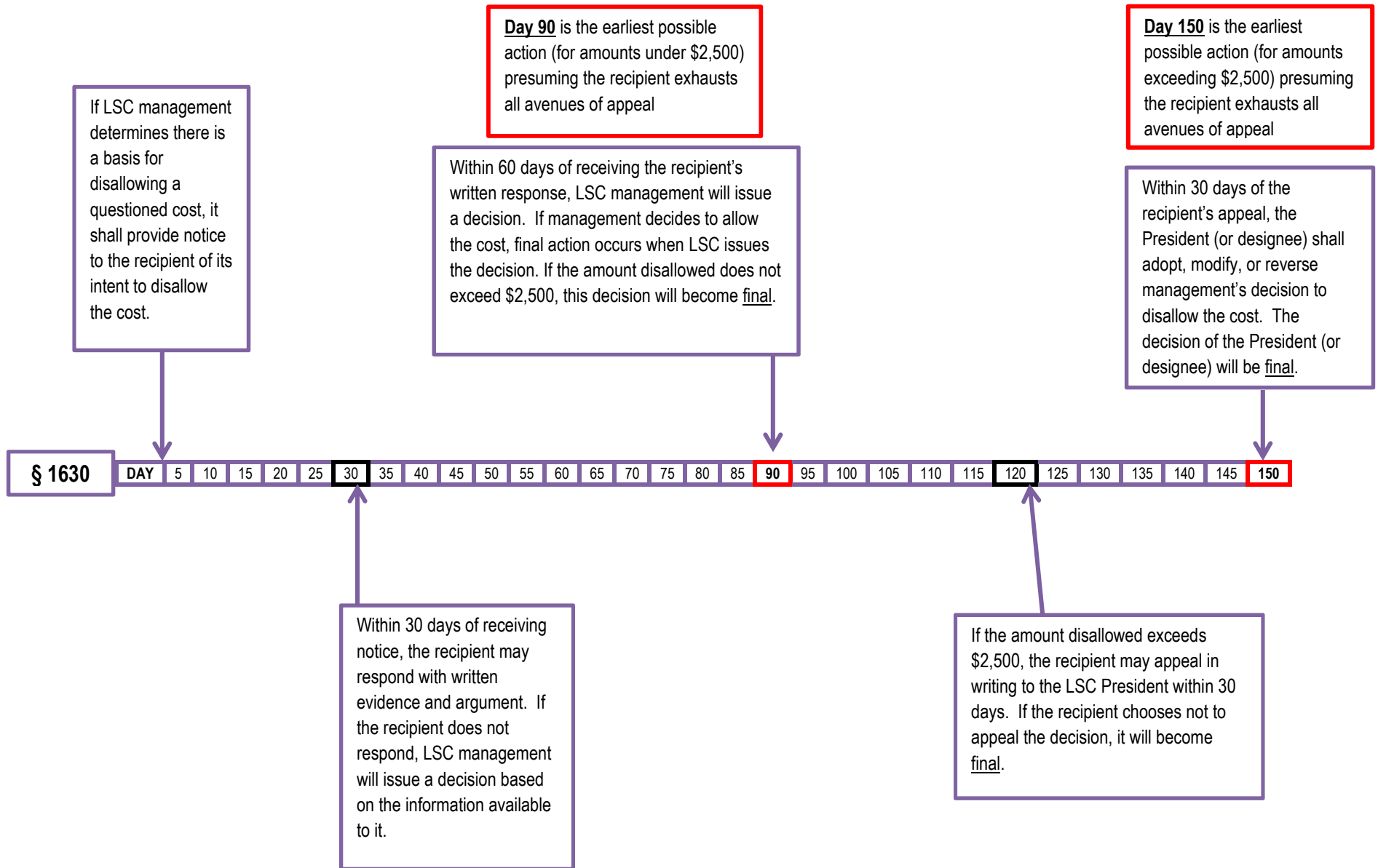
The recipient may request an informal meeting with LSC within 5 days of receiving suspension notice.

Without regard to request for informal meeting, the recipient may submit written materials in opposition to proposed suspension within 10 days.

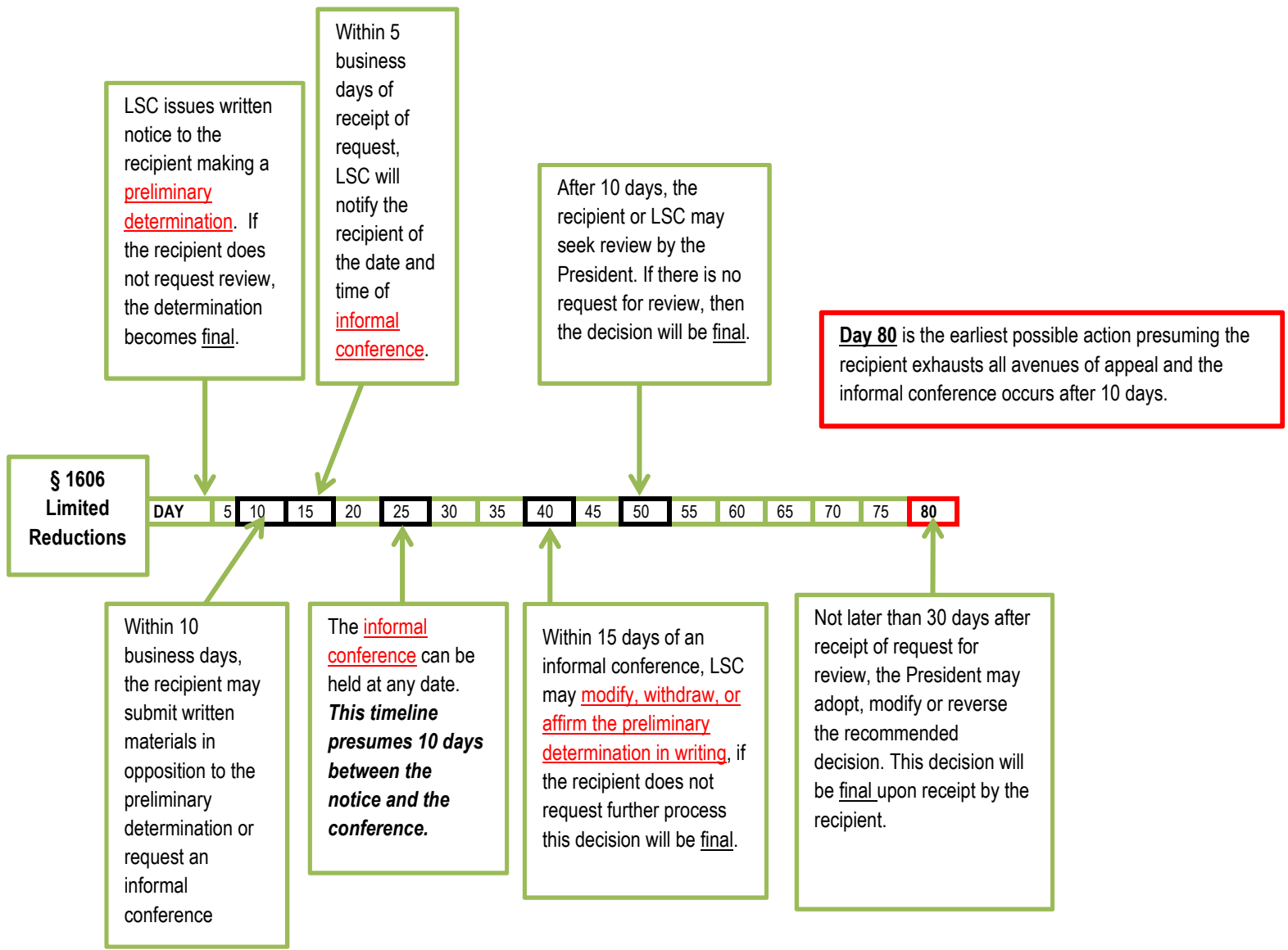
LSC may at any time rescind or modify the terms of the final determination to suspend, the total time of suspension cannot exceed 30 days unless LSC and the recipient agree to a continuation of suspension for up to 60 days.

If the suspension is audit related, then the recipient's funds may be suspended until an acceptable audit is completed.

§1630: COST STANDARDS AND PROCEDURES



§1606: LIMITED REDUCTIONS IN FUNDING (Proposed in the August 8 FNPRM)



the community must change any existing ordinances that are more stringent in their floodplain management requirements. The community may at any time enact stricter requirements of its own or pursuant to policies established by other Federal, State, or regional entities. These proposed elevations are used to meet the floodplain management requirements of the NFIP and also are used to calculate the appropriate flood

insurance premium rates for new buildings built after these elevations are made final, and for the contents in those buildings.

Correction

In the proposed rule published at 76 FR 8965 in the February 16, 2011, issue of the **Federal Register**, FEMA published a table under the authority of 44 CFR 67.4. The table, entitled “Bolivar County, Mississippi, and Incorporated Areas” addressed the following flooding

sources: Jones Bayou, Mississippi River, and Porter Bayou. That table contained inaccurate information as to the location of referenced elevation, effective and modified elevation in feet, and/or communities affected for Jones Bayou. In this notice, FEMA is publishing a table containing the accurate information, to address these prior errors. The information provided below should be used in lieu of that previously published.

Flooding source(s)	Location of referenced elevation	*Elevation in feet (NGVD) +Elevation in feet (NAVD) #Depth in feet above ground ^Elevation in meters (MSL)		Communities affected
		Effective	Modified	
Bolivar County, Mississippi, and Incorporated Areas				
Jones Bayou	Approximately 0.5 mile downstream of Tower Road ...	+134	+135	City of Cleveland, Unincorporated Areas of Bolivar County.
	Approximately 1,146 feet upstream of West Rosemary Road.	+137	+138	
Mississippi River	Approximately 5.5 miles upstream of the Arkansas River confluence.	None	+161	City of Rosedale.
	Approximately 8.1 miles upstream of the Arkansas River confluence.	None	+162	
Porter Bayou	Approximately 0.8 mile downstream of State Route 448.	None	+127	City of Shaw.
	Approximately 0.7 mile downstream of State Route 448.	None	+127	

* National Geodetic Vertical Datum.

+ North American Vertical Datum.

Depth in feet above ground.

^ Mean Sea Level, rounded to the nearest 0.1 meter.

** BFEs to be changed include the listed downstream and upstream BFEs, and include BFEs located on the stream reach between the referenced locations above. Please refer to the revised Flood Insurance Rate Map located at the community map repository (see below) for exact locations of all BFEs to be changed.

Send comments to Luis Rodriguez, Chief, Engineering Management Branch, Federal Insurance and Mitigation Administration, Federal Emergency Management Agency, 500 C Street SW., Washington, DC 20472.

ADDRESSES

City of Cleveland

Maps are available for inspection at the Public Works Department, 1089 Old Highway 61 North, Cleveland, MS 38732.

City of Rosedale

Maps are available for inspection at City Hall, 304 Court Street, Rosedale, MS 38769.

City of Shaw

Maps are available for inspection at City Hall, 101 Faison Street, Shaw, MS 38773.

Unincorporated Areas of Bolivar County

Maps are available for inspection at the Bolivar County Administrator Office, 200 South Court Street, Cleveland, MS 38732.

Dated: July 18, 2012.

Sandra K. Knight,

Deputy Associate Administrator for Mitigation, Department of Homeland Security, Federal Emergency Management Agency.

[FR Doc. 2012-19223 Filed 8-6-12; 8:45 am]

BILLING CODE 9110-12-P

LEGAL SERVICES CORPORATION

45 CFR Parts 1606, 1618, and 1623

Termination, Limited Reductions in Funding, and Debarment Procedures; Recompensation; Enforcement; Suspension Procedures

AGENCY: Legal Services Corporation.

ACTION: Further Notice of Proposed Rulemaking.

SUMMARY: This Further Notice of Proposed Rulemaking (FNPRM)

proposes modifications to the January 31, 2012, NPRM regarding amendments to the Legal Services Corporation’s regulations on termination procedures, enforcement, and suspension procedures. LSC seeks comments limited to the substantively new materials as indicated by the questions in the **SUPPLEMENTARY INFORMATION**.

DATES: Comments on the FNPRM are due September 6, 2012.

ADDRESSES: Written comments may be submitted by mail, fax, or email to Mark

Freedman, Senior Assistant General Counsel, Legal Services Corporation, 3333 K Street NW., Washington, DC 20007; 202-295-1623 (phone); 202-337-6519 (fax); mfreedman@lsc.gov.

FOR FURTHER INFORMATION CONTACT:

Mark Freedman, Senior Assistant General Counsel, Office of Legal Affairs, Legal Services Corporation, 3333 K Street NW., Washington, DC 20007; 202-295-1623 (phone); 202-337-6519 (fax); mfreedman@lsc.gov.

SUPPLEMENTARY INFORMATION:

Introduction

The Legal Services Corporation (LSC) Act (the Act) provides general authority to the Corporation “to insure the compliance of recipients and their employees with the provisions of [the Act] and the rules, regulations, and guidelines promulgated pursuant to [the Act].”¹ On January 31, 2012, LSC published in the *Federal Register* at 77 FR 4749 a NPRM proposing changes to LSC’s enforcement mechanisms to add a lesser reduction in funding option and extend the time for suspensions from 30 to 90 days. The NPRM provided history and background that is not repeated herein.

Nineteen comments were submitted. The comments are available in the open rulemaking section of LSC’s Web site at www.lsc.gov.

<http://www.lsc.gov/about/regulations-rules/open-rulemaking>.

On June 18, 2012, the Operations and Regulations Committee (Committee) of the LSC Board of Directors (Board) met to discuss the comments. Only the comment of the Office of Inspector General (OIG) supported the proposal as written, although the OIG recommends a rule providing for suspensions to remain in place until corrective actions are taken, and the OIG questioned whether the proposed language regarding imposing immediate special grant conditions was unduly restricted. Seventeen of the other comments opposed the proposed changes. Those comments include ones from LSC recipients, coalitions of legal aid programs, the National Legal Aid and Defender Association (NLADA), and the New York State Bar Association Committee on Legal Aid. The American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID) did not oppose the rulemaking, but joined with the other seventeen comments in recommended changes to the proposed language if LSC proceeds with rulemaking. These comments had a number of common

themes. Fifteen of the comments were two or three pages. The ABA, NLADA, and Colorado Legal Services provided more extensive comments (five to seven pages). The OIG’s comments in support of the rule were sixteen pages in length. This further notice of proposed rulemaking (FNPRM) provides revisions to the proposed language for further comment. The final rule will include a discussion of all of the comments received on both the NPRM and the FNPRM.

On July 27, 2012, the Committee met again to discuss the comments and LSC Management’s recommendations. The Committee voted to recommend to the Board publication of these further revisions to the proposal based on consideration of the comments and recommendations of Management. On July 27, 2012, the Board voted to publish this FNPRM for public comment on the specific items identified below. In addition to this FNPRM, LSC is publishing on its Web site redlined versions of the regulations showing each change. Those documents are available in the Open Rulemaking section of www.lsc.gov.

<http://www.lsc.gov/about/regulations-rules/open-rulemaking>.

LSC’s principal regulation discussing general enforcement authority and procedures is the Enforcement Procedures regulation at 45 CFR part 1618. In accordance with the requirements of Part 1618, LSC uses a variety of enforcement tools, formal and informal, to ensure compliance. Among these are informal consultations and compliance training, on-site Case Service Report/Case Management System reviews, the imposition of Required Corrective Actions (RCAs), and the imposition of Special Grant Conditions (SGCs) at the beginning or renewal of a grant. Several additional enforcement tools are provided for in LSC-adopted regulations and are available to the Corporation to address significant non-compliance by a recipient. In particular, LSC has adopted suspension procedures (45 CFR part 1623) and questioned-cost procedures (45 CFR part 1630). LSC has also adopted grant termination procedures (45 CFR part 1606) that provide for the termination of funding in whole or in part in cases of a recipient’s substantial noncompliance with LSC statutory or regulatory requirements and other policies, instructions, or grant terms and conditions. Under the grant-termination provisions, a reduction of five percent or more of a recipient’s funding is considered a termination and can be implemented only in compliance with

the termination procedures.² Reductions of funding of less than five percent are not considered terminations. In order to reduce a recipient’s funding by less than five percent without using the 1606 termination procedures, additional procedures have to be established by rulemaking.³ LSC has not yet adopted regulations establishing such standards and procedures. LSC also has the authority under Part 1606 to debar recipients from eligibility to receive future grants.

The majority of LSC recipients are in substantial compliance with LSC requirements most of the time. When non-compliance occurs, recipients almost always work diligently and cooperatively with LSC staff to come promptly into compliance, but there have been exceptions. LSC is now considering adding enforcement tools to increase LSC’s flexibility in addressing compliance issues.

In light of its experience with the existing enforcement mechanisms, discussed more fully in the NPRM, LSC is proposing to amend its regulations at 45 CFR parts 1606, 1618, and 1623 to adopt standards and procedures for limited reductions in funding, to allow for the imposition of SGCs during a grant year, and to amend the maximum suspension period from 30 to 90 days. LSC is not modifying the proposed changes to Part 1623 as set out in the NPRM; no further comments on Part 1623 are requested. The proposed changes and the modifications to those changes in this FNPRM are discussed in greater detail below.

Amending Part 1606 To Include Standards and Procedures for Limited Reductions in Funding

LSC proposed adding to Part 1606 a new definition for lesser reductions in funding and a new § 1606.15 to provide procedures for imposing them. The proposed procedures were based on the suspension procedures in Part 1623, which provide a significant opportunity for recipient input and due process without being unduly complex. Those proposed procedures would have permitted the recipient to request an informal conference regarding the proposed reduction in funding. There were no further avenues of appeal.

Many comments raised the concern that the proposed procedures were inadequate for lesser reductions in funding because they lacked an appeal of the informal conference and did not include review by an impartial person. Suspensions withhold funds from a

¹ LSC Act, section 1006(b)(1)(A); 42 U.S.C. 2996e(b)(1)(A).

² 45 CFR 1606.2(d).

³ 45 CFR 1606.2(d)(2)(v).

recipient with the expectation that the funds will be provided when the suspension ends. In contrast, terminations, disallowed costs, and lesser reductions in funding all involve a nonrecoverable loss of funding for the recipient. For terminations of five percent or greater, the recipient has a right to appeal a determination to an impartial hearing officer appointed by the LSC President. The hearing officer's decision is then reviewed by the LSC President, who makes the final decision.⁴ For disallowed costs under Part 1630, the recipient has a right to appeal a disallowed cost decision to the LSC President. The President may act on the appeal only if he or she has not "had prior involvement in the consideration of the disallowed cost * * *."⁵ Otherwise, "the President shall designate another senior Corporation employee who has not had prior involvement to review the recipient's appeal."⁶

LSC agrees that some appeal is appropriate for lesser reductions. That appeal should also provide for review by someone who was not involved in the prior LSC decisions regarding the preliminary and final determinations. The proposed language below would add an appeal to the LSC President, who would decide the matter unless he or she was involved in those prior decisions. Alternately, the LSC President can appoint another LSC senior employee who was not involved in those prior decisions.

The comments also raised a number of questions regarding the proposed definitions and procedures. In reviewing the comments, LSC determined that a separate set of procedures for lesser reductions creates unnecessary confusion in the rule. This revision uses the existing Part 1606 procedures for preliminary determinations and informal hearings. Appeals of terminations and debarments would then continue to have the existing process and rights. Appeals of lesser reductions would go directly to the LSC President.

In the proposed § 1606.15(c), the NPRM cross-referenced the § 1606.3(b) criteria for substantial violations and used those criteria for lesser reductions. The proposed language below eliminates the new § 1606.15 and moves the § 1606.3(b) criteria to a new definition of "substantial violations" for use throughout Part 1606. This approach is designed to improve the structure of the rule. No changes are

made to the language, and no substantive changes are intended by this restructuring.

Some deadlines have been adjusted for uniformity in the rule.

Questions on Which Comments Are Sought

Q1: Comments are sought on the question whether the lesser reduction procedures are better handled as proposed in the NPRM or as proposed herein.

Q2: Comments are sought on the changes to the procedures affecting lesser reductions. No further comments are sought regarding the underlying question of the decision to adopt a lesser reductions option or the use of the existing § 1606.3(b) criteria for lesser reductions, which is unchanged from the NPRM. Those comments on the NPRM are already in the rulemaking record. LSC will respond fully to all comments, including those regarding the rationale for the rulemaking, in the preamble to any Final Rule, should one be published.

Q3: There are no substantive changes to the rules for terminations or debarments. Comments are sought on the question whether any of these proposed changes to the structure of the rule would result in substantive changes affecting terminations or debarment. No other comments regarding the existing rules for terminations or debarments are sought.

Q4: There are new definitions added for clarity. Comments are sought on the new definitions but not on definitions that are moved without change from other sections of the existing regulation or from the NPRM proposed language.

Q5: Comments are sought on the proposed final appeal process.

Section-by-Section Analysis of Part 1606

Section 1606.1 Purpose

The NPRM did not amend this section. The proposed language below amends paragraph (b) to add to the purpose of the rule lesser reductions in funding. It also states that the procedures provided are proportional to the proposed action rather than uniform for all actions. This takes the place of § 1606.15(1) in the NPRM.

Section 1606.2 Definitions

The NPRM added a definition of limited reduction in funding as a new paragraph (c). The proposed language below renumbers the following paragraphs. It also adds language from paragraph (d)(1) for terminations regarding whether a lesser reduction

will affect funding beyond the current grant year. That addition makes clear that the two options function the same in this regard. No substantive changes are made to the definition.

New paragraphs (f), (g), and (h) are added to relocate definitions of violations, substantial violations, and substantial noncompliance. No substantive changes are made to these terms. They are moved from § 1606.3(a)(1), (b), and (c) into the definitions section so that they can be easily referenced for all of the available actions in the rule. This eliminates the cross-reference to these terms in § 1606.15(b) of the NPRM. It also responds to some of the comments by making clear that the threshold for a substantial violation is the same for terminations and for lesser reductions.

New paragraph (i) adds a definition of the "Corporation" for purposes of taking actions under the rule, which permits elimination of the "designated employee" under § 1606.6(a). For purposes of making decisions regarding terminations, debarments, or lesser reductions, the Corporation must act through someone at the level of a deputy director or higher. This change addresses concerns expressed by comments about low-level employees making decisions to reduce funding. It also adds internal consistency to the rule instead of referring to the Corporation in some places and to the designated employee in others. This definition is a change to the NPRM and to the existing rule, although in practice LSC does not make decisions of this magnitude through anyone below the level of a deputy director.

New paragraph (j) defines when materials are considered received for purposes of this part. This is added for clarity. It is intended to make clear that physical delivery with confirmation from the delivery service is always sufficient. Alternate modes of delivery, such as email or fax, are acceptable, but they require confirmation in writing by a person at the recipient. Automated "confirmations" from fax machines or email systems do not guarantee that the document was in fact seen by a person at the receiving end.

New paragraph (k) defines days through reference to the rules for computing time in the Federal Rules for Civil Procedure, with an exception for excluding weekends and legal holidays for computing business days. This is added for clarity. In 2009, the Federal rules eliminated the use of a business days rule for periods of ten days or fewer and lengthened some of the shorter deadlines accordingly. LSC is keeping this distinction here because,

⁴ 45 CFR 1606.8–10.

⁵ 45 CFR 1630.7(f).

⁶ *Id.*

unlike the Federal rules, so many of the deadlines are 10 days or fewer. The revised sections of the rule specify time in calendar days or business days. References to days in other sections of the rule should be treated as calendar days, unless specified otherwise.

Section 1606.3 Grounds for a Termination or a Lesser Reduction in Funding

The proposed grounds for lesser reductions in the NPRM at §§ 1606.15(a) and (b) have been moved into this section, which is renamed accordingly. The definition of a substantial violation has been moved from this section into the new definitions in § 1606.2. As discussed above, no substantive changes are intended, and this restructuring should add clarity to the rule.

Section 1606.4 Grounds for Debarment

There are no changes to this section and it is not reprinted in this notice. LSC considered moving the definition of “good cause” from this section to the definitions for structural consistency. LSC did not do so because the definition applies only to debarments; moving it would not add clarity and might add confusion to the rule.

Section 1606.5 Procedures

This section is renamed to make it applicable to all actions under the rule, not only to terminations and debarments. The existing language is renumbered as paragraph (a). Paragraph (b) is added for situations involving lesser reductions in funding. It requires that LSC designate a senior LSC employee who will be able to meet the § 1606.10(d) requirements for handling a final review of a lesser reduction in funding.

Section 1606.6 Preliminary Determination

In the NPRM, § 1606.15(d) provided requirements for notices of preliminary and final determinations for lesser reductions that were worded slightly differently than this section, but they appeared to be substantively identical. The NPRM language is eliminated and merged in paragraph (a) with the existing language for preliminary determinations in this section to provide a process applicable to terminations, debarments, and lesser reductions. Specific references to procedural rights in other sections are replaced with a general reference to procedural rights. No substantive changes are intended by these changes to paragraph (a).

The references to a “designated employee” are eliminated in favor of a

definition of the Corporation for decision-making purposes in § 1606.2(i), as discussed above.

Language is added to paragraph (b) to affirmatively require LSC to provide the recipient with the final determination if there is no further review. This ensures that there is no confusion in situations in which the recipient does not respond to the preliminary determination. Paragraph (b) is also modified to state that LSC has the discretion to make the preliminary determination final when there is no request for a review. This change is intended to ensure that LSC retains the discretion to consider factors that come to light after issuing the preliminary determination. For example, a recipient might be in such turmoil that it fails to request review, but the local bar association requests that LSC forestall issuing a final determination. Under the existing rule and the NPRM, LSC might not have that discretion.

Section 1606.7 Informal Conference and Review of Written Materials

The NPRM provided in § 1606.15(e), (f), and (g) procedures for an informal conference to review a proposed lesser reduction in funding. The NPRM used the language of Part 1623 as the basis for the informal conference review of a proposed lesser reduction in funding. The proposed language was substantively similar to the § 1606.7 informal conference for terminations and debarments. To simplify the rule, the proposed parallel provisions in § 1606.15 are eliminated in favor of using the existing § 1606.7 procedures.

No substantive changes are made to this section with the exception of the addition of an option of a paper review for terminations and debarments and the increase of some time limits from the existing rule and the NPRM. The current rule for terminations and debarments provides for an informal conference. Part 1623 also provides for an informal conference for review of proposed suspensions, but it adds an option of submission of written materials without a conference. The NPRM used the same language for lesser-reductions conferences. The revised language adds the option of a review of written materials for terminations and debarments as well as for lesser reductions. The NPRM provided that the informal conference would take place within five days of the recipient’s request. This revision provides that LSC will notify the recipient within five business days of the time and place of the conference. This provides more scheduling flexibility.

Paragraph (b) provides the recipient with the right to request an in-person conference, but otherwise allows the conference to be held through alternative methods such as a teleconference. For an in-person meeting, some of the participants may attend through alternative methods. This is added to ensure that the recipient has the right to a face-to-face meeting, but it also makes clear that the recipient and LSC can reduce the cost and burden of the conference through alternative methods.

Paragraph (e) provides that the final determination must provide the same type of details as the preliminary determination. This is similar to the requirements of § 1606.9(b), which apply to recommended decisions by hearing officers.

Section 1606.8 Hearings for Terminations or Debarments

No substantive changes are made to this section. The title and paragraph (a) are updated to state that this section applies only to terminations and debarments. These hearings are not available for lesser reductions in funding. As discussed in the NPRM, the purpose of lesser reductions is to provide LSC with a means of taking financial action against a recipient in an amount of less than five percent, without the full hearing procedures required for terminations of five percent or greater.

Section 1606.9 Recommended Decisions for Terminations or Debarments

No substantive changes are made to this section. The title and paragraph (a) are updated to state that this section applies only to terminations and debarments. This section involves decisions after hearings under § 1606.8, which are not available for lesser reductions in funding.

Section 1606.10 Final Decision

This section is updated to add direct review by the LSC President of final determinations of lesser reductions in funding. Currently this section provides only for review by the LSC President of recommended decisions of impartial hearing officers under § 1606.9, which are not available for lesser reductions. The time limits of ten calendar days are expanded to ten business days to ensure there is sufficient time for the recipient to draft and deliver the request for review by the President, which “shall state in detail the reasons for seeking review.”⁷ At the end of the year, the

⁷ 45 CFR 1606.10(b).

holidays of December 25 and January 1 can reduce ten calendar days to only six business days.

Paragraph (c) adds a requirement that the recipient be able to obtain a copy of the written record on which the President based his or her decision. This requirement is based on a similar provision in § 1630.7(g) regarding disallowed costs reviews.

A new paragraph (d) is added providing for appeals of final determinations for lesser reductions in funding. The LSC President, or other senior LSC employee, will conduct the review and make a final decision regarding the proposed lesser reduction in funding. As discussed above, prior to the section-by-section analysis, the final review should be handled by someone who did not actively participate in making the decisions regarding the preliminary determination or the final determination. This requirement ensures that there is at least one level of review involving a fresh look at the situation, similar to the § 1606.8 requirements for terminations and the § 1630.7 requirements for disallowed costs.

Normally, this final review and decision would be handled by the President. LSC expects that the Vice President for Grants Management or the Director of the Office of Compliance and Enforcement will usually handle preliminary determinations, informal conferences, and final determinations for lesser reductions in funding. Nonetheless, these are significant actions that the President is likely to be kept informed about throughout the process. The President is not disqualified under paragraph (d) merely because he or she is briefed about the situation and options, asks questions, and did not object to the prior lesser reduction decisions and proceedings. Nor is he or she disqualified if the recipient or other parties contact him or her directly prior to a final appeal.

Paragraph (e) (renumbered) adds a requirement that a final decision reviewing a determination of a lesser reduction shall meet the specificity requirements of § 1606.6(a). This provides a parallel requirement to the existing requirement that final decisions reviewing a hearing officer's recommendation shall meet the specificity requirements of § 1606.9(b).

Section 1606.13 Interim and Termination Funding; Reprogramming

There are no changes to this section from the NPRM. They are repeated here in order to provide all of the revisions of Part 1606 proposed by both the

NPRM and this FNPRM. No comments are sought on this section.

Section 1606.15 Limited Reductions of Funding

The NPRM proposed adding a new section. As discussed above, all of the proposed provisions are now incorporated into the existing provisions of this part. There is no proposed § 1606.15 in this FNPRM.

Amending Part 1618 To Permit the Imposition of Immediate Special Grant Conditions

The NPRM proposed amending Part 1618 to provide clear authority to impose special grant conditions in the middle of a grant, rather than only at renewal or competition. The OIG expressed concern that the Part 1618 threshold might unduly restrict the use of these immediate special grant conditions. The proposal has been revised to specify that immediate special grant conditions are available for corrective actions after LSC has determined that a violation exists. This enables LSC to convert corrective actions required by the Office of Compliance and Enforcement into special grant conditions immediately rather than waiting for the next grant renewal or award. This addition does not affect LSC's existing authority to impose special grant conditions during renewal, competition, or otherwise.

Additionally, during review of Part 1618 it became apparent that the language of Part 1618 is outdated. It has not been amended since 1976. Both Part 1606—Terminations and Part 1623—Suspensions refer to compliance with “a provision of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline or instruction, or the terms and conditions of the recipient's grant or contract with the Corporation.”⁸ These rules were extensively updated in 1998. Part 1618 refers only to violations of “the Legal Services Corporation Act or the rules and regulations issued by the Corporation.”⁹ LSC proposes amending Part 1618 to conform to the language used in the other, later adopted, regulations to conform to existing practice.

Proposed § 1618.5(b) permits LSC to impose a lesser reduction in funding after “attempts at informal resolution have been unsuccessful.” Informal resolution includes remedial actions, preventive actions, and sanctions. So, for example, if a recipient has

persistently and intentionally used LSC funds for grassroots lobbying, then LSC could ultimately proceed to termination or debarment. Section 1618.5(b) requires LSC to attempt to resolve the situations informally before beginning an enforcement action. LSC could demand that the recipient cease such activities, put in place measures to ensure that such activities do not recur, and accept a lesser reduction in funding as a sanction. If the recipient did not agree to all three actions during attempts at informal resolution, then LSC could proceed with suspension, termination, and/or a lesser reduction in funding. Furthermore, if attempts at informal resolution are unsuccessful, then LSC may proceed with actions that are more consequential than those pursued during those unsuccessful attempts. Thus, in this example, LSC could proceed with a termination of five percent or greater, even if it offered the recipient the option of resolving the matter through acceptance of a reduction in funding of less than five percent. There are no changes to the rule required for this application.

Question on Which Comments Are Sought

Q6: Comments are sought on the new proposed language for Part 1618.

Section-by-Section Analysis of Part 1618

Section 1618.1 Purpose

Reference to the requirements of the LSC Act are updated to refer to the provisions of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline, or instruction, or the terms and conditions of the recipient's grant or contract with the Corporation. This conforms Part 1618 to Part 1606 and Part 1623.

Section 1618.2 Definitions

The existing definition of the term “Act” as referring to the LSC Act, rules, and regulations is removed because it was confusing and inconsistent with LSC's current governing laws, many of which appear in appropriations statutes and not the LSC Act, and with Part 1606 and Part 1623. A new paragraph (a) is added defining the term “LSC requirements” using the language from Part 1606 and Part 1623. A new paragraph (b) is added to make clear that a violation refers to a violation of the LSC requirements.

⁸ 45 CFR 1606.1(a) and 1623.1(a).

⁹ 45 CFR 1618.2.

Section 1618.3 Complaints

The reference to a violation of “the LSC Act” is replaced with reference to the new definition of a “violation.”

Section 1618.4 Duties of Recipients

References to a violation of the LSC Act are replaced with references to the new definition of a violation. Paragraphs (a) and (b) are renumbered as (1) and (2) of a new paragraph (a). The former paragraph (b) is split into (a)(2) and (a)(3). These changes add clarity without substantive alterations to the rule. The new (a)(2) is amended to clarify that the recipient has the discretion to determine whether a violation by a recipient’s employee merits a sanction imposed by the recipient on the employee under the circumstances. Some violations can be fully addressed by the recipient without any sanction. This is not meant to change the substantive requirements of this paragraph. Paragraph (c) is renumbered as paragraph (b). A new paragraph (c) is added to clarify that these requirements do not, by themselves, create substantive rights for recipient employees. A failure to consult with LSC under this section does not nullify a recipient’s employment action. Rather, it is a matter between LSC and the recipient.

Section 1618.5 Duties of the Corporation

References to a violation of the LSC Act are replaced with references to the new definition of a violation. Paragraph (a) is amended to make clear that the Corporation’s investigation may be limited to determining that the recipient is taking sufficient action. This is not a substantive change. Paragraph (c) is added regarding immediate special grant conditions. As discussed above, these would be available for any violation for which LSC has determined that corrective action is necessary. Currently LSC makes those determinations through normal procedures by the Office of Compliance and Enforcement. The thresholds in paragraph (b) for further actions such as suspensions or terminations would not apply to immediate special grant conditions.

List of Subjects

45 CFR Part 1606

Administrative practice and procedure, Grant program—law, Legal services.

45 CFR Parts 1618 and 1620

Grant programs—law, Legal services.

For reasons set forth above, and under the authority of 42 U.S.C. § 2996g(e), LSC proposes to amend 45 CFR chapter XVI as follows:

PART 1606—TERMINATION, LIMITED REDUCTION IN FUNDING, AND DEBARMENT PROCEDURES; RECOMPETITION

1. The authority citation for Part 1606 continues to read as follows:

Authority: 42 U.S.C. 2996e(b)(1) and 2996f(a)3; Pub. L. 105–199, 111 Stat. 2440, Secs. 501(b) and (c) and 504; Pub. L. 104–134, 110 Stat. 1321.

2. The heading for part 1606 is revised to read as set forth above.

3. Amend § 1606.1 by revising paragraph (b) to read as follows:

§ 1606.1 Purpose

* * * * *

(b) Provide timely and fair due process procedures, proportional to the proposed action, when the Corporation has made a preliminary decision to terminate a recipient’s LSC grant or contract, to debar a recipient from receiving future LSC awards of financial assistance, or to impose a lesser reduction in funding; and

4. Amend § 1606.2 by redesignating paragraphs (c) and (d) as (d) and (e), revising new paragraph (e), and adding paragraphs (c) and (f) through (k) to read as follows:

§ 1606.2 Definitions.

* * * * *

(c) Limited reduction in funding means a reduction in funding of less than five percent of a recipient’s current annual level of financial assistance imposed by the Corporation in accordance with the procedures and requirements of this part. A limited reduction in funding will affect only the recipient’s current year’s funding, unless the Corporation provides otherwise in the final termination decision.

(d) Recipient means any grantee or contractor receiving financial assistance from the Corporation under section 1006(a)(1)(A) of the LSC Act.

(e)(1) Termination means that a recipient’s level of financial assistance under its grant or contract with the Corporation will be reduced in whole or in part prior to the expiration of the term of a recipient’s current grant or contract. A partial termination will affect only the recipient’s current year’s funding, unless the Corporation provides otherwise in the final termination decision.

(2) A termination does not include:

(i) A reduction of funding required by law, including a reduction in or

rescission of the Corporation’s appropriation that is apportioned among all recipients of the same class in proportion to their current level of funding;

(ii) A reduction or deduction of LSC support for a recipient under the Corporation’s fund balance regulation at 45 CFR part 1628;

(iii) A recovery of disallowed costs under the Corporation’s regulation on costs standards and procedures at 45 CFR part 1630;

(iv) A withholding of funds pursuant to the Corporation’s Private Attorney Involvement rule at 45 CFR part 1614; or

(v) A limited reduction of funding as defined in this section.

(f) Substantial noncompliance means either a substantial violation, as defined in this section, or a substantial failure, as defined in this part at § 1606.3(a).

(g) Violation means a violation by the recipient of a provision of the LSC Act, the Corporation’s appropriations act or other law applicable to LSC funds, or a Corporation rule, regulation, guideline or instruction, or a term or condition of the recipient’s grant or contract.

(h) Substantial violation means a violation that merits action under this part based on consideration of the following criteria by the Corporation:

(1) The number of restrictions or requirements violated;

(2) Whether the violation represents an instance of noncompliance with a substantive statutory or regulatory restriction or requirement, rather than an instance of noncompliance with a non-substantive technical or procedural requirement;

(3) The extent to which the violation is part of a pattern of noncompliance with LSC requirements or restrictions;

(4) The extent to which the recipient failed to take action to cure the violation when it became aware of the violation; and

(5) Whether the violation was knowing and willful.

(i) Corporation, when used to refer to decisions by the Legal Services Corporation, means that those decisions are made by an individual at the level of an office director, deputy director, or higher.

(j) Receipt of materials shall mean that the materials were sent to the normal address for physical mail, email, or fax transmission, and there is reliable secondary confirmation of delivery. For physical delivery, confirmation may be provided through tracking information from the delivery service. For other forms of delivery, confirmation may be provided through a document such as a confirmation email or a fax sent from an

authorized person at the recipient. Receipt of materials by the LSC recipient is sufficient for the running of applicable time periods. Proof of receipt by the Board Chair is not necessary unless delivery to the recipient itself cannot be reasonably accomplished.

(k) Days shall mean the number of actual days as determined by the rules for computing time in the Federal Rules of Civil Procedure, Rule 6, except that computation of business days shall exclude Saturdays, Sundays, and legal holidays (as defined in those rules).

5. Amend § 1606.3 by revising the heading of that section, revising paragraph (a)(1), redesignating paragraph (b) as (c), and revising newly redesignated paragraph (c) and adding new paragraph (b) to read as follows:

§ 1606.3 Grounds for a termination or a lesser reduction in funding.

(a) A grant or contract may be terminated when:

(1) There has been a substantial violation by the recipient, and the violation occurred less than 5 years prior to the date the recipient receives notice of the violation pursuant to § 1606.6(a); or

(2) There has been a substantial failure by the recipient to provide high quality, economical, and effective legal assistance, as measured by generally accepted professional standards, the provisions of the LSC Act, or a rule, regulation, including 45 CFR 1634.9(a)(2), or guidance issued by the Corporation.

(b) The Corporation may impose a limited reduction of funding when the Corporation determines that there has been a substantial violation by the recipient but that termination of the recipient's grant, in whole or in part, is not warranted.

(c) A determination of whether there has been a substantial violation for the purposes of this section, and the magnitude of any termination, in whole or in part, or any lesser reduction in funding, will be based on consideration of the criteria set forth in the definition of "substantial violation" in this part.

6. Amend § 1606.5 to revise the heading of that section, revise the language and redesignate it as paragraph (a), and add a new paragraph (b) to read as follows:

§ 1606.5 Procedures.

(a) Before a final action is taken under this part, the recipient will be provided notice and an opportunity to be heard as set out in this part.

(b) Prior to a preliminary determination involving a lesser reduction in funding, the Corporation

shall designate either the President or another senior Corporation employee to conduct any final review that is requested pursuant to § 1606.10 of this part. The Corporation shall ensure that the person so designated has had no prior involvement in the preliminary and/or final determinations so as to meet the criterion set out in § 1606.10(d).

7. Amend § 1606.6 by revising paragraphs (a) and (b) to read as follows:

§ 1606.6 Preliminary determination.

(a) When the Corporation has made a preliminary determination that a recipient's grant or contract should be terminated, that a lesser reduction in funding shall be imposed, and/or that a recipient should be debarred, the Corporation shall issue a written notice to the recipient and the Chair of the recipient's governing body. The notice shall:

(1) State the grounds for the proposed action;

(2) Identify, with reasonable specificity, any facts or documents relied upon as justification for the proposed action;

(3) Inform the recipient of the proposed amount and effective date for the proposed action;

(4) Advise the recipient of its procedural rights for review of the proposed action under this part;

(5) Inform the recipient of its right to receive interim funding pursuant to § 1606.13; and

(6) Specify what, if any, corrective action the recipient can take to avoid the proposed action.

(b) If the recipient does not request review, as provided for in this part, then the preliminary determination shall become final, at LSC's discretion, after the relevant time limits have expired. The Corporation shall provide the recipient with the final decision, and no further appeal or review will be available under this part.

8. Amend § 1606.7 by revising the heading and paragraphs (a) through (e) and adding paragraph (f) to read as follows:

§ 1606.7 Informal conference, review of written materials, and final determination.

(a) A recipient may submit written materials in opposition to the preliminary determination and/or request an informal conference as follows:

(i) for terminations or debarments, within 30 calendar days of receipt of the preliminary determination; or

(ii) for lesser reductions in funding, within 10 business days of receipt of the preliminary determination.

(b) Within 5 business days of receipt of a request for a conference, the Corporation shall notify the recipient of the time and place the conference will be held, which shall be at the Corporation's discretion. Some or all of the participants in the conference may attend via telephone, unless the recipient requests an in-person meeting between the Corporation and at least one representative of the recipient. If the recipient requests an in-person meeting, then other participants may attend via telephone. Alternative means of participation other than the telephone are permissible at the sole discretion of LSC.

(c) The informal conference shall be conducted by the Corporation employee who issued the preliminary determination.

(d) At the informal conference, the Corporation and the recipient shall both have an opportunity to state their case, seek to narrow the issues, explore the possibilities of settlement or compromise, and submit written materials.

(e) If an informal meeting is conducted and/or written materials are submitted by the recipient, the Corporation shall consider any written materials submitted by the recipient in opposition to the limited reduction in funding and any oral presentation or written materials submitted by the recipient at an informal meeting. Based on the written materials and/or the informal conference, the Corporation may modify, withdraw, or affirm the preliminary determination through a final determination in writing, which shall be provided to the recipient within 15 calendar days of the conclusion of the informal conference. The final determination shall conform to the requirements of § 1606.6(a).

(f) If the recipient does not request further process, as provided for in this part, then, after the relevant time limits have expired, LSC shall notify the recipient that no further appeal or review will be available under this part and may proceed to implement the final determination as a final decision.

9. Amend § 1606.8 by revising the heading and paragraph (a) to read as follows:

§ 1606.8 Hearing for a termination or debarment.

(a) For terminations or debarments only, the recipient may make a written request for a hearing within 30 days of its receipt of the preliminary determination or within 15 days of receipt of the written determination issued by the designated employee after

the conclusion of the informal conference.

* * * * *

10. Amend § 1606.9 by revising the heading and paragraph (a) to read as follows:

§ 1606.9 Recommended decision for a terminations or debarment.

(a) For termination or debarment hearings under § 1606.8, within 20 calendar days after the conclusion of the hearing, the hearing officer shall issue a written recommended decision which may:

* * * * *

11. Amend § 1606.10 by revising the heading and paragraphs (a), (b), and (c), redesignating paragraphs (d) and (e) to (e) and (f), respectively, adding new paragraph (d) and revising newly designated paragraphs (e) and (f) to read as follows:

§ 1606.10 Final decision for a termination, debarment, or lesser reduction.

(a) If neither the Corporation nor the recipient requests review by the President, a final determination or a recommended decision shall become a final decision 10 business days after receipt by the recipient.

(b) The recipient or the Corporation may seek review by the President of a final determination or a recommended decision. A request shall be made in writing within 10 business days after receipt of the recommended decision by the party seeking review and shall state in detail the reasons for seeking review.

(c) The President's review shall be based solely on the information in the administrative record of the proceedings, including the appeal to the President, and any additional submissions, either oral or in writing, that the President may request. A recipient shall be given a copy of, and an opportunity to respond to, any additional submissions made to the President. All submissions and responses made to the President shall become part of the administrative record. Upon request, the Corporation shall provide a copy of the written record to the recipient.

(d) For a direct appeal of a final determination pursuant to § 1606.7, in which there is no hearing under § 1606.8, the President may not review the appeal if the President has had prior involvement in the preliminary and/or final determinations. If the President cannot review the appeal, or the President chooses not to do so, then the President shall designate another senior Corporation employee who has not had prior involvement in the preliminary and/or final determinations.

(e) As soon as practicable after receipt of the request for review of a recommended decision, but not later than 30 days after the request for review, the President or designee may adopt, modify, or reverse the recommended decision or final determination, or direct further consideration of the matter. In the event of modification or reversal of a recommended decision pursuant to § 1606.9, this decision shall conform to the requirements of § 1606.9(b). In the event of modification or reversal of a final determination pursuant to § 1606.7, the decision shall conform to the substantive requirements of § 1606.6(a).

(f) The decision of the President or designee under this section shall become final upon receipt by the recipient.

12. Amend § 1606.13 by revising paragraphs (a), (b), and (d) to read as follows:

(a) Pending the completion of termination or limited reduction in funding proceedings under this part, the Corporation shall provide the recipient with the level of financial assistance provided for under its current grant or contract with the Corporation.

(b) After a final decision has been made to terminate a recipient's grant or contract or to impose a limited reduction in funding, the recipient loses all rights to the terminated or reduced funds.

* * * * *

(d) Funds recovered by the Corporation pursuant to a termination or limited reduction in funding shall be used in the same service area from which they were recovered or will be reallocated by the Corporation for basic field purposes at its sole discretion.

PART 1618—ENFORCEMENT PROCEDURES

13. The authority citation for Part 1618 continues to read as follows:

Authority: Secs. 1007(a)(8); 1006(b)(6); 1006(b)(4) (42 U.S.C. 2996f(a)(8); 2996e(b)(6); 29963(b)(4)).

14. Revise § 1618.1 to read as follows:

§ 1618.1 Purpose.

In order to ensure uniform and consistent interpretation and application of the provisions of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline or instruction, or the terms and conditions of the recipient's grant or contract with the Corporation, and to prevent a question of whether these requirements have been violated from

becoming an ancillary issue in any case undertaken by a recipient, this part establishes a systematic procedure for enforcing compliance with them.

15. Amend § 1618.2 by revising the heading and adding paragraphs (a) and (b) to read as follows:

§ 1618.2 Definitions.

(a) *LSC requirements* means the provisions of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline or instruction, or the terms or conditions of the recipient's grant or contract with the Corporation.

(b) *Violation* means a violation by the recipient of the LSC requirements.

16. Revise § 1618.3 to read as follows:

§ 1618.3 Complaints.

A complaint of a violation by a recipient or an employee of a recipient may be made to the recipient, the State Advisory Council, or the Corporation.

17. Amend § 1618.4 by revising paragraphs (a) and (b), redesignating paragraph (c) to (b), revising new paragraph (b), and adding a new paragraph (c) to read as follows:

§ 1618.4 Duties of Recipients.

(a) A recipient shall:

(1) Advise its employees of their responsibilities under the LSC requirements;

(2) Establish procedures, consistent with the notice and hearing requirements of section 1011 of the LSC Act, for determining whether an employee has committed a violation and whether the violation merits a sanction based on consideration of the totality of the circumstances; and

(3) Establish a policy for determining the appropriate sanction to be imposed for a violation, including:

(i) Administrative reprimand if a violation is found to be minor and unintentional, or otherwise affected by mitigating circumstances;

(ii) Suspension and termination of employment; and

(iii) Other sanctions appropriate for enforcement of the LSC requirements.

(b) Before suspending or terminating the employment of any person for a violation, a recipient shall consult the Corporation to ensure that its interpretation of these requirements is consistent with Corporation policy.

(c) This section provides procedural requirements between the Corporation and recipients. It does not create rights for recipient employees.

18. Amend § 1618.5 by revising paragraphs (a) and (b) and adding paragraph (c) to read as follows:

§ 1618.5 Duties of the Corporation.

(a) Whenever the Corporation learns that there is reason to believe that a recipient or a recipient's employee may have committed a violation, the Corporation shall investigate the matter promptly and attempt to resolve it through informal consultation with the recipient. Such actions may be limited to determining if the recipient is sufficiently investigating and resolving the matter itself.

(b) Whenever there is substantial reason to believe that a recipient has persistently or intentionally violated the LSC requirements, or, after notice, has failed to take appropriate remedial or disciplinary action to ensure compliance by its employees with the LSC requirements, and attempts at informal resolution have been unsuccessful, the Corporation may proceed to suspend or terminate financial support of the recipient, or impose a lesser reduction in funding, pursuant to the procedures set forth in parts 1623 and 1606, or may take other action to enforce compliance with the LSC requirements.

(c) Whenever the Corporation determines that a recipient has committed a violation, that corrective actions by the recipient are required to remedy the violation and/or prevent recurrence of the violation, and that imposition of special grant conditions are needed prior to the next grant renewal or competition for the service area, the Corporation may immediately impose Special Grant Conditions on the recipient to require completion of those corrective actions.

Victor M. Fortuno,
Vice President & General Counsel.

[FR Doc. 2012-19073 Filed 8-6-12; 8:45 am]

BILLING CODE 7050-01-P

DEPARTMENT OF THE INTERIOR**Fish and Wildlife Service****50 CFR Part 17**

[Docket No. FWS-R8-ES-2012-0041;
4500030113]

Endangered and Threatened Wildlife and Plants; 90-Day Finding on Petitions To List the Two Spring Mountains Dark Blue Butterflies and Morand's Checkerspot Butterfly as Endangered or Threatened

AGENCY: Fish and Wildlife Service, Interior.

ACTION: Notice of petition finding and initiation of status review.

SUMMARY: We, the U.S. Fish and Wildlife Service (Service), announce a 90-day finding on petitions to list the Spring Mountains dark blue butterflies (*Euphilotes ancilla purpura* and *Euphilotes ancilla cryptica*) and Morand's checkerspot butterfly (*Euphydryas anicia morandi*) as endangered or threatened under the Endangered Species Act of 1973, as amended (Act), and to designate critical habitat. Based on our review, we find that the petition requesting listing of the Morand's checkerspot butterfly does not present substantial information indicating that listing that species may be warranted. In addition, based on our review, we find that the petition requesting listing of the two Spring Mountains dark blue butterflies presents substantial scientific or commercial information indicating that listing these species may be warranted. Therefore, with the publication of this notice, we will initiate status reviews of the two Spring Mountains dark blue butterflies to determine whether listing is warranted. To ensure that these status reviews are comprehensive, we are requesting scientific and commercial data and other information regarding these two subspecies. Based on these status reviews, we will issue a 12-month finding on the petition, which will address whether the petitioned action is warranted, as provided in section 4(b)(3)(B) of the Act.

DATES: To allow us adequate time to conduct this review, we request that we receive information on or before October 9, 2012. The deadline for submitting an electronic comment using the Federal eRulemaking Portal (see **ADDRESSES** section, below) is 11:59 p.m. Eastern Time on this date. After October 9, 2012, you must submit information directly to the Division of Policy and Directives Management (see **ADDRESSES** section below). Please note that we might not be able to address or incorporate information that we receive after the above requested date.

ADDRESSES: You may submit information by one of the following methods:

(1) *Electronically:* Go to the Federal eRulemaking Portal: <http://www.regulations.gov>. In the search box, enter FWS-R8-ES-2012-0041, which is the docket number for this action. You may submit a comment by clicking on "Send a Comment or Submission." If your submission will fit in the provided comment box, please use this feature of <http://www.regulations.gov>, as it is most compatible with our information collection procedures. If you attach your submission as a separate document, our

preferred file format is Microsoft Word. If you attach multiple documents (such as form letters), our preferred format is a spreadsheet in Microsoft Excel.

(2) *By hard copy:* Submit by U.S. mail or hand-delivery to: Public Comments Processing, Attn: FWS-R8-ES-2012-0041; Division of Policy and Directives Management; U.S. Fish and Wildlife Service; 4401 N. Fairfax Drive, MS 2042-PDM; Arlington, VA 22203.

We will post all information we receive on <http://www.regulations.gov>. This generally means that we will post any personal information you provide us (see the Request for Information section below for more details).

FOR FURTHER INFORMATION CONTACT: Edward D. Koch, Field Supervisor, U.S. Fish and Wildlife Service, Nevada Fish and Wildlife Office, 1340 Financial Blvd., Suite 234, Reno, Nevada 89502, by telephone 775-861-6300 or by facsimile 775-861-6301. Persons who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 800-877-8339.

This finding is available on the Internet at <http://www.regulations.gov> at Docket Number FWS-R8-ES-2012-0041. Supporting documentation we used in preparing this finding is available for public inspection, by appointment, during normal business hours, at the Nevada Fish and Wildlife Office (see above for address).

SUPPLEMENTARY INFORMATION:**Request for Information**

When we make a finding that a petition presents substantial information indicating that listing a species may be warranted, we are required to promptly initiate review of the status of the species (status review). For the status review to be complete and based on the best available scientific and commercial information, we request information on the two Spring Mountains dark blue butterflies from governmental agencies, Native American tribes, the scientific community, industry, and any other interested parties. We seek information on:

- (1) The species' biology, range, and population trends, including:
 - (a) Habitat requirements for feeding, breeding, and sheltering;
 - (b) Genetics and taxonomy;
 - (c) Historical and current range including distribution patterns;
 - (d) Historical and current population levels, and current and projected trends; and
 - (e) Past and ongoing conservation measures for the species, its habitat, or both.

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

Original NPRM changes are indicated in **red**.

Further NPRM proposed changes are indicated in **blue**.

§ 1606: TERMINATION, LIMITED REDUCTION IN FUNDING, AND DEBARMENT PROCEDURES; RECOMPETITION

§ 1606.1 Purpose.

The purpose of this rule is to:

- (a) Ensure that the Corporation is able to take timely action to deal with incidents of substantial noncompliance by recipients with a provision of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline or instruction, or the terms and conditions of the recipient's grant or contract with the Corporation;
- (b) Provide timely and fair due process procedures, proportional to the proposed action, when the Corporation has made a preliminary decision to terminate a recipient's LSC grant or contract, ~~or~~ to debar a recipient from receiving future LSC awards of financial assistance, or to impose a lesser reduction in funding; and
- (c) Ensure that scarce funds are provided to recipients who can provide the most effective and economical legal assistance to eligible clients.

§ 1606.2 Definitions.

For the purposes of this part:

- (a) *Debarment* means an action taken by the Corporation to exclude a recipient from receiving an additional award of financial assistance from the Corporation or from receiving additional LSC funds from another recipient of the Corporation pursuant to a subgrant, subcontract or similar agreement, for the period of time stated in the final debarment decision.
- (b) *Knowing and willful* means that the recipient had actual knowledge of the fact that its action or lack thereof constituted a violation and despite such knowledge, undertook or failed to undertake the action.
- (c) *Limited reduction in funding* means a reduction in funding of less than ~~five~~ percent of a recipient's current annual level of financial assistance imposed by the Corporation in accordance with the procedures and requirements of this part. ~~§1606.15 of this Part~~. A limited reduction in funding will affect only the recipient's current year's funding, unless the Corporation provides otherwise in the final termination decision.
- (d) *Recipient* means any grantee or contractor receiving financial assistance from the Corporation under section 1006(a)(1)(A) of the LSC Act.
- (e) (1) *Termination* means that a recipient's level of financial assistance under its grant or contract with the Corporation will be reduced in whole or in part prior to the expiration of the term of a recipient's current grant or contract. A partial termination will affect only

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

Original NPRM changes are indicated in **red**.

Further NPRM proposed changes are indicated in **blue**.

the recipient's current year's funding, unless the Corporation provides otherwise in the final termination decision.

(2) A termination does not include:

(i) A reduction of funding required by law, including a reduction in or rescission of the Corporation's appropriation that is apportioned among all recipients of the same class in proportion to their current level of funding;

(ii) A reduction or deduction of LSC support for a recipient under the Corporation's fund balance regulation at 45 C.F.R. Part 1628;

(iii) A recovery of disallowed costs under the Corporation's regulation on costs standards and procedures at 45 C.F.R. Part 1630;

(iv) A withholding of funds pursuant to the Corporation's Private Attorney Involvement rule at 45 C.F.R. Part 1614; or

(v) A limited reduction of funding as defined in this ~~section~~ paragraph.

~~(v) A reduction of funding of less than 5 percent of a recipient's current annual level of financial assistance imposed by the Corporation in accordance with regulations promulgated by the Corporation. No such reduction shall be imposed except in accordance with regulations promulgated by the Corporation.~~

(f) Substantial noncompliance means either a substantial violation, as defined in this section, or a substantial failure, as defined in this part at § 1606.3(a).

(g) Violation means a violation by the recipient of a provision of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, or a Corporation rule, regulation, guideline or instruction, or a term or condition of the recipient's grant or contract.

(h) Substantial violation means a violation that merits action under this part based on consideration of the following criteria by the Corporation:

(1) The number of restrictions or requirements violated;

(2) Whether the violation represents an instance of noncompliance with a substantive statutory or regulatory restriction or requirement, rather than an instance of noncompliance with a non-substantive technical or procedural requirement;

(3) The extent to which the violation is part of a pattern of noncompliance with LSC requirements or restrictions;

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

Original NPRM changes are indicated in **red**.

Further NPRM proposed changes are indicated in **blue**.

(4) The extent to which the recipient failed to take action to cure the violation when it became aware of the violation; and

(5) Whether the violation was knowing and willful.

(i) Corporation, when used to refer to decisions by the Legal Services Corporation, means that those decisions are made by an individual at the level of an office director, deputy director, or higher.

(j) Receipt of materials shall mean that the materials were sent to the normal address for physical mail, e-mail, or fax transmission, and there is reliable secondary confirmation of delivery. For physical delivery, confirmation may be provided through tracking information from the delivery service. For other forms of delivery, confirmation may be provided through a document such as a confirmation e-mail or a fax sent from an authorized person at the recipient. Receipt of materials by the LSC recipient is sufficient for the running of applicable time periods. Proof of receipt by the Board Chair is not necessary unless delivery to the recipient itself cannot be reasonably accomplished.

(k) Days shall mean the number of actual days as determined by the rules for computing time in the Federal Rules of Civil Procedure, Rule 6, except that computation of business days shall exclude Saturdays, Sundays, and legal holidays (as defined in those rules).

§ 1606.3 Grounds for a termination or a lesser reduction in funding.

(a) A grant or contract may be terminated when:

(1) There has been a substantial violation by the recipient ~~of a provision of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, or Corporation rule, regulation, guideline or instruction, or a term or condition of the recipient's grant or contract,~~ and the violation occurred less than 5 years prior to the date the recipient receives notice of the violation pursuant to § 1606.6(a); or

(2) There has been a substantial failure by the recipient to provide high quality, economical, and effective legal assistance, as measured by generally accepted professional standards, the provisions of the LSC Act, or a rule, regulation, including 45 CFR 1634.9(a)(2), or guidance issued by the Corporation.

(b) The Corporation may impose a limited reduction of funding when the Corporation determines that there has been a substantial violation by the recipient but that termination of the recipient's grant, in whole or in part, is not warranted.

(c) A determination of whether there has been a substantial violation for the purposes of paragraph (a)(1) of this section, **and the magnitude of any termination, in whole or in part, or any lesser reduction in funding,** will be based on consideration of the ~~following~~ criteria set forth in the definition of "substantial violation" in this part.

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

Original NPRM changes are indicated in **red**.

Further NPRM proposed changes are indicated in **blue**.

~~(1) The number of restrictions or requirements violated;~~

~~(2) Whether the violation represents an instance of noncompliance with a substantive statutory or regulatory restriction or requirement, rather than an instance of noncompliance with a non-substantive technical or procedural requirement;~~

~~(3) The extent to which the violation is part of a pattern of noncompliance with LSC requirements or restrictions;~~

~~(4) The extent to which the recipient failed to take action to cure the violation when it became aware of the violation; and~~

~~(5) Whether the violation was knowing and willful.~~

§ 1606.4 Grounds for debarment.

(a) The Corporation may debar a recipient, on a showing of good cause, from receiving an additional award of financial assistance from the Corporation.

(b) As used in paragraph (a) of this section, “good cause” means:

(1) A termination of financial assistance to the recipient pursuant to part 1640 of this chapter;

(2) A termination of financial assistance in whole of the most recent grant of financial assistance;

(3) The substantial violation by the recipient of the restrictions delineated in § 1610.2 (a) and (b) of this chapter, provided that the violation occurred within 5 years prior to the receipt of the debarment notice by the recipient;

(4) Knowing entry by the recipient into:

(i) A subgrant, subcontract, or other similar agreement with an entity debarred by the Corporation during the period of debarment if so precluded by the terms of the debarment; or

(ii) An agreement for professional services with an IPA debarred by the Corporation during the period of debarment if so precluded by the terms of the debarment; or

(5) The filing of a lawsuit by a recipient, provided that the lawsuit:

(i) Was filed on behalf of the recipient as plaintiff, rather than on behalf of a client of the recipient;

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

Original NPRM changes are indicated in **red**.

Further NPRM proposed changes are indicated in **blue**.

(ii) Named the Corporation, or any agency or employee of a Federal, State, or local government as a defendant;

(iii) Seeks judicial review of an action by the Corporation or such government agency that affects the recipient's status as a recipient of Federal funding, except for a lawsuit that seeks review of whether the Corporation or agency acted outside of its statutory authority or violated the recipient's constitutional rights; and

(iv) Was initiated after the effective date of this rule.

§ 1606.5 ~~Termination and debarment~~ Procedures.

(a) Before any final action is taken under this part a recipient's grant or contract may be terminated or a recipient may be debarred, the recipient will be provided notice and an opportunity to be heard as set out in this part.

(b) Prior to a preliminary determination involving a lesser reduction in funding, the Corporation shall designate either the President or another senior Corporation employee to conduct any final review that is requested pursuant to § 1606.10 of this part. The Corporation shall ensure that the person so designated has had no prior involvement in the preliminary and/or final determinations so as to meet the criterion set out in § 1606.10(d).

§ 1606.6 Preliminary determination.

(a) When the Corporation has made a preliminary determination that a recipient's grant or contract should be terminated, that a lesser reduction in funding shall be imposed, and/or that a recipient should be debarred, the Corporation ~~employee who has been designated by the President as the person to bring such actions (hereinafter referred to as the "designated employee")~~ shall issue a written notice to the recipient and the Chair~~person~~ of the recipient's governing body. The notice shall:

(1) State the grounds for the proposed action;

(2) Identify, with reasonable specificity, any facts or documents relied upon as justification for the proposed action;

(3) Inform the recipient of the proposed amount and effective date for the proposed action sanctions;

(4) Advise the recipient of its procedural rights for review of the proposed action under this part; to request:

(i) An informal conference under §1606.7; and

(ii) a hearing under §1606.8; and

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

Original NPRM changes are indicated in **red**.

Further NPRM proposed changes are indicated in **blue**.

(5) Inform the recipient of its right to receive interim funding pursuant to § 1606.13; and

(6) Specify what, if any, corrective action the recipient can take to avoid the proposed action.

(b) If the recipient does not request ~~an informal conference or a hearing within the time prescribed in §1606.7(a) or §1606.8(a), review, as provided for in this part, then~~ the preliminary determination shall become final, at LSC's discretion, after the relevant time limits have expired. The Corporation shall provide the recipient with the final decision, and no further appeal or review will be available under this part.

§ 1606.7 Informal conference, review of written materials, and final determination.

(a) A recipient may submit written materials in opposition to the preliminary determination and/or a request for an informal conference as follows:

(i) for terminations or debarments, within 30 calendar days of its receipt of the preliminary determination; or the proposed decision.

(ii) for lesser reductions in funding, within 10 business days of receipt of the preliminary determination.

(b) Within 5 business days of receipt of ~~a the request for a conference~~, the Corporation designated employee shall notify the recipient of the time and place the conference will be held, which shall be at the Corporation's discretion. Some or all of the participants in the conference may attend via telephone, unless the recipient requests an in-person meeting between the Corporation and at least one representative of the recipient. If the recipient requests an in-person meeting, then other participants may attend via telephone. Alternative means of participation other than the telephone are permissible at the sole discretion of LSC.

(c) ~~The designated employee shall conduct t~~The informal conference shall be conducted by the Corporation employee who issued the preliminary determination.

(d) At the informal conference, the ~~designated employee~~Corporation and the recipient shall both have an opportunity to state their case, seek to narrow the issues, ~~and~~ explore the possibilities of settlement or compromise, and submit written materials.

(e) If an informal meeting is conducted and/or written materials are submitted by the recipient, the Corporation shall consider any written materials submitted by the recipient in opposition to the limited reduction in funding and any oral presentation or written materials submitted by the recipient at an informal meeting. Based on the written materials and/or the informal conference, the Corporation~~The designated employee~~ may modify, withdraw, or affirm the preliminary determination through a final determination in writing, ~~a copy of~~ which shall be provided to the

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recipient within ~~10~~15 calendar days of the conclusion of the informal conference. The final determination shall conform to the requirements of § 1606.6(a).

(f) If the recipient does not request further process, as provided for in this part, then, after the relevant time limits have expired, LSC shall notify the recipient that no further appeal or review will be available under this part and may proceed to implement the final determination as a final decision.

§ 1606.8 Hearing for a termination or debarment.

(a) For terminations or debarments only, ~~t~~The recipient may make a written request for a hearing within 30 days of its receipt of the preliminary determination or within 15 days of receipt of the written determination issued by the designated employee after the conclusion of the informal conference.

(b) Within 10 days after receipt of a request for a hearing, the Corporation shall notify the recipient in writing of the date, time and place of the hearing and the names of the hearing officer and of the attorney who will represent the Corporation. The time, date and location of the hearing may be changed upon agreement of the Corporation and the recipient.

(c) A hearing officer shall be appointed by the President or designee and may be an employee of the Corporation. The hearing officer shall not have been involved in the current termination or debarment action and the President or designee shall determine that the person is qualified to preside over the hearing as an impartial decision maker. An impartial decision maker is a person who has not formed a prejudgment on the case and does not have a pecuniary interest or personal bias in the outcome of the proceeding.

(d) The hearing shall be scheduled to commence at the earliest appropriate date, ordinarily not later than 30 days after the notice required by paragraph (b) of this section.

(e) The hearing officer shall preside over and conduct a full and fair hearing, avoid delay, maintain order, and insure that a record sufficient for full disclosure of the facts and issues is maintained.

(f) The hearing shall be open to the public unless, for good cause and the interests of justice, the hearing officer determines otherwise.

(g) The Corporation and the recipient shall be entitled to be represented by counsel or by another person.

(h) At the hearing, the Corporation and the recipient each may present its case by oral or documentary evidence, conduct examination and cross-examination of witnesses, examine any documents submitted, and submit rebuttal evidence.

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(i) The hearing officer shall not be bound by the technical rules of evidence and may make any procedural or evidentiary ruling that may help to insure full disclosure of the facts, to maintain order, or to avoid delay. Irrelevant, immaterial, repetitious or unduly prejudicial matter may be excluded.

(j) Official notice may be taken of published policies, rules, regulations, guidelines, and instructions of the Corporation, of any matter of which judicial notice may be taken in a Federal court, or of any other matter whose existence, authenticity, or accuracy is not open to serious question.

(k) A stenographic or electronic record shall be made in a manner determined by the hearing officer, and a copy shall be made available to the recipient at no cost.

(l) The Corporation shall have the initial burden to show grounds for a termination or debarment. The burden of persuasion shall then shift to the recipient to show by a preponderance of evidence on the record that its funds should not be terminated or that it should not be disbarred.

§ 1606.9 Recommended decision for a terminations or debarment.

(a) For termination or debarment hearings under § 1606.8, w~~W~~ithin 20 calendar days after the conclusion of the hearing, the hearing officer shall issue a written recommended decision which may:

(1) Terminate financial assistance to the recipient as of a specific date; or

(2) Continue the recipient's current grant or contract, subject to any modification or condition that may be deemed necessary on the basis of information adduced at the hearing; and/or

(3) Debar the recipient from receiving an additional award of financial assistance from the Corporation.

(b) The recommended decision shall contain findings of the significant and relevant facts and shall state the reasons for the decision. Findings of fact shall be based solely on the record of, and the evidence adduced at the hearing or on matters of which official notice was taken.

§ 1606.10 Final decision for a termination, debarment, or lesser reduction.

(a) If neither the Corporation nor the recipient requests review by the President, a final determination or a recommended decision shall become a final decision ~~10 calendar business~~ days after receipt by the recipient.

(b) The recipient or the Corporation may seek review by the President of a final determination or a recommended decision. A request shall be made in writing within 10 business days after

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receipt of the recommended decision by the party seeking review and shall state in detail the reasons for seeking review.

(c) The President's review shall be based solely on the information in the administrative record of the ~~termination or debarment~~ proceedings, including the appeal to the President, and any additional submissions, either oral or in writing, that the President may request. A recipient shall be given a copy of and an opportunity to respond to any additional submissions made to the President. All submissions and responses made to the President shall become part of the administrative record. Upon request, the Corporation shall provide a copy of the written record to the recipient.

(d) For a direct appeal of a final determination pursuant to § 1606.7, in which there is no hearing under § 1606.8, the President may not review the appeal if the President has had prior involvement in the preliminary and/or final determinations. If the President cannot review the appeal, or the President chooses not to do so, then the President shall designate another senior Corporation employee who has not had prior involvement in the preliminary and/or final determinations.

(ed) As soon as practicable after receipt of the request for review of a recommended decision, but not later than 30 days after the request for review, the President or designee may adopt, modify, or reverse the recommended decision or final determination, or direct further consideration of the matter. In the event of modification or reversal of a recommended decision pursuant to § 1606.9, the President's this decision shall conform to the requirements of § 1606.9(b). In the event of modification or reversal of a final determination pursuant to § 1606.7, the decision shall conform to the substantive requirements of § 1606.6(a).

(fe) The ~~President's~~ decision of the President or designee under this section shall become final upon receipt by the recipient.

§ 1606.11 Qualifications on hearing procedures.

(a) Except as modified by paragraph (c) of this section, the hearing rights set out in §§ 1606.6 through 1606.10 shall apply to any action to debar a recipient or to terminate a recipient's funding.

(b) The Corporation may simultaneously take action to debar and terminate a recipient within the same hearing procedure that is set out in §§ 1606.6 through 1606.10 of this part. In such a case, the same hearing officer shall oversee both the termination and debarment actions.

(c) If the Corporation does not simultaneously take action to debar and terminate a recipient under paragraph (b) of this section and initiates a debarment action based on a prior termination under § 1606.4(b)(1) or (2), the hearing procedures set out in § 1606.6 through 1606.10 shall not apply. Instead:

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- (1) The President shall appoint a hearing officer, as described in § 1606.8(c), to review the matter and make a written recommended decision on debarment.
 - (2) The hearing officer's recommendation shall be based solely on the information in the administrative record of the termination proceedings providing grounds for the debarment and any additional submissions, either oral or in writing, that the hearing officer may request. The recipient shall be given a copy of and an opportunity to respond to any additional submissions made to the hearing officer. All submissions and responses made to the hearing officer shall become part of the administrative record.
 - (3) If neither party appeals the hearing officer's recommendation within 10 days of receipt of the recommended decision, the decision shall become final.
 - (4) Either party may appeal the recommended decision to the President who shall review the matter and issue a final written decision pursuant to § 1606.9(b).
- (d) All final debarment decisions shall state the effective date of the debarment and the period of debarment, which shall be commensurate with the seriousness of the cause for debarment but shall not be for longer than 6 years.
- (e) The Corporation may reverse a debarment decision upon request for the following reasons:
- (1) Newly discovered material evidence;
 - (2) Reversal of the conviction or civil judgment upon which the debarment was based;
 - (3) Bona fide change in ownership or management of a recipient;
 - (4) Elimination of other causes for which the debarment was imposed; or
 - (5) Other reasons the Corporation deems appropriate.

§ 1606.12 Time and waiver.

- (a) Except for the 6-year time limit for debarments in § 1606.11(c), any period of time provided in these rules may, upon good cause shown and determined, be extended:
- (1) By the designated employee who issued the preliminary decision until a hearing officer has been appointed;
 - (2) By the hearing officer, until the recommended decision has been issued;
 - (3) By the President at any time.

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

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(b) Failure by the Corporation to meet a time requirement of this part does not preclude the Corporation from terminating a recipient's grant or contract with the Corporation.

§ 1606.13 Interim and termination funding; reprogramming.

(a) Pending the completion of termination or limited reduction in funding proceedings under this part, the Corporation shall provide the recipient with the level of financial assistance provided for under its current grant or contract with the Corporation.

(b) After a final decision has been made to terminate a recipient's grant or contract or to impose a limited reduction in funding, the recipient loses all rights to the terminated or reduced funds.

(c) After a final decision has been made to terminate a recipient's grant or contract, the Corporation may authorize termination funding if necessary to enable the recipient to close or transfer current matters in a manner consistent with the recipient's professional responsibilities to its present clients.

(d) Funds recovered by the Corporation pursuant to a termination or limited reduction in funding shall be ~~used in the same service area from which they were recovered or will be~~ reallocated by the Corporation for basic field purposes at its sole discretion.

§ 1606.14 Recompensation.

After a final decision has been issued by the Corporation terminating financial assistance to a recipient in whole for any service area, the Corporation shall implement a new competitive bidding process for the affected service area. Until a new recipient has been awarded a grant pursuant to such process, the Corporation shall take all practical steps to ensure the continued provision of legal assistance in the service area pursuant to § 1634.11.

All of the provisions of the proposed § 1606 .15 in the NPRM would be incorporated in Part 1606 as indicated above. The revised NPRM would have no § 1606.15. It is repeated here for reference only.

Sec. 1606.15 Limited reductions of funding

(a) The Corporation may, in accordance with the procedures and requirements set forth in this section, impose a limited reduction of funding by reducing a recipient's funding in an amount less than 5% of the recipient's current annual level of financial assistance.

(b) Grounds for limited reduction in funding. A limited reduction of funding may be imposed when the Corporation determines that termination in whole or in part of the recipient's grant is not warranted, but that there nevertheless has been a substantial violation by the recipient of an applicable provision of law, or a rule, regulation, guideline or instruction issued by the Corporation, or a term or condition of the recipient's current grant or contract with the Corporation.

Part 1606 showing draft further revisions for incorporating lesser reductions in funding.

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~~(c) A determination whether there has been a substantial violation for the purposes of paragraph (b) of this section, and the magnitude of the limited reduction in funding, will be based on consideration of the criteria set forth in §1606.3(b).~~

~~(d) When the Corporation has made a determination to impose a limited reduction in funding in accordance with this section, the Corporation shall provide a written determination to the recipient and the Chair of the recipient's governing body. The determination shall:~~

~~(1) State the grounds, the amount, and the effective date for the limited reduction in funding;~~

~~(2) Identify, with reasonable specificity, any facts or documents relied on as justification for the limited reduction in funding;~~

~~(3) Specify what, if any, corrective action the recipient can take to avoid the limited reduction in funding;~~

~~(4) Advise the recipient that it may request, within five business days of receipt of the determination, an informal meeting with the Corporation at which it may attempt to show that the limited reduction in funding should not be imposed; and~~

~~(5) Advise the recipient that, within 10 days of its receipt of the determination and without regard to whether it requests an informal meeting, it may submit written materials in opposition to the limited reduction in funding.~~

~~(e) If the recipient requests an informal meeting with the Corporation, the Corporation shall designate the time and place for the meeting. The meeting shall occur within five business days after the recipient's request is received.~~

~~(f) If the recipient neither requests an informal meeting nor submits any written materials in opposition to the determination, the determination will be deemed effective at the end of the 10-day period following recipient's receipt of the determination.~~

~~(g) If an informal meeting is conducted and/or written materials are submitted by the recipient, the Corporation shall consider any written materials submitted by the recipient in opposition to the limited reduction in funding and any oral presentation or written materials submitted by the recipient at an informal meeting. After considering such materials, the Corporation shall decide within 30 days whether the limited reduction in funding should become effective and shall notify the recipient and the recipient's Board Chair in writing of its decision.~~

Part 1618 showing draft further revisions.
Original NPRM changes are indicated in **red**.
Further NPRM proposed changes are indicated in **blue**.

Part 1618—Enforcement Procedures

§ 1618.1 Purpose.

In order to ~~ensure~~insure uniform and consistent interpretation and application of the provisions of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline or instruction, or the terms and conditions of the recipient's grant or contract with the Corporation~~Act~~, and to prevent a question of whether these requirements have~~the Act has~~ been violated from becoming an ancillary issue in any case undertaken by a recipient, this part establishes a systematic procedure for enforcing compliance with ~~them~~the Act.

§ 1618.2 Definitions.

~~As used in this part, Act means the Legal Services Corporation Act or the rules and regulations issued by the Corporation.~~

(a) LSC requirements means the provisions of the LSC Act, the Corporation's appropriations act or other law applicable to LSC funds, a Corporation rule, regulation, guideline or instruction, or the terms or conditions of the recipient's grant or contract with the Corporation.

(b) Violation means a violation by the recipient of the LSC requirements.

§ 1618.3 Complaints.

A complaint of a violation ~~of the Act~~ by a recipient or an employee of a recipient may be made to the recipient, the State Advisory Council, or the Corporation.

§ 1618.4 Duties of Recipients.

(a) A recipient shall:

(1a) Advise its employees of their responsibilities under the LSC requirements~~the Act~~;
~~and~~

(2b) Establish procedures, consistent with the notice and hearing requirements of section 1011 of the LSC Act, for determining whether an employee has committed a violation ~~violated a prohibition of the Act; and whether the violation merits a sanction based on consideration of the totality of the circumstances;~~ and ~~shall~~

(3e) ~~e~~Establish a policy for determining the appropriate sanction to be imposed for a violation, including:

Part 1618 showing draft further revisions.

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(i1) Administrative reprimand if a violation is found to be minor and unintentional, or otherwise affected by mitigating circumstances;

(ii2) Suspension and termination of employment; and

(iii3) Other sanctions appropriate for enforcement of the LSC requirements Act; ~~but~~

(be) Before suspending or terminating the employment of any person for a violation violating a prohibition of the Act, a recipient shall consult the Corporation to ensure insure that its interpretation of these requirements Act is consistent with Corporation policy.

(c) This section provides procedural requirements between the Corporation and recipients. It does not create rights for recipient employees.

§ 1618.5 Duties of the Corporation.

(a) Whenever the Corporation learns that there is reason to believe that a recipient or a recipient's an employee may have committed a violation violated the Act, or failed to comply with a term of its Corporation grant or contract, the Corporation shall investigate the matter promptly and attempt to resolve it through informal consultation with the recipient. Such actions may be limited to determining if the recipient is sufficiently investigating and resolving the matter itself.

(b) Whenever there is substantial reason to believe that a recipient has persistently or intentionally violated the LSC requirements the Act, or, after notice, has failed to take appropriate remedial or disciplinary action to insure ensure compliance by its employees with the LSC requirements Act, and attempts at informal resolution have been unsuccessful, the Corporation may proceed to suspend or terminate financial support of the recipient, or impose a lesser reduction in funding, pursuant to the procedures set forth in parts 1623 and 1606; respectively; may impose Special Grant Conditions on the recipient during the grant year; part 1612, or may take other action to enforce compliance with the LSC requirements Act.

(c) Whenever the Corporation determines that a recipient has committed a violation, that corrective actions by the recipient are required to remedy the violation and/or prevent recurrence of the violation, and that imposition of special grant conditions are needed prior to the next grant renewal or competition for the service area, the Corporation may immediately impose Special Grant Conditions on the recipient to require completion of those corrective actions.

OFFICE OF LEGAL AFFAIRS

To: Operations and Regulations Committee
Through: Victor M. Fortuno, Vice President and General Counsel
From: Mark Freedman, Senior Assistant General Counsel
Re: Enforcement Mechanisms—Analysis and Examples
Date: September 18, 2012

Handwritten signatures in black ink, including one that appears to be "V.M.F." and another that is less legible.

INTRODUCTION

The Operations and Regulations Committee (Committee) is considering adoption of three additional enforcement mechanisms: 1) lesser reductions in funding (under five percent), 2) suspension of funding for up to ninety days, and 3) immediate special grant conditions. On August 8, 2012, LSC published a Further Notice of Proposed Rulemaking (FNPRM) with revised proposed rules. Comments have been submitted, and LSC Management (Management) will discuss them at the Committee's meeting on September 30.

Management and the LSC Office of Inspector General (OIG) have recommended adoption of these additional enforcement mechanisms based on their experience with oversight of LSC recipients. LSC's current enforcement tools have two gaps in coverage: 1) a substantive gap for reductions in funding between zero and five percent, and 2) a procedural gap between thirty-day suspensions with an eleven-day process and full or partial terminations with a six-month process. Although significant compliance problems arise infrequently, LSC needs appropriate tools to respond when they do. Having such tools would provide options with immediate financial consequences that are proportionate to the compliance problems, and that would be appropriate in situations that do not merit full or partial terminations or the corresponding lengthy and resource-intensive process. They may also have the deterrent effect of further encouraging recipients to take proactive steps to prevent significant non-compliance. Additionally, these enforcement tools could help prevent or address situations involving significant delays for implementing corrective actions.

Any financial consequences for a recipient are likely to affect both client services and dedicated legal aid staff. The best oversight provides the right balance of incentives and consequences to encourage recipients to avoid significant non-compliance, and thus avoid disruptions in LSC funding. Unfortunately, as experience has shown, significant problems can occur. In some cases, LSC's current tools are just right. In others, LSC has faced the difficulty of adapting tools that may be too weak or too extreme for the situation. Also, the termination tools may involve a larger diversion of LSC and recipient resources to the process than the situation merits. Some significant problems are not well addressed with resource-intensive tools designed for larger problems. Furthermore, LSC's ability to respond effectively and appropriately to compliance concerns is vital to the credibility of, and support for, the federally-funded legal aid system.

This memo will first discuss these gaps in LSC’s enforcement tools. Then it will identify situations of significant non-compliance over the past few years. Using those examples, the memo will address the shortcomings of the current system and discuss how the proposed additional enforcement mechanisms would improve it.

At the July meeting, the Committee requested timelines for the existing and proposed enforcement mechanisms. Attached are individual timelines and a comparison of timelines for Part 1623 suspensions, Part 1606 proposed limited reductions, and Part 1606 terminations. For reference, the timelines include Part 1630 disallowed costs, which are not designed as an enforcement mechanism, but carry financial consequences that can have a deterrent effect.

CURRENT ENFORCEMENT TOOLS

The Part 1606 termination regulation does not apply to reductions of less than five percent of LSC funding, and it prohibits LSC from imposing limited reductions until LSC adopts regulations for the process. Although Part 1606 was last revised in 1998, LSC has not developed limited reductions regulations to close this gap. For terminations of between five percent and one-hundred percent, the procedural protections of Part 1606 apply, including a right to a hearing before an impartial hearing officer. The full Part 1606 process would take approximately 175 days, almost six months, as shown in the attached timelines. These timelines begin with the decision to take action, which is likely to occur after weeks, or possibly months, of LSC investigation. Thus, a full termination might not occur until almost nine months, or more, after LSC begins to investigate a matter. Furthermore, the multistage Part 1606 process requires a significant devotion of resources by LSC to pursue the matter and diverts similar resources from the recipient for responding to it.

Part 1623 suspensions are designed to compel a recipient to take immediate corrective action when it might not do so otherwise. The rule limits non-audit suspensions to thirty days, and has done so since inception in 1978. At that time, LSC provided a larger and more critical portion of most recipients’ funding. Part 1623 was revised in 1998, but the thirty-day limit was retained based on the expectation that compliance concerns should be resolved in thirty days, otherwise LSC should “initiate a [Part 1606] termination process.” 63 Fed. Reg. 65648 (Nov. 23, 1998) (preamble to the final rule). LSC can commence suspensions quickly, within eleven days, but the suspended funds must be released thirty days later. In less than two months, even with no implementation of corrective actions, the suspension would have completely run its course. The recipient would continue with full funding while LSC pursues the six-month termination process. These rules leave a four-month procedural gap in the enforcement system.

Furthermore, the effectiveness of a thirty-day suspension ranges greatly with the situation. Some recipients still depend heavily on LSC funding. For these recipients, the thirty-day suspension, or threat thereof, may be sufficient. Others have substantial non-LSC funding and may carry fund balances. Additionally, for most of the year, LSC recipients have an advance of a full month of LSC funding. Thus, many recipients may have sufficient resources to carry them through a thirty-day suspension until LSC must release the funds.

Corrective actions may require changes to practices and procedures that cannot, or will not, be completed within thirty days. As discussed in the examples provided below, some recipients have unnecessarily taken two years to implement corrective actions. LSC could, foreseeably, impose a suspension to encourage the recipient to implement corrective actions promptly. However, under the current rule, that suspension would expire in thirty days, even if the corrective actions were still pending. The next step would be a termination, which, as discussed above, takes almost six months to implement. That gap between the two rules undermines LSC's enforcement credibility, especially when the funds would be released to the recipient despite the continued failure to comply.

LSC's leverage using suspensions depends on the amount and the possible duration of the suspension. Under the proposed rule, full or partial suspensions could continue for up to ninety days. The longer time limit would provide LSC more flexibility to calibrate the amount of the suspension to the situation. In some cases, a partial suspension for up to ninety days may be more effective, and less disruptive to client services, than a full suspension of up to thirty days.

Competition provides an opportunity for LSC to end funding to a recipient without Part 1606 termination procedures. Nonetheless, it is not designed, or easily used, as an enforcement tool. Competition occurs over a six-month period, typically, in cycles of one, two, or three years, depending on the grant term awarded in the last cycle. Thus, the scheduled competition may not coincide with the discovery of a problem. Alternately, the service area could be in competition, but LSC does not have a viable alternative to the incumbent. Usually, only the current recipient applies for a service area. While competition may provide an effective way of replacing a recipient in some situations, but it does not provide a quick, targeted method for addressing compliance concerns.

Limited funding terms (monthly, quarterly, etc.) and the imposition of special grant conditions are techniques to persuade recipients to implement corrective actions and to improve the quality of services to eligible clients. LSC can impose these as part of an award during competition or during annual renewal. They rely on the threat of LSC taking enforcement actions or terminating funding after the limited term expires. As such, these tools are subject to the same limitations discussed above.

Disallowed costs under Part 1630 are LSC's only other option with financial consequences. Part 1630 enables LSC to recover funds that were improperly spent or misallocated. The amount of funds subject to disallowance is not related to the nature of the violation or the culpability of the recipient. Rather, disallowed costs are based on the amount of misspent funds. Thus, a willful violation of a major restriction might involve only a small amount of funds, while an accidental violation of a minor or procedural requirement might implicate a much larger sum. LSC can reduce a disallowed cost, as an equitable matter, when the recipient had acted in good faith, but LSC cannot increase a minor disallowed cost based on egregious behavior. Thus, a recipient could engage in a major, intentional violation of substantive restrictions, but not incur significant disallowed costs.

EXAMPLES OF SUBSTANTIVE NON-COMPLIANCE AND ANALYSIS OF CURRENT AND PROPOSED ENFORCEMENT TOOLS

The following situations have occurred involving substantive non-compliance by LSC recipients. This is not an exhaustive list, and it does not reflect what LSC has seen as the usual behavior of the overwhelming majority of LSC recipients. Rather, it demonstrates that, even in this context, there have been significant problems.

Perhaps the most significant recent example involved a recipient at which the longstanding executive director and some senior staff engaged in multiple violations of substantive and procedural requirements, including ongoing outside practice of law in direct violation of LSC laws and regulations. 45 C.F.R. Part 1604. Furthermore, the recipient violated LSC requirements involving the purchase of real property, the leasing of cars, and the payment of personal expenses. The investigation revealed that these actions were not isolated instances or good-faith errors. After lengthy investigations, LSC faced the options of rehabilitating the recipient, or ending funding. By coincidence, that service area was in competition for a new term, but there were no other applicants. Immediately ending funding to the recipient would cause a devastating loss of client services. Furthermore, while the problems were significant and pervasive, they did not indicate that the recipient was not providing vital client services. Due to the coincidence of the timing of competition, LSC was able to reject the incumbent's application for the service area. Instead, LSC provided the incumbent with temporary, monthly funding subject to special grant conditions—effectively putting it on probation. Simultaneously, LSC re-competed the service area.

If pervasive compliance problems like this are revealed to LSC for the first time after competition, perhaps during the first year of a three-year grant, LSC would not have the option to switch to short-term funding. The only available enforcement actions with financial consequences would have been an anemic thirty-day suspension, or a termination that would probably take six months to impose. Disallowed costs may be available, but they are subject to the limitations discussed above, and the process can take five months or more to complete. Furthermore, as discussed above, during the many months between a suspension and a termination (partial or full) LSC would have no other means of directly safeguarding the funds themselves (such as suspension) or imposing limited financial consequences if the recipient did not immediately address the violations. This very real possibility highlighted for Management the importance of adopting alternative enforcement mechanisms.

The re-competition for that service area took six months, during which LSC kept a tight rein on the recipient thanks to the coincidence of timing regarding the competition cycle. Because the incumbent served one area of a state with multiple LSC service areas, there were other programs that practiced in the state and could consider expanding to cover that service area. During the re-competition, a neighboring program applied. Had these problems occurred in a statewide program, there would be no other LSC recipients with a practice in that state. Although non-LSC recipients can apply for service areas, they do not already have systems in place for LSC compliance and reporting. Furthermore, most non-LSC recipients provide LSC-restricted services and/or serve LSC-prohibited clients. Lastly, even in states with multiple

service areas, only a few programs provide services in adjacent areas. Thus, the pool of potential alternative providers is very small.

Compliance problems with a statewide program arose with a different recipient that suffered from a pervasive failure to comply with a broad range of LSC requirements. The recipient functionally failed a CSR/CMS visit. OCE imposed over thirty required corrective actions touching on almost every one of LSC's compliance-related regulations. The recipient ignored the draft report for ten months and then failed to take any significant compliance steps in response to either the draft or the final report. Unlike the prior example, there were no other LSC recipients in the state. Nor were there any non-LSC legal aid programs equipped to compete for the service area. Termination of funding (through Part 1606 or competition) would have eliminated services for the entire client population. Eventually, that happened, after LSC staff spent months/years in time and resources trying to rehabilitate the program. The recipient collapsed and surrendered the grant. LSC engaged in a lengthy, resource-intensive, and difficult task of building up a new program to apply for the service area. Meanwhile, there were no LSC-funded client services in the state.

A few years prior to the OCE review, that same recipient failed to submit its audit. After four months of extensions, the recipient could not say when it would complete the audit. Unlike ordinary suspensions, audit-failure suspensions continue until submission of an acceptable audit. The OIG recommended, and LSC imposed, an indefinite suspension of twenty percent. Because the suspension would not expire in thirty days, Management and the OIG felt that twenty percent was sufficient. There was no danger that the recipient could just wait it out. Within two months of the first notice, the recipient provided the audit and LSC lifted the suspension.

That experience demonstrated the effectiveness of enforcement mechanisms with financial consequences that LSC can quickly implement. In contrast, the thirty corrective actions required by OCE could not be completed in thirty days. Imposing a thirty-day suspension, even of one-hundred percent of funding, would have been ineffective. A suspension of up to ninety days, involving perhaps twenty percent of funding, might have had more success. Similarly, a limited reduction in funding might have been an effective tool to compel compliance without endangering client services.

The first situation, involving Part 1604 violations, also highlighted for Management the limitations of using disallowed costs as a compliance tool. The outside practice of law, if done on non-work hours, might not trigger any disallowed costs. In that situation, the executive director also failed to maintain timekeeping records. That additional error enabled LSC to disallow a large amount of funds attributable to his salary for multiple years. However, had he been more careful with his timekeeping, LSC would have been faced with a blatant violation of the restrictions and no significant costs to disallow. That was the situation at another recipient.

The executive director of another recipient engaged in willful non-compliance by directly and knowingly violating the LSC lobbying restrictions. The staff of the recipient determined that it could not participate in a prohibited lobbying matter unless a legislator requested their comments in writing, which had not happened. The regulations prohibit recipients from

soliciting such a letter. 45 C.F.R. § 1612.6(c). Nonetheless, the executive director proceeded to lobby on the matter himself. Furthermore, he asked a legislator to provide a letter requesting comments from the recipient and presented it as an unsolicited request. Very few LSC funds were spend on that work, so the disallowed costs were very limited and did not provide a meaningful penalty in light of the egregious behavior of the executive director.

That executive director resigned, but the situation also highlighted for Management the need for alternative enforcement tools. The executive director might have stayed, and the recipient board could have determined that rehabilitation was better than replacement. LSC would have wanted to impose an appropriate penalty and have reasonable assurances that this executive director would not engage in, or encourage, other violations. A funding reduction of less than five percent would have presented a reasonable penalty. Furthermore, it would provide LSC with a credible threat of real and relatively quick consequences in the future. The availability of both limited reductions and ninety-day suspensions would have provided better tools for that realistic possibility than Part 1606 terminations of over five percent.

Once LSC has determined that corrective actions are necessary, the recipient must implement those actions. Generally recipients do so in a timely manner, although there have been occasions in which the recipient did not do so. In two situations, recipients had major and significant problems with their financial systems involving cost allocations or expense accounting. These problems were pervasive, but they were easily remedied. Nonetheless, the recipients each took two years to implement solutions. Thirty-day suspensions were available, but, as discussed above, presented the danger that the recipient would not, or could not, comply within thirty days, after which the funds had to be released. The next step would be a six-month process to impose a termination of at least five percent. That option required a dedication of LSC resources that seemed unwarranted, and would have the counter-productive effect of diverting recipient resources from implementing the corrective actions. Eventually LSC cajoled the recipients into compliance. Better enforcement tools could have provided those recipients with incentives to act promptly, and they could have equipped LSC to act more swiftly and decisively if they did not.

CONCLUSION

LSC seeks to maximize compliance by LSC recipients while minimizing any related loss to permissible client services. Unfortunately, in some situations LSC recipients engage in substantial non-compliance and/or are recalcitrant about implementing corrective actions. Suspensions of up to ninety days and penalties of up to five percent would enable LSC to threaten and, if necessary, take actions that are proportionate to serious compliance issues. These options would greatly enhance the ability of LSC to credibly address these situations, and to reserve the threat of Part 1606 terminations, with the correspondingly lengthy and resource intensive process, for those situations that truly merit it.

Institutional Advancement Committee

INSTITUTIONAL ADVANCEMENT COMMITTEE

September 30, 2012

Agenda

OPEN SESSION

1. Approval of agenda
2. Approval of minutes of the Committee's September 4, 2012 telephonic meeting
3. Public Comment
4. Consider and act on other business

CLOSED SESSION

5. Approval of minutes of the Committee's July 27, 2012 closed session meeting
6. Discussion regarding the LSC honorary support auxiliary and LSC alumni groups
7. Discussion regarding pro bono advice and counsel
8. Discussion regarding pro bono assistance to obtain funds pending establishment of the Development Office
9. Discussion of potential funders for the Pro Bono Innovation/Incubation Fund
10. Consider and act on motion to adjourn the meeting

Legal Services Corporation
Meeting of the Institutional Advancement Committee
Open Session
Tuesday, September 4, 2012

DRAFT MINUTES

Chairman John G. Levi convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Institutional Advancement Committee ("the Committee") at 11:04 a.m. on Tuesday, September 4, 2012. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington D.C. 20007.

The following Committee members were present by telephone:

John G. Levi, Chairman
Martha L. Minow
Robert J. Grey, Jr.
Charles N.W. Keckler
Father Pius Pietrzyk
Herbert S. Garten (Non-Director Member)
Frank B. Strickland (Non-Director Member)

Other Board members present by telephone:

Julie A. Reiskin

Also attending were:

James J. Sandman	President
Rebecca Fertig	Special Assistant to the President
Atitaya Rok	Staff Attorney, Office of Legal Affairs
Kathleen McNamara	Executive Assistant to the President
Victor M. Fortuno	Vice President for Legal Affairs, General Counsel, and Corporate Secretary
Jeffrey Schanz	Inspector General

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Levi called the open session telephonic meeting of the Committee to order.

MOTION

Mr. Keckler moved to approve the agenda. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Mr. Garten moved to approve the minutes of the Committee's open session meeting of July 27, 2012. Mr. Keckler seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Levi opened the floor for comments on the Development Plan. Several Committee members offered suggestions to improve the plan. Following-up on the Committee's last meeting, Mr. Keckler inquired whether LSC may use appropriated funds to fundraise. Mr. Fortuno, General Counsel, confirmed that this is a permissible use of LSC's appropriated funds.

MOTION

Mr. Garten moved to adopt the Development Plan, as amended. Mr. Grey seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Levi noted that the Chief Development Officer position description would be re-circulated for input from the Committee members.

Chairman Levi solicited public comments and received none.

There was no other business to consider.

MOTION

Dean Minow moved to adjourn the meeting. Father Pius seconded the motion.

VOTE

The motion passed by voice vote.

The open session meeting of the Committee adjourned at 11:22 a.m.

Audit Committee

AUDIT COMMITTEE

September 30, 2012

Agenda

Open Session

1. Approval of agenda
2. Approval of minutes of the Committee's July 27, 2012 meeting
3. Consider and act on revised Audit Committee charter
4. Briefing by Office of Inspector General
 - Jeffrey Schanz, Inspector General
5. Public comment
6. Consider and act on other business
7. Consider and act on adjournment of meeting

Legal Services Corporation
Meeting of the Audit Committee

Open Session

Friday, July 27, 2012

DRAFT MINUTES

Chairman Victor B. Maddox convened an *open session* meeting of the Legal Services Corporation's ("LSC") Audit Committee ("the Committee") at 9:27 a.m. on Friday, July 27, 2012. The meeting was held at the Sheraton Ann Arbor, 3200 Boardwalk Street, Ann Arbor, MI 48108.

The following Committee members were present:

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

Also attending were:

James J. Sandman	President
Richard L. Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
David L. Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
Matthew Glover	Associate Counsel, Office of the Inspector General
Joel Gallay	Special Counsel to the Inspector General, Office of the Inspector General

Minutes: July 27, 2012: Open Session Meeting of the Audit Committee
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David Maddox	Assistant Inspector General for Management and Evaluation, Office of the Inspector General
Carol Bergman	Director, Office of Government Relations and Public Affairs
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs
Glenn Rawdon	Program Counsel, Office of Program Performance
Len Sanchez	Executive Director, Neighborhood Legal Services Michigan
Allan Tanenbaum	Non-Director Member, LSC Finance Committee
Chuck Greenfield	National Legal Aid and Defender Association (NLADA)

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Maddox called the open session meeting of the Committee to order.

MOTION

Professor Valencia-Weber moved to approve the agenda. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Mr. Korrell moved to approve the minutes of the Committee's June 25, 2012 meeting. Mr. Hoffman seconded the motion.

VOTE

The motion passed by voice vote.

Ms. Higgins, Director of Human Resources, presented a report on the 403(b) annual plan review and gave an update on the 403(b) plan annual audit.

Next, in discussing the Audit Committee charter revisions, Chairman Maddox acknowledged receipt of the Office of Inspector General's memorandum raising a number of objections. The Committee members briefly shared comments on the matter.

MOTION

Professor Valencia-Weber moved to table any action on the revised Audit Committee Charter so the Committee has the opportunity for further discussion and reconsideration. Mr. Snyder seconded the motion.

VOTE

The motion passed by voice vote.

Mr. Schanz, Inspector General, briefed the Committee on two reports recently issued by the Office of the Inspector General, and reported on the selection of WithumSmith+Brown to audit LSC's 2011 financial statements. Mr. Schanz answered Committee members' questions.

Chairman Maddox invited public comment and received none.

There was no other business to consider.

MOTION

Professor Valencia-Weber moved to adjourn the meeting. Mr. Hoffman seconded the motion.

VOTE

The motion passed by voice vote.

The open session meeting of the Committee adjourned at 9:56 a.m.

**CHARTER OF THE
AUDIT COMMITTEE OF
LEGAL SERVICES CORPORATION**

I. Establishment

On March 24, 2008, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) established, as a standing committee of the Board, a committee to be known as the Audit Committee (the “Committee”), and adopted this as the Committee’s Charter.

II. Purposes

The purpose of the Committee shall be to assist the Board in fulfilling its responsibility to ensure that the Corporation’s assets are properly safeguarded; to oversee the quality and integrity of the Corporation’s accounting, auditing, and reporting practices; and to perform such other duties as assigned by the Board.

III. Membership

The Chairman of the Board (“Chairman”) shall appoint at least three Directors other than the Chairman to serve on the Committee. The Chairman shall appoint the Chair of the Audit Committee from among these Directors. Three Committee members will be required in order to constitute a quorum. No member of the Committee may be an officer or employee of the Corporation. To the extent practicable, Members of the Committee should have at least a basic understanding of finance and accounting, be able to read and understand fundamental financial statements, and understand the Corporation’s financial operations and reporting requirements.

IV. Terms

Members of the Committee shall serve for a term of one year, or until their earlier resignation, replacement or removal from the Committee or Board.

V. Meetings

The Committee:

- (1) shall meet at least four times per calendar year, but may meet more frequently at the call of any member of the Committee;
- (2) may adopt procedural rules that are not inconsistent with this Charter, the Corporation’s Bylaws, or the laws to which the Corporation is subject.

VI. Resources

All offices, divisions and components of the Corporation (“Management”), including the Office of Inspector General (“OIG”) shall cooperate with all requests made by the Committee for information and support. The Committee shall be given the resources necessary to carry out its responsibilities.

VII. Authority

The Committee:

- (1) unless otherwise directed by the Board, shall oversee the selection and retention of the external auditor (‘External Auditor(s)’) by the Inspector General (‘IG’) of the Corporation;
- (2) shall have unrestricted access to the Corporation’s books, records, facilities, personnel, and External Auditor(s);
- (3) is authorized to carry out the duties and responsibilities described in this Charter, as well as any other activities reasonably related to the Committee’s purposes or as may be directed by the Board from time to time;
- (4) may delegate authority to one or more designated members of the Committee;
- (5) may rely on the expertise and knowledge of Management, the OIG, External Auditor(s), and such consultants and experts that the Board approves for carrying out its oversight responsibilities;
- (6) may authorize to be conducted, or itself conduct, reviews into any matters within the scope of its responsibilities; and
- (7) may require any person, including the External Auditor or any officer or employee of the Corporation, to attend Committee meetings or to meet with any member(s) of or advisor(s) to the Committee.

VIII. Duties and Responsibilities

The Committee:

- (1) shall review with Management, the OIG, and the Corporation’s External Auditor(s) the contemplated scope and plan for LSC’s required annual audit;
- (2) shall review and discuss with the External Auditor(s), the OIG, and Management the annual audit report and results of the External Auditor’s year-end audit, including any problems or difficulties encountered by the

External Auditor(s); the OIG and the Management's response to any audit findings, and any areas of significant disagreement between Management, the OIG, and the External Auditor(s); and any recommendations of the External Auditor(s);

- (3) shall in concert with the OIG annually review and confirm the independence of the External Auditor(s);
- (4) shall review with the OIG its internal audit responsibilities, sanctions, and performance; its internal audit plan and the risk assessment that drives its internal audit plan; and the effectiveness of its internal audit plan and activities;
- (5) shall consult with the IG as to an appropriate approach regarding communications and meetings between the Committee and the OIG;
- (6) shall confirm the existence of appropriate monitoring of LSC's internal controls preventing or disclosing activities prohibited by statute, regulations or applicable circulars of the Office of Management and Budget;
- (7) shall, in conjunction with the Board's Finance Committee, review, monitor, and evaluate the effectiveness and execution of the Corporation's policies and procedures with respect to identifying and managing financial and other risk exposures, and to assess the steps Management has taken to identify and control such risks to the Corporation;
- (8) shall review Management representation letters or certifications and the LSC Finance Committee chairperson's letters or certifications regarding the contents, accuracy, or completeness of financial reports, as appropriate;
- (9) shall establish procedures for the receipt, retention, and treatment of complaints or expressions of concern regarding accounting, internal controls and auditing issues, and which procedures should provide for the anonymity and confidentiality of such communications from employees;
- (10) shall review and discuss with the OIG all significant matters relative to their financial audits and conduct of financial audits performed by the OIG, including any problems the OIG encountered while performing their audits;
- (11) shall ensure that significant findings and recommendations made by the OIG and External Auditor(s) are addressed and, where appropriate, implemented by Management and/or the Board on a timely basis;
- (12) shall report to the Board at least twice per calendar year and on such other occasions as requested to do so by the Board;

- (13) shall review all regulatory and internal control matters that may have a material effect on the Corporation's financial statements;
- (14) shall periodically assess the Committee's performance under the Charter, reassess the adequacy of the Charter, and report to the Board the results of the evaluation and any recommendations for proposed changes to the Charter;
- (15) shall review any significant deficiencies in internal control over financial reporting identified by Management, the IG, or the External Auditor(s) and ensure that corrective action is taken by Management; and
- (16) shall perform such other duties, consistent with this Charter, as are delegated to the Committee by the Board.

IX. Limitations

- (1) Nothing contained in this Charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its Directors.
- (2) Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of Management, the Inspector General, and the External Auditor(s) and any consultant or expert retained by them. The Committee's responsibilities are not to be interpreted as a substitute for the professional obligations of others.
- (3) It is not the duty of the Committee to conduct audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles, generally accepted government auditing standards (the "Yellow Book") and other applicable rules, regulations, guidelines and instructions. These are the responsibilities of the OIG, the External Auditor(s) and Management.
- (4) Nothing contained in this Charter shall be construed as circumscribing the authority of the Inspector General under the Inspector General Act or is intended to restrict the authority of the Inspector General to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Corporation.

**CHARTER OF THE
AUDIT COMMITTEE
OF
LEGAL SERVICES
CORPORATION
As Amended, xx, 2012**

I. Establishment

On March 24, 2008, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) established, as a standing committee of the Board, a committee to be known as the Audit Committee (the “Committee”).

Deleted: , and adopted this as the Committee’s Charter.

II. Purposes

The purpose of the Committee shall be: (1) to assist the Board in fulfilling its responsibility to ensure that the Corporation’s assets are properly safeguarded; and to oversee the quality and integrity of the Corporation’s accounting, auditing, and reporting practices; and (2) to perform such other duties as assigned by the Board.

III. Membership

The Chairman of the Board (~~“Chairman”~~) shall appoint at least three Directors other than the Chairman to serve on the Committee. The Chairman shall appoint the Chair of the Audit Committee from among these Directors. The Board may appoint non-Directors as members of the Committee. Three Committee members will be required in order to constitute a quorum. No member of the Committee may be an officer or employee of the Corporation. To the extent practicable, members of the Committee should have at least a basic understanding of finance and accounting, be able to read and understand fundamental financial statements, and understand the Corporation’s financial operations and reporting requirements.

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IV. Terms

Members of the Committee shall serve for a term of one year, or until their earlier resignation, replacement or removal from the Committee or Board.

V. Meetings

The Committee:

- (1) shall meet at least four times per calendar year, but may meet more frequently at the call of any member of the Committee; and

- (2) may adopt procedural rules that are not inconsistent with this Charter, the Corporation's Bylaws, or the laws to which the Corporation is subject.

VI. Resources

All offices, divisions and components of the Corporation ("Management"), including the Office of Inspector General ("OIG") shall cooperate with all requests made by the Committee for information and support. The Committee shall be given the resources necessary to carry out its responsibilities.

VII. Authority

The Committee:

- (1) unless otherwise directed by the Board, shall oversee the selection and retention of the external auditor ("External Auditor(s)") by the Inspector General ("IG") of the Corporation including the confirmation of the independence of external auditor;
- (2) shall have unrestricted access to the Corporation's books, records, facilities, personnel, and External Auditor(s), except with regard to confidential information in the possession of the OIG that it is prohibited by law from sharing with the Board;
- (3) is authorized to carry out the duties and responsibilities described in this Charter, as well as any other activities reasonably related to the Committee's purposes or as may be directed by the Board from time to time;
- (4) may delegate authority to one or more designated members of the Committee;
- (5) may rely on the expertise and knowledge of Management, the OIG, External Auditor(s), and such consultants and experts that the Board approves for carrying out its oversight responsibilities;
- (6) may authorize to be conducted, or itself conduct, reviews into any matters within the scope of its responsibilities; and
- (7) may require any person, including the External Auditor or any officer or employee of the Corporation, to attend Committee meetings or to meet with any member(s) of or advisor(s) to the Committee.

VIII. Duties and Responsibilities

A. Audits and Audit Related Matters

The Committee shall:

- (1) ~~shall~~ review and discuss with Management, the OIG, and the Corporation's External Auditor(s) the contemplated scope and plan for LSC's required annual audit;
- (2) ~~shall~~ review and discuss with the External Auditor(s), the OIG, and Management the annual audit report and results of the External Auditor's year-end audit, including any problems or difficulties encountered by the External Auditor(s); any response by Management or the OIG to any audit findings, and any areas of significant disagreement between Management, the OIG, and the External Auditor(s); and any recommendations of the External Auditor(s);
- (3) ~~shall~~ review and discuss with the OIG its audit responsibilities, and performance; its audit plan for the Corporation and the risk assessment that drives its audit plan; and the effectiveness of its audit plan and activities; and provide the OIG with any recommended audits that would assist the Committee or the Board of Directors;
- (4) ~~(10) shall~~ review and discuss with the OIG all significant matters relative to ~~their financial audits and conduct of financial~~ audits performed by the OIG, including any problems the OIG encountered while performing their audits;
- (5) ~~(11) shall ensure that~~ review and discuss with Management and the Board the Corporation's response to and, where appropriate, timely implementation of, significant findings and recommendations made by the OIG and External Auditor(s) ~~are addressed and, where appropriate, implemented by Management and/or the Board on a timely basis; and~~
- (6) review and discuss with Management any internal audit or review activities, including its audit or review plan, its audit or review reports, and the performance of those portions of Management that perform audits or reviews.

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B. Financial Reporting:

The Committee shall:

- (1) ~~(8) shall~~ review Management representation letters or certifications and the LSC Finance Committee chairperson's letters or certifications regarding the contents, accuracy, or completeness of financial reports, as appropriate
- (2) ~~(13) shall~~ review all issues identified and brought to the Committee's attention by Management, the OIG, the GAO or the External Auditor that may have a material effect on the Corporation's financial statements; and

Deleted: regulatory and internal control matters

- (3) ~~(15) shall~~ review any significant deficiencies in internal control over financial reporting identified by Management, the OIG, or the External Auditor(s) and ensure that corrective action is taken by Management.

C. Risk Management

The Committee shall:

- (1) review LSC' system of internal controls that are designed to minimize the risk of fraud, theft, corruption, or misuse of funds, including by receiving information;
- a. from Management about whether internal controls performed by Management are operating properly;
 - b. from OIG about whether its investigations function, audit function, and compliance function are operating properly; and
 - c. from Management and OIG about whether there is proper coordination and communication between them regarding their respective operations designed to minimize the risk of fraud, theft, corruption, or misuse of funds;

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- ~~(6) shall confirm the existence of appropriate monitoring of LSC's internal controls preventing or disclosing activities prohibited by statute, regulations or applicable circulars of the Office of Management and Budget;~~

Deleted: review LSC's system of internal controls that are designed to minimize the risk of fraud, theft, corruption, or misuse of funds, which review shall be conducted by receiving information about whether (a) internal controls performed by Management and the OIG (including investigations, audits, and compliance activities) are functioning properly, and (b) coordination and communication between the OIG and Management regarding internal control functions are occurring properly;

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- ~~(7) shall, in conjunction with the Board's Finance Committee, review, monitor, and evaluate the effectiveness and execution of the Corporation's policies and procedures with respect to identifying and managing financial and other risk exposures, and to assess the steps Management has taken to identify and control such risks to the Corporation;~~

- (2) = ensure that its review of the OIG's investigations function occurs in a manner that does not compromise the OIG's independence or the confidentiality of its investigations;

- (3) = ~~(5) shall~~ consult with the IG Inspector General as to an appropriate approach regarding communications and meetings between the Committee and the OIG;

- (4) = review any concerns expressed regarding any impediments to the independence of the OIG;

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- (5) ~~(9) shall establish~~ confirm that there is a proper confidential mechanism in place for individuals to make complaints, anonymously if desired, regarding suspected fraud, theft, corruption, or misuse of funds, or problems involving internal controls, auditing, or accounting, and that there are proper procedures in place for the receipt, retention, and

~~treatment handling of such complaints or expressions of concern regarding accounting, internal controls and auditing issues, and which procedures should provide for the anonymity and confidentiality of such communications from employees; and~~

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- (6) review LSC's efforts, including training and education efforts, to help ensure that LSC employees and grantees act ethically and safeguard LSC funds.

D. Other Duties and Responsibilities

The Committee shall:

- (1) ~~(12) shall~~ report to the Board at least ~~twice~~four times per calendar year and on such other occasions as requested to do so by the Board;
- (2) ~~(14) shall~~ periodically assess the Committee's performance under the Charter, reassess the adequacy of the Charter, and report to the Board the results of the evaluation and any recommendations for proposed changes to the Charter; and
- (3) ~~(16) shall~~ perform such other duties, consistent with this Charter, as are ~~delegated~~assigned to the Committee by the Board.

IX. Limitations

- (1) Nothing contained in this Charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its Directors.
- (2) Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of Management, the Inspector General, and the External Auditor(s) and any consultant or expert retained by them. The Committee's responsibilities are not to be interpreted as a substitute for the professional obligations of others.
- (3) It is not the duty of the Committee to conduct audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles, generally accepted government auditing standards (the "Yellow Book") and other applicable rules, regulations, guidelines and instructions. These are the responsibilities of the OIG, the External Auditor(s) and Management.
- (4) Nothing contained in this Charter shall be construed as limiting the authority of the Inspector General under the Inspector General Act or is intended to restrict the authority of the Inspector General to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Corporation.

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(5) Nothing contained in this Charter shall be construed as authorizing the Committee to exercise the powers of the Board of Directors.

**CHARTER OF THE
AUDIT COMMITTEE OF
LEGAL SERVICES CORPORATION
As Amended, xx, 2012**

I. Establishment

On March 24, 2008, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) established, as a standing committee of the Board, a committee to be known as the Audit Committee (the “Committee”).

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Members of the Committee shall serve for a term of one year, or until their earlier resignation, replacement or removal from the Committee or Board.

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All offices, divisions and components of the Corporation (“Management”), including the Office of Inspector General (“OIG”) shall cooperate with all requests made by the Committee for information and support. The Committee shall be given the resources necessary to carry out its responsibilities.

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The Committee:

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- (2) shall have unrestricted access to the Corporation’s books, records, facilities, personnel, and External Auditor(s) except, with regard to confidential information in the possession of the OIG that it is prohibited by law from sharing with the Board;
- (3) is authorized to carry out the duties and responsibilities described in this Charter, as well as any other activities reasonably related to the Committee’s purposes or as may be directed by the Board from time to time;
- (4) may delegate authority to one or more designated members of the Committee;
- (5) may rely on the expertise and knowledge of Management, the OIG, External Auditor(s), and such consultants and experts that the Board approves for carrying out its oversight responsibilities;
- (6) may authorize to be conducted, or itself conduct, reviews into any matters within the scope of its responsibilities; and
- (7) may require any person, including the External Auditor or any officer or employee of the Corporation, to attend Committee meetings or to meet with any member(s) of or advisor(s) to the Committee.

VIII. Duties and Responsibilities

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The Committee shall:

- (1) review and discuss with Management, the OIG, and the Corporation's External Auditor(s) the contemplated scope and plan for LSC's required annual audit;
- (2) review and discuss with the External Auditor(s), the OIG, and Management the annual audit report and results of the External Auditor's year-end audit, including any problems or difficulties encountered by the External Auditor(s); any response by Management or the OIG to any audit findings, and any areas of significant disagreement between Management, the OIG, and the External Auditor(s); and any recommendations of the External Auditor(s);
- (3) review and discuss with the OIG its audit responsibilities and performance; its audit plan for the Corporation and the risk assessment that drives its audit plan; and the effectiveness of its audit plan and activities; and provide the OIG with any recommended audits that would assist the Committee or the Board of Directors;
- (4) review and discuss with the OIG all significant matters relative to audits performed by the OIG, including any problems the OIG encountered while performing their audits;
- (5) review and discuss with Management and the Board the Corporation's response to and, where appropriate, timely implementation of, significant findings and recommendations made by the OIG and External Auditor(s); and
- (6) review and discuss with Management any internal audit or review activities, including its audit or review plan, its audit or review reports, and the performance of those portions of Management that perform audits or reviews.

B. Financial Reporting:

The Committee shall:

- (1) review Management representation letters or certifications and the LSC Finance Committee chairperson's letters or certifications regarding the contents, accuracy, or completeness of financial reports, as appropriate;
- (2) review all issues identified and brought to the Committee's attention by Management, the OIG, the GAO or the External Auditor that may have a material effect on the Corporation's financial statements; and
- (3) review any significant deficiencies in internal control over financial reporting identified by Management, the OIG, or the External Auditor(s) and ensure that corrective action is taken by Management.

C. Risk Management

The Committee shall:

- (1) review LSC's system of internal controls that are designed to minimize the risk of fraud, theft, corruption, or misuse of funds, including by receiving information;
 - a. from Management about whether internal controls performed by Management are operating properly;
 - b. from OIG about whether its investigations function, audit function, and compliance function are operating properly; and
 - c. from Management and OIG about whether there is proper coordination and communication between them regarding their respective operations designed to minimize the risk of fraud, theft, corruption, or misuse of funds;
- (2) ensure that its review of the OIG's investigations function occurs in a manner that does not compromise the OIG's independence or the confidentiality of its investigations;
- (3) consult with the Inspector General as to an appropriate approach regarding communications and meetings between the Committee and the OIG;
- (4) review any concerns expressed regarding any impediments to the independence of the OIG;
- (5) confirm that there is a proper confidential mechanism in place for individuals to make complaints, anonymously if desired, regarding suspected fraud, theft, corruption, or misuse of funds, or problems involving internal controls, auditing, or accounting, and that there are proper procedures in place for the receipt, retention, and handling of such complaints; and
- (6) review LSC's, including training and education efforts, to help ensure that LSC employees and grantees act ethically and safeguard LSC funds.

D. Other Duties and Responsibilities

The Committee shall:

- (1) report to the Board at least four times per calendar year and on such other occasions as requested to do so by the Board;
- (2) periodically assess the Committee's performance under the Charter, reassess the adequacy of the Charter, and report to the Board the results of the evaluation and any recommendations for proposed changes to the Charter; and

- (3) perform such other duties, consistent with this Charter, as are assigned to the Committee by the Board.

IX. Limitations

- (1) Nothing contained in this Charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its Directors.
- (2) Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of Management, the Inspector General, and the External Auditor(s) and any consultant or expert retained by them. The Committee's responsibilities are not to be interpreted as a substitute for the professional obligations of others.
- (3) It is not the duty of the Committee to conduct audits or to determine that the Corporation's financial statements are in accordance with generally accepted accounting principles, generally accepted government auditing standards (the "Yellow Book") and other applicable rules, regulations, guidelines and instructions. These are the responsibilities of the OIG, the External Auditor(s) and Management.
- (4) Nothing contained in this Charter shall be construed as limiting the authority of the Inspector General under the Inspector General Act or is intended to restrict the authority of the Inspector General to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Corporation.
- (5) Nothing contained in this Charter shall be construed as authorizing the Committee to exercise the powers of the Board of Directors.



BOARD OF DIRECTORS

RESOLUTION

REVISING THE BOARD'S AUDIT COMMITTEE CHARTER

WHEREAS, on March 24, 2008, the Board of Directors ("Board") of the Legal Services Corporation ("LSC" or "Corporation") established an Audit Committee as a standing committee of the Board;

WHEREAS, the Audit Committee's Charter has been in place since adoption by the Board in 2008, and the Audit Committee has carefully studied and assessed the various provisions of the Charter to determine whether any revisions would be appropriate and result in improvements to the Charter;

WHEREAS, based on its assessment, the Audit Committee has recommended specific revisions to the Charter; and

WHEREAS, the Board has considered the revisions recommended by the Audit Committee and determined that they are warranted and would improve the Charter;

THEREFORE, BE IT RESOLVED that the Board hereby adopts the attached revised Audit Committee Charter, to be effective immediately.

Adopted by the Board of Directors
on October 2, 2012

John G. Levi
Chairman

Victor M. Fortuno
*Vice President for Legal Affairs,
General Counsel & Corporate Secretary*

Promotions & Provisions Committee

PROMOTION AND PROVISION FOR THE DELIVERY OF LEGAL SERVICES COMMITTEE

October 1, 2012

Agenda

Open Session

1. Approval of Agenda
2. Approval of Minutes of the Committee's meeting of July 27, 2012
3. Discussion of topics for future Committee meetings
4. Panel Presentation on uses of technology to improve LSC grantee effectiveness and efficiencies
 - Moderator –Janet LaBella, Director, Office of Program Performance
 - Pat Muller, Information Technology Manager, South Carolina Legal Services
 - Eric Mittelstadt, Deputy Director, Utah Legal Services
 - Michael Prince, Information Technology Manager, Legal Aid of NorthWest Texas
 - George Hausen, Executive Director, Legal Aid of North Carolina
5. Public comment
6. Consider and act on other business
7. Consider and act on motion to adjourn the meeting

Legal Services Corporation
Meeting of the Promotion and Provision for the Delivery of
Legal Services Committee
Open Session
Friday, July 27, 2012

DRAFT MINUTES

Chairman Laurie I. Mikva convened an *open session* meeting of the Legal Services Corporation's ("LSC") Promotion & Provision for the Delivery of Legal Services Committee ("the Committee") at 1:38 p.m. on Friday, July 27, 2012. The meeting was held at Sheraton Ann Arbor Hotel, 3200 Boardwalk Street, Ann Arbor MI, 48108.

The following Committee members were present:

Laurie I. Mikva, Chairman
Sharon L. Browne
Victor B. Maddox
Father Pius Pietrzyk
Julie A. Reiskin
John G. Levi, *ex officio*

Other Board members present:

Robert J. Grey, Jr.
Martha L. Minow
Charles N.W. Keckler
Gloria Valencia-Weber

Also attending were:

James J. Sandman	President
Richard L. Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Mark Freedman	Senior Assistant General Counsel, Office of Legal Affairs
Joel Gallay	Special Counsel to the Inspector General, Office of the Inspector General
Carol Bergman	Director, Office of Government Relations and Public Affairs
Janet LaBella	Director, Office of Program Performance
Glenn Rawdon	Program Counsel, Office of Program Performance
Bernie Brady	Office of Program Performance
Robert E. Henley Jr.	Non-Director Audit Committee member
Allan Tanenbaum	Non-Director Finance Committee member
Meredith McBurney	American Bar Association Resource Center
Steve Gottlieb	Executive Director, Atlanta Legal Aid
Daniel Glazier	Executive Director, Legal Services of Eastern Missouri
Jennifer Bentley	Manager of Outreach and Development, Legal Services of South Central Michigan
Deirdre Weir	Executive Director, Legal Aid and Defender Association
Kenneth Penokie	Executive Director, Legal Services of Northern Michigan
Len Sanchez	Executive Director, Neighborhood of Legal Services Michigan
Colleen Cotter	Executive Director, Cleveland Legal Aid
Linda Rexer	Michigan State Bar Foundation
Lary Wells	Michigan League for Human Services
Roger Lennert	Legal Aid and Defender Association
Joan Glanton Howard	Legal Aid and Defender Association
Jean Griggs	Neighborhood Legal Services of Michigan
J. Sekander	Neighborhood Legal Services of Michigan
Lillian Bullard	Neighborhood Legal Services of Michigan
Ann Routt	Legal Services of South Central Michigan
The Honorable Richard Teitelman	Chief Justice, Missouri Supreme Court
Suelyn Scarnecchia	University of Michigan Law School
Don Saunders	National Legal Aid and Defenders Association (NLADA)
Chuck Greenfield	National Legal Aid and Defenders Association (NLADA)

Terry Brooks
Colleen Cotter

American Bar Association Standing Committee on Legal Aid and
Indigent Defendants (SCLAID)
Executive Director, Cleveland Legal Aid

The following summarizes actions taken by, and presentations made to, the Committee:

Chairman Mikva called the open session meeting to order.

MOTION

Father Pius moved to approve the agenda. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

MOTION

Ms. Reiskin moved to approve the minutes of the Committee's April 16, 2012 meeting.

Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

Chairman Mikva welcomed the panel presentation on diversification and expansion of revenue sources, and introduced Ms. McBurney, the panel moderator. Ms. McBurney introduced the panel members –Mr. Gottlieb, Mr. Glazier, and Ms. Weir- and briefly provided an overview of legal aid funding trends, the history of legal aid funding, and elements for successful legal aid resource development. The panel members had a lengthy discussion on successful private resource development initiatives, which have been implemented in their programs, and answered questions from the Committee members.

Chairman Mikva invited public comment and received none.

MOTION

Father Pius moved to adjourn the meeting. Ms. Browne seconded the motion.

VOTE

The motion passed by voice vote.

The open session meeting of the Committee adjourned at 3:01 p.m.

Suggested Topics for Future Promotion and Provision for the Delivery of Legal Services Committee Meetings

A. Top Tier

1. Strategic planning in times of funding cutbacks

Because of funding reductions, many grantees are laying off staff, and some are closing offices. Programs need to engage in strategic planning to guide decisions about what to cut and how they can best use their limited resources effectively and efficiently. This topic encompasses best practices in strategic planning for hard choices. It also includes consideration of the pitfalls of implementing funding reductions without sufficient planning.

2. Grantee use of technology

The use of technology varies widely among grantees. Some are leaders and innovators; others have not yet adopted available technology. Effective use of technology can promote program efficiency, expand access to services, and improve program quality. This topic will explore the benefits and costs of technology and the impediments to its adoption.

3. Resource development best practices

Diversification and expansion of revenue sources is essential to programs in times of government funding uncertainties. Many grantees have mounted successful development initiatives. This topic covers best practices in development for LSC grantees. It will also explore lessons learned from programs' on-the-ground fundraising experiences.

4. Grantee use of data

Data are important to demonstrate the effectiveness of legal services programs in meeting the needs of their clients and to guide resource-allocation and management decisions. Good data collection and analysis can track and measure the outcomes of services provided, quantify the value of benefits obtained by clients, track staff productivity, and assess program performance in achieving strategic goals. This topic encompasses a review of the different ways in which program leaders are using data to manage better.

5. PAI best practices and model programs

This topic will be a follow-on to the report of LSC’s Pro Bono Task Force. It will encompass implementation of the Task Force’s recommendations and propagation of the best practices identified in the report.

6. Report on staff assessment of TIG program

Since LSC’s Technology Initiative Grant program started in 2000, LSC has made 457 grants totaling more than \$39.7 million. LSC has assessed the results of each grant individually. TIG staff is now embarking on an assessment of the effectiveness of TIG projects as a whole in advancing the use of technology to deliver civil legal services. This topic encompasses a report on the staff’s findings.

B. Second Tier

7. Succession planning and leadership development

Many LSC-funded programs have very experienced leaders who, in the coming years, will be transitioning out of their current positions. Good management practices call for the development and implementation of a plan for orderly succession in executive director and other senior management positions. This topic encompasses the process of planning for transition and developing the next generation of leaders.

8. Client satisfaction feedback and its use

Programs should have effective methods to elicit clients’ assessments of their experiences with the programs’ services – everything from the intake process through the result achieved. This topic includes how best to gather client feedback and how to use that feedback to improve program quality.

9. Recruitment and retention of quality advocacy staff

High-quality legal services programs need to be able to recruit and retain high-quality lawyers. Low salaries, challenging working conditions, and stressful, high-stakes caseloads can make recruitment and retention difficult.

This topic considers best practices for attracting, developing, and keeping good lawyers in civil legal services.

10. Geographic information system (GIS) mapping as tool for service delivery assessment

GIS mapping is a useful tool for displaying the distribution of services actually delivered throughout a grantee's service area, for identifying demographic trends, and for tracking pro bono opportunities. This topic encompasses the use of GIS mapping as a management tool by LSC grantees.

11. TIG priorities for the current and upcoming grant cycles

For each TIG funding cycle, LSC identifies areas of interest as priorities for funding. Recently, these have included Limited English Proficiency, mobile technologies, grantee use of data, and technology applicable to federal laws. The topic encompasses how LSC selects areas of interest and why these areas have been targeted.

Promotion and Provision for the Delivery of Legal Services Committee: Uses of Technology to Improve Effectiveness and Efficiencies Panel

George R. Hausen, Jr., President & Executive Director, Legal Aid of North Carolina

George R. Hausen, Jr. is the president and executive director of Legal Aid of North Carolina (LANC). LANC serves approximately 25,000 North Carolinians a year with critical legal issues ranging from foreclosure to domestic violence. As head of the organization, Hausen oversees a large staff of lawyers, paralegals, and administrative professionals in 20 field offices and seven statewide projects. He has led LANC since its founding in 2002, when independent legal aid programs throughout North Carolina merged to form a unified, statewide organization. He previously was interim executive director of Legal Services of North Carolina in Raleigh, one of LANC's predecessors, which he joined in 1999 as an assistant director before taking the helm two years later. Hausen began his legal career in his hometown of Chicago, where he worked as a full-time law clerk for the Cabrini Green Legal Aid Clinic while attending evening classes at the DePaul University College of Law. After graduating in 1988, Hausen volunteered with the Peace Corps in Haiti and the Dominican Republic, where he became fluent in Spanish. Hausen served in the U.S. Marine Corps and earned his undergraduate degree from the University of Illinois. He was recently named a Leader in the Law by North Carolina Lawyers Weekly and Elon University School of Law.

Eric Mittelstadt, Deputy Director, Utah Legal Services

Eric Mittelstadt has worked at Utah Legal Services for over 20 years as a staff attorney, managing attorney, project manager, director of advocacy and personnel, and now as Deputy Director. A member of the Management Information Exchange Board of Directors since 2003, he is a frequent trainer at MIE events and oversees their support for legal services administrators. Eric serves on Utah's Online Court Assistance Program advisory committee and the Utah Supreme Court's Ethics and Discipline Committee.

Pat Muller, Information Technology Manager at South Carolina Legal Services

Pat Muller is the Information Technology Manager at South Carolina Legal Services (SCLS). Pat has 13 years of professional experience in the technology field. SCLS is a statewide law firm consisting of 9 offices, a statewide intake office and 110 employees. Ms. Muller manages, coordinates and monitors network administration and support internally and when performed by outsourced IT professionals.

Michael Prince, Information Technology Manager, Legal Aid of NorthWest Texas

Michael Prince is the Information Technology Manager for Legal Aid of NorthWest Texas (LANWT). He has been in the information technology field for over seventeen years and with LANWT for eleven years. He manages four IT professionals on a network that supports over 225 users and spans fifteen branch offices throughout Northwest Texas. He also presents regularly at LSC's TIG Conference on legal aid technology topics such as Microsoft SharePoint and information security.

Board of Directors

BOARD OF DIRECTORS

October 1, 2012

Agenda

OPEN SESSION

1. Pledge of Allegiance
2. Approval of agenda
3. Approval of Minutes of the Board's meeting of August 31, 2012
4. Chairman's Report
5. Members' Reports
6. President's Report
7. Inspector General's Report
8. Consider and act on the report of the Promotion and Provision for the Delivery of Legal Services Committee
9. Consider and act on the report of the Finance Committee
10. Consider and act on the report of the Audit Committee
11. Consider and act on the report of the Operations and Regulations Committee
12. Consider and act on the report of the Governance and Performance Review Committee
13. Consider and act on the report of the Institutional Advancement Committee
14. Consider and act on the draft Strategic Plan
15. Public comment

16. Consider and act on other business
17. Consider and act on whether to authorize an executive session of the Board to address items listed below, under Closed Session

CLOSED SESSION

18. Approval of minutes of the Board's closed session meeting of July 27, 2012
19. Approval of minutes of the Board's closed session telephonic meeting of August 31, 2012
20. Briefing by Management
21. Briefing by the Inspector General
22. Consider and act on General Counsel's report on potential and pending litigation involving LSC
23. Consider and act on motion to adjourn meeting

Legal Services Corporation
Meeting of the Board of Directors
Open Session
Friday, August 31, 2012

DRAFT MINUTES

Chairman John G. Levi convened an *open session* telephonic meeting of the Legal Services Corporation's ("LSC") Board of Directors ("the Board") at 11:05 a.m. on Friday, August 31, 2012. The meeting was held at the F. William McCalpin Conference Center, Legal Services Corporation Headquarters, 3333 K Street, NW, Washington D.C. 20007.

The following Board Members were in attendance by telephone:

John G. Levi, Chairman
Martha L. Minow, Vice Chair
Robert J. Grey, Jr.
Charles N.W. Keckler
Harry J.F. Korrell, III
Victor B. Maddox
Laurie I. Mikva
Julie A. Reiskin
Father Pius Pietrzyk
Gloria Valencia-Weber
James J. Sandman, *ex officio*

Also attending were:

Richard L. Sloane	Chief of Staff and Special Assistant to the President
Rebecca Fertig	Special Assistant to the President
Victor Fortuno	Vice President for Legal Affairs, General Counsel and Corporate Secretary
Atitaya Rok	Staff Attorney, Office of Legal Affairs
David Richardson	Comptroller and Treasurer
Jeffrey E. Schanz	Inspector General
David Maddox	Assistant Inspector General for Management and Evaluation, Office of Inspector General (OIG)
Magali Khalkho	Resource Management Specialist, OIG
Carl Rauscher	Director of Media Relations, Office of Government Relations and Public Affairs (GRPA)
Treefa Aziz	Government Affairs Representative, GRPA
John Meyer	Director, Office of Information Management (OIM)
Evora Thomas	Program Counsel, Office of Program Performance (OPP)
Lisa Buffalo	Administrative Assistant, OPP
Allan Tanenbaum	Non-Director member of the Finance Committee (by telephone)
Chuck Greenfield	National Legal Aid and Defenders Association (NLADA)
Terry Brooks	American Bar Association Standing Committee on Legal Aid and Indigent Defendants (SCLAID)

The following summarizes actions taken by, and presentations made to, the Board:

Chairman Levi called the open session meeting of the Board to order. Ms. Fertig, Special Assistant to the President, explained the logistics for dialing in for the open and closed sessions of the Board meeting.

MOTION

Mr. Grey moved to approve the agenda. Ms. Reiskin seconded the motion.

VOTE

The motion passed by voice vote of the Board members.

MOTION

Mr. Grey moved to approve the minutes of the Board's meeting of July 27, 2012. Mr. Keckler seconded the motion.

VOTE

The motion passed by voice vote of the Board members.

Mr. Grey presented the Finance Committee's report and recommendation on LSC's appropriations request for FY 2014. Chairman Levi opened the floor for discussion on the matter.

VOTE

The Board members voted in favor of adopting the Finance Committee's recommendation for LSC's appropriations request for FY 2014. Mr. Keckler voted against adopting the recommendation.

Next, the Board discussed an updated draft of the strategic plan, which incorporated public comments received, as well as Board members' comments.

MOTION

Dean Minow moved for the Board to adopt the strategic plan. Mr. Keckler seconded the motion.

Chairman Levi opened the floor for further comments on the strategic plan. Mr. Greenfield, NLADA, suggested that LSC allow a period of time for further public comment on the revised draft of the strategic plan, since it was only posted on the LSC website two days prior to the Board meeting. Mr. Brooks, SCLAID, echoed Mr. Greenfield's comments.

MOTION

Dean Minow moved to table voting on the adoption of the strategic plan. Mr. Korrell seconded the motion.

VOTE

The motion passed by voice vote of the Board members.

Chairman Levi introduced a resolution to formally abolish the office of Vice President for Programs and Compliance and establish the office of Vice President for Grants Management, which was a recommendation of the Fiscal Oversight Task Force.

MOTION

Dean Minow moved to adopt the resolution abolishing the office of Vice President for Programs and Compliance and establishing the Office of Vice President for Grants Management. Professor Valencia-Weber seconded the motion.

VOTE

The motion passed by voice vote of the Board members.

MOTION

Dean Minow moved to authorize an executive session of the Board. Father Pius seconded the motion.

VOTE

The motion passed by voice vote of the Board members.

The Board members convened an executive session of the Board at 11:55 a.m.

The Board members reconvened the open session meeting of the Board at 12:06 p.m.

President Sandman reported on the search for a Vice President for Grants Management and shared management's recommendation that the Board appoint Ms. Lynn Jennings to that office.

VOTE

The Board voted to appoint Lynn Jennings as LSC's Vice President for Grants Management.

Chairman Levi solicited public comment.

Mr. Grey praised Chairman Levi and congratulated him on delivering exceptional remarks before the American Bar Association's House of Delegates at its annual meeting.

There was no other business to consider.

MOTION

Dean Minow and Mr. Grey moved to adjourn the meeting.

VOTE

The motion passed by voice vote of the Board members.

The open session telephonic meeting of the Board adjourned at 12:16 p.m.



Legal Services Corporation Strategic Plan 2012-2016

Revised Draft -- September 2012

Legal Services Corporation

Strategic Plan 2012 – 2016

Part One: Overview

Fundamental Principles

The Legal Services Corporation (LSC) was founded on a shared American ideal: access to justice regardless of one's economic status. Every day, people across America recite the Pledge of Allegiance and make a commitment to a nation "*with Liberty and Justice for All.*"

In the Preamble to the United States Constitution, the Framers recognized that to "establish justice" was a primary goal of the new Republic. But justice is no mere abstraction; it requires clear laws and an impartial system of courts and judges to adjudicate disagreements and vindicate rights. George Washington called the true administration of justice, "the firmest pillar of good government." This promise of justice for all can only be realized when all have access to the system that administers justice.

Congress recognized this in its finding and declaration of purpose in the Legal Services Corporation Act: "...for many of our citizens," the statute emphasizes, "the availability of legal services has reaffirmed faith in our government of laws." As Judge Learned Hand said, "If we are to keep our democracy, there must be one commandment: Thou shalt not ration justice."

A Crucial Time

At the same time, LSC acknowledges that financial resources—whether from the federal government or other sources—are limited, especially given the current state of the national and global economies. Established to provide financial and strategic support for civil legal assistance throughout the United States and its territories, LSC is the largest single funder of civil legal aid programs in the nation. Currently, LSC provides grants to 134 independent organizations with more than 900 offices serving every county in every state, the District of Columbia, and various territories of the United States.

Virtually all of LSC's current revenue comes from annual congressional appropriations. Local legal services providers depend upon a combination of these federal funds, state and local government funding, revenue from Interest on Lawyers' Trust Accounts (IOLTA), and private donations. Historically, LSC has encountered cycles of shrinking appropriations and some restoration of funding. The current funding situation, while part of the historical cycle, especially challenges LSC in the face of the extreme economic conditions since 2007.

Following four straight years of appropriation increases, LSC has faced significant reductions in the last two budgetary cycles. Since April of 2011, LSC's federal appropriation for basic field grants has been reduced by more than 18 percent. In addition, LSC's grantees have experienced funding reductions from other sources. Revenue from IOLTA — a source of significant support for local legal aid programs — continues to fall as interest rates remain very low. Budget pressures have caused many state and local governments to reduce their appropriations for civil legal services. LSC grantees reported a two percent reduction in funding from non-LSC sources in 2011. These reductions will affect eligible clients' access to legal services across a broad demographic: rural and urban, minority and majority, young and old, men and women.

LSC recently surveyed the organizations it supports to learn the impact of funding reductions on their operations. The results were sobering. Including reductions that grantees anticipate implementing in 2012, grantees project a loss of 576 attorneys, 303 paralegals, and 506 support staff since the end of 2010 — a loss of 1,385 full-time legal services employees, a 14.1 percent reduction in staffing. A number of grantees report that they have frozen or reduced employee salaries and benefits, reduced intake hours, and eliminated categories of services. Legal aid lawyers were already the lowest paid group in the legal profession before these freezes and reductions.

Twenty-four programs reported that they expect to close offices in 2012. A significant number of these closures will occur in rural areas. Rural programs strive to provide equality of service throughout their counties through hotlines, satellite interview sites, courthouse help desks, and private attorneys. But there is little doubt that the increased distance between potential clients and legal aid offices will present yet another barrier to serving these isolated populations effectively.

The same financial challenges that have led to reduced funding also contribute to the rising need for civil legal assistance. While capacity is falling, the population eligible for civil legal services at LSC-funded organizations continues to rise steeply. Today, LSC estimates that nearly 66 million Americans are eligible for services at the entities it funds — an all-time high, and an increase of 29 percent since 2007, before the recession began.

Strategic Goals

Despite the challenges of the current state of affairs, LSC has a duty to the American people to pursue its fundamental mission of access to justice. With this in mind, the LSC Board of Directors has prepared this plan to set forth the strategic goals that will guide LSC for the next five years.

LSC's primary goal is to maximize the availability, quality, and effectiveness of the civil legal services that its grantees provide to eligible low-income individuals.¹

To achieve this goal, LSC must work to afford its grantees the resources, tools, and management expertise to reach and assist their clients most effectively. LSC will pursue its work in this crucial period along three avenues:

- (1) identifying and replicating best practices associated with delivering high quality civil legal assistance to the poor by its grantees;
- (2) promoting the development and implementation of technologies that maximize the availability of legal information and assistance; and
- (3) expanding the availability of civil legal assistance through the most effective use of pro bono services and other private resources by LSC's grantees.

In order to achieve this first goal, which reflects its fundamental mission, LSC will employ robust assessment tools to ensure that it identifies, recognizes, and replicates the best practices among its grantees and those qualities that define its highest-performing grantees. The LSC Board recognizes that the development of such tools will be a complicated endeavor involving many variables, but is nonetheless convinced of the necessity of developing such assessment tools and will develop them with care. LSC also will provide attention and assistance to lower-performing grantees and to grantees who may request such assistance. Meeting this goal will be a significant challenge in the current funding environment. LSC's approach to improving quality must be focused on promoting innovation that accomplishes more with fewer resources.

LSC's second goal is to become a leading voice for civil legal services for poor Americans.

LSC will provide national leadership and opportunities for collaboration with others committed to promoting civil legal services, including other funders of legal aid, governmental agencies, and judicial systems throughout the country. The primary goals of this collaboration will be: (a) to increase awareness of the significance and value of civil legal aid with the intention of increasing public and private resources devoted to this purpose; and (b) to more closely match resources and needs, identify innovative approaches, and coordinate LSC's efforts to achieve maximum effectiveness.

In order to become a leading voice, LSC will:

¹ Throughout this document, "low-income" and "poor" refer to the definitions in LSC's governing act and include compliance with the eligibility rules. See **Legal Services Corporation Act As Amended, 42 U.S.C. §2996 et seq.**, Public Law 93-35593 Congress, H.R. 7824, July 25, 1974; LSC Act, Public Law 95-222, 95 Congress, H.R. 6666, December 28, 1977; LSC Reauthorization Act, and other amendments. See also 24 C.F.R. §§ 1611 & 1611X.

- identify federal government agencies that might have additional resources available for LSC grantees and to expand awareness of the availability of such resources to grantees;
- identify and reach out to national foundations and other sources to broaden LSC's funding base, in order to:
 - provide funds for research, the development of promising practices, and other projects with the potential to improve civil legal assistance more generally, and
 - create a renewed awareness in the philanthropic community about legal services for the poor;
- work together with providers of legal services to low-income individuals to raise public awareness about civil legal aid and both the positive contribution it makes in the lives of the poor as well as the economic benefits to the government and to society as a whole;
- provide to Congress and the Executive Branch information about the outcomes and impact of the work of LSC grantees, and the financial resources necessary to provide quality legal services to the poor; and
- improve communication about the work that LSC and its grantees do in the cause of providing legal services to the poor.

LSC's third goal is to achieve the highest standards of fiscal responsibility both for itself and its grantees.

The United States Congress entrusts LSC with funds collected from the American taxpayer. Both to live up to that trust and to justify further confidence, LSC will be a prudent steward of the resources allocated to it. LSC will comply with the parameters expressed by Congress and conform to the highest professional standards of fiscal transparency and accountability, both within the Corporation and in its fiscal oversight of those who receive funds from LSC.

In January 2012, the LSC Board of Directors approved the recommendations of its Fiscal Oversight Task Force. In achieving this goal, LSC will implement the recommendations of the Task Force.

Part Two: The Three Strategic Goals

1. Maximize the Availability, Quality, and Effectiveness of Legal Services

Maintenance of the rule of law is, and always has been, a central purpose of the American Republic. The rule of law requires an opportunity to vindicate one's legal rights, which often requires the assistance of counsel. For those unable to afford a lawyer, this lack of qualified legal counsel results in a rule of law eroded in meaning and effect. It is therefore critical that LSC continue to improve the availability, quality, and effectiveness of civil legal services for those qualified under federal law to receive them. This will require clear performance criteria and best practices, an ability to assess performance and quality with objectivity and care, and the capacity to recognize high-performing grantees and assist lower-performing grantees.

Initiative One:

Identify, promote, and spread best practices in meeting the civil legal needs of the poor

All civil legal services providers across the country face the challenge of limited resources while seeking to address growing unmet needs and management challenges. Many of LSC's grantees have developed effective approaches to one or more areas of civil practice affecting the poor. Many grantees have also devised successful strategies for partnering with pro bono lawyers, law schools, and other providers to extend their work or otherwise increase responsiveness to clients and potential clients.

Because of its unique position as the federally-created, national organization in this field, LSC can and must lead an initiative to identify, share, and promote best practices among its grantees and other organizations in providing high-quality and effective legal information, advice, and representation. Best practices include approaches to particular issues, such as assistance in the face of mass foreclosures and in the area of family law, as well as strategies for expanding access to legal services. Best practices also involve acknowledging differences among grantees' client populations that may significantly affect the manner in which legal services are provided, but which may be difficult to quantify. Such variables include, among other things, geographical isolation, regional court practices, non-English language use, and distinct cultural communities.

- **Best practice identification:** LSC's assessments of grantee operations will identify promising practices and vet them among other grantees to highlight approaches that warrant being named a "best practice." In addition to the suggestions made by its own Fiscal Oversight and Pro Bono Task Forces, LSC will also solicit suggestions from grantees and other providers and funders to enlarge the pool of potential best practices. This will also include the identification of those federal agencies that are most involved in the types of legal issues that LSC grantees handle for their clients so as to facilitate

coordination with these agencies to better streamline responsiveness to the needs of clients.

- **Best practice resource:** LSC will become a “go-to” place for collecting and sharing information about best practices in the provision of civil legal assistance. This should include enhancing web-based resources, including a user-friendly library tool that improves the accessibility, scope, currency, and use of the library currently maintained by LSC.
- **Best practice sharing:** LSC will devise successful ways to share the best practices it identifies through the potential use of web tools, social media, conferences, and other techniques that grantees may find helpful in promoting dialogue and peer assessment.
- **Best practice expansion:** LSC will develop benchmarks and share the best practices it identifies.

Initiative Two:

Develop meaningful performance standards and metrics

As part of ensuring high quality legal services, LSC must be able to measure the performance of grantees fairly, objectively, and effectively. The performance of a grantee includes, among other things, the quality and effectiveness of the legal services it provides to clients, the efficiency by which it provides such services, and its ability to adhere to the requirements established for legal services set by Congress and by LSC. It is important for LSC to identify both higher- and lower-performing grantees so that it can recognize best practices and assist those grantees in need of improvement.

Standards and Metrics

Therefore, LSC will formulate performance standards and metrics for its grantees. In developing these, LSC should be informed by its own previously drafted Performance Criteria, the American Bar Association’s Standards for the Provision of Civil Legal Aid, experts in non-profit management, other funders of legal services, and the experience of grantees.

The development of performance measurements is not intended to require a single, uniform, national set of standards to be applied to every grantee. Nor should they be applied in such a way as to alter the fundamental mission of LSC, which is to increase access to quality legal services for the poor. The development and application of such standards and metrics should take account of the diversity in service delivery models chosen by grantees, and the local priorities that grantees have set pursuant to the LSC Act and LSC regulations, and the different environments in which grantees operate. Similarly, standards and metrics should account for the relatively greater difficulty associated with certain types of cases or certain legal environments. Developing cultural competency in the delivery of services should be inherent in how a grantee’s outcomes, efficiency, and needs assessments are evaluated.

The process for developing such standards and metrics should be both inclusive and rigorous. Hence, the process for developing standards and metrics should seek and use regular feedback from those in the legal services community, from other funders, as well as from those with expertise in formulating similar standards and metrics in the legal services and non-profit sectors. We anticipate that the standards and metrics will evolve over time and that the initial introduction may benefit from pilot programs.

Data collection from grantees should avoid impeding their organizational efficiency. Online data collection should be structured to reduce reporting costs and to increase analytical effectiveness. To the extent practicable, the data collection required by other major funders of LSC grantees should be reviewed in order to minimize redundancy. Grantees currently provide LSC with data that can be better utilized and analyzed with methods established to have validity and reliability. Improving data collection, analyses, and reports is critical to demonstrate the quality and effectiveness of LSC's advocacy for the poor.

With this in mind, LSC will make use of both quantitative metrics listed below and qualitative measures, as appropriate. These metrics are meant as a guideline, and should be adapted according to experience and further research as to the best way to evaluate grantee performance and outcomes. These should be understood as a related set of metrics that together seek to provide a broad and complete picture of the performance of LSC's grantees, in conjunction with other information, including qualitative and compliance-related standards and assessments.

- ▷ Outcome metric(s): Evaluating how a grantee organization's delivered legal services translate into identified benefits for individual clients, as well as other societal benefits and governmental savings. Innovations by grantees in devising and using outcome measurement will be of central importance in the establishment of best practices in this area.
- ▷ Efficiency metric(s): Evaluating the cost-effectiveness of a grantee organization's activities by measuring how invested federal grant dollars translate into an amount of legal services delivered. All such measures of output should be assessed in the context of the nature of a grantee's cases and how the legal services rendered achieve beneficial outcomes and address client needs.
- ▷ Needs assessment metric(s): Ensuring that grantees effectively assess the needs of eligible clients in their service areas, establish priorities reflecting such assessment in a manner consistent with the Legal Services Corporation Act and LSC regulations, and evaluate their effectiveness in meeting those priorities.

Performance Incentives and Corrective Measures

Performance measures cannot alter the legislatively-determined funding formula that sets the level of Basic Field grants. When clear, evidence-based standards of performance are established, LSC will seek to provide performance incentives to grantees outside these funding

formulas. Following the establishment of a fair and objective data-collection and analysis process, LSC should be prepared to implement a system under which rewards or corrective actions would be triggered.

- ▷ Any rewards or corrective measures will be implemented only when LSC is confident of the quality and fairness of the performance standards. No single metric would be the basis of such action. While such rewards or corrective measures would only be introduced after the implementation of such standards, planning for them could be developed concurrently.
- ▷ Rewards for grantees exceeding a standard (e.g., a high percentile ranking on established quantitative and qualitative metrics) might include:
 - LSC certification as a top-performing organization;
 - Invitation to special LSC recognition programs;
 - Increased access to funds or projects generated through LSC's own institutional advancement efforts; or
 - Ability to compete for special grant programs that LSC may administer.
- ▷ Corrective actions for grantees consistently falling below a minimum standard (to be specified only after opportunity for public review and comment) might include:
 - A special review by LSC or peers;
 - Required professional development activities (such as training);
 - Implementation of specific quality or efficiency processes;
 - Enhanced oversight requirements;
 - Establishing additional conditions in the renewal or re-granting process;
 - Suggested changes in staffing or program focus; or
 - Other actions permitted by applicable law and corresponding regulations.

Initiative Three:

Provide legal practice and operational support to improve measurably the quality of civil legal services to the poor

LSC's congressionally mandated oversight responsibilities enable and obligate it to help grantees maximize their performance through support for their practices and operations. Oversight should be coupled with assistance to achieve such performance.

Assistance to grantees should include the areas set forth below. LSC will take care to ensure that such training does not duplicate other programs offered by other governmental and private organizations and will, to the extent feasible, collaborate with others offering such training.

- **Grantee training.** LSC will supplement and extend training efforts to reflect the growing expertise in best practices and to improve and increase collaboration across grantees and

other providers. LSC will aim to offer training programs using its own Management and Grants Oversight budget, at little or no cost to its grantees. LSC will review the possibilities of training efforts in at least the following areas:

- ▷ Best Practice Training: Training programs to share information and discussion about best practices both to deepen peer review and to promote the adoption of best practices.
 - ▷ State-of-the-Art Training from Other Organizations: Timely, high-quality training programs offered by other organizations will be identified and, where possible, made available to grantees as cost-effectively as possible. In addition, LSC will work to stimulate the creation of training programs by other organizations where indicated by the expertise, capacity, and leverage that could be achieved.
 - ▷ Compliance Training: Training to enable grantees to meet LSC’s financial, regulatory, and reporting requirements as efficiently as possible, and to minimize the need for enforcement actions.
- **Peer support and collaboration programs.** Interaction among LSC grantees is often the result of grantees’ initiatives. The experience and advice of colleagues is a potent resource for grantee staff and management. LSC will develop peer support and collaboration programs, including, for example:
 - ▷ Online collaboration tools for LSC grantee staff to discuss relevant issues among themselves, such as technical advice, pro bono practices, partnerships with law schools and other organizations, identification of other resources, management expertise, and fundraising.
 - ▷ National in-person conferences for leadership of grantee organizations. These would identify prospects for collaboration and allow the sharing of expertise. They would also permit LSC to learn from the practical experience of grantee leaders and to improve its support of them as a result.
 - **Management support.** Grantee organizations face many common issues, including succession planning, fundraising, hiring and retention, financial management, practice management, case management, and operations. LSC will develop management support programs, including, for example:
 - ▷ An Executive Director mentoring program – A “matchmaking” service available to Executive Directors who want to tap the experience of a longer-tenured peer at another organization, or who want to be put in touch with a peer to share information and management experience.

- ▷ Transition training programs. LSC recognizes at this point in its history that it faces the likely prospect of the retirement of a significant percentage of the executive directors of its grantees. LSC should assist grantees as they transition to new leadership roles after the retirement of long-serving senior staff.
 - ▷ A management tool library, including sample materials for human resources, requests for proposals, contracting documents, and fundraising letters and materials.
 - ▷ Training programs for grantee boards of directors that focus on LSC-specific issues and avoid duplication of training programs already available from other organizations.
 - ▷ Training programs to promote the participation and effectiveness of non-attorney and client representatives who serve on grantee boards of directors.
- **Innovative technology for delivering professional development programs.** Online technology tools are increasingly effective for professional development activities, and LSC should develop a repertoire of online, on-demand tools and make online availability the default method of delivery. Many of these tools are available as low- to mid-cost open-source or software-as-a-service models. LSC will explore these alternatives. LSC should also examine the possibility of making more widely available proven technology developed through the Technology Initiative Grant (TIG) program.
 - **Enhance Private Attorney Involvement (Pro Bono).** In 2011, the LSC Board of Directors invited some of America’s best legal practitioners, judges, and public advocates to assist it in identifying ways in which to maximize the use of pro bono involvement in providing legal services to the poor. The five working groups of this Pro Bono Task force provided initial reports at the April 2012 meeting of the LSC Board of Directors. The Task Force was divided into the following working groups: Technology; Obstacles to Pro Bono; Rural Issues; Urban Issues; and “Big Ideas.” The LSC Board and management will continue to review the recommendations made by this Task Force in an effort to implement those practices that can best assist its grantees in providing civil legal services to the poor.

Accountability

LSC must hold itself accountable for results, just as it holds its grantees so accountable. LSC’s efforts on these initiatives will be organization-wide, but led by a new Office of Grants Management. For Initiative Three, LSC’s efforts will be assisted by the technical expertise of the Office of Information Technology. The success of LSC’s efforts will be measured by progress in the development of standards and strategic plans, and by increasingly objective measures of the

year-over-year improvement of LSC grantees as a whole. LSC management must also develop procedures to provide for periodic reassessment of key metrics, both of its own performance and that of its grantees, to ensure that they reflect up-to-date LSC mission priorities and objectives. LSC will staff these initiatives and provide the necessary training as part of its forthcoming Strategic Human Capital plan. This will include the formation of the Office of Grants Management, containing the required analytical expertise and a robust training and technical assistance capacity.

2. Become a Leading Voice for Access to Justice and Quality Legal Assistance in the United States

The nation needs greater and more focused leadership in addressing the civil legal needs of the poor. As the only federally-created, national legal services organization, as the largest single funder of civil legal services in the United States, and with its detailed knowledge of the activities of 134 legal services organizations serving every state and the territories, LSC has both the opportunity and the obligation to play a critical leadership and organizational role in advocating and securing access to justice for the poor in civil matters. Promoting understanding of the role and value of civil legal services and acting in partnership with other funders and stakeholders in the justice system are essential to expanding the public and private support necessary to sustain the work of LSC's grantees.

Initiative One:

Provide a comprehensive communications program around a compelling message

Developing a commonly understood, consistently delivered, well-articulated, and compelling message about access to justice is critical for maintaining and expanding both public and private funding for civil legal services. Without expansion of resources – whether from public or private sources – access to justice will remain limited. While LSC is a critical national funder of civil legal services, it is but one among many sources of assistance. As such, LSC's message must be developed in conjunction with other stakeholders and actors in the justice system, including clients, courts, federal agencies, state-level Access to Justice Commissions, pro bono networks, IOLTA and other grantmakers, and the actual providers of legal services, whether or not funded by LSC.

The creation of a messaging framework will give grantees a narrative that they will be able to use to recruit board members, explain their work to their communities, and cultivate other potential funders. The development of a compelling message must be directed not only to funders, but also to the general public, with the crucial goal of heightening broad-based understanding of the role that legal services play in our nation's system of justice.

LSC's Congressionally-given mandate is to provide financial support for civil legal services to the nation's poor. Therefore, LSC has a responsibility to express to the nation's lawmakers the true extent of the need for civil legal services and the resources necessary to decrease the gap

between the need and the availability of civil legal services to the poor. As part of its communications strategy, LSC will ensure that it makes known such needs to Congress and the Executive Branch.

Components of the communications programs will include:

- **The establishment of a compelling narrative** that is adopted by all LSC staff and board members for communicating LSC's mission, activities, and value.
- **The creation of a short message** and other potential communications that could appear in brochures, booklets, other materials, and online.
- **The development of supporting materials** to support the common narrative.

Initiative Two:

Build a business case for funding civil legal services

In addition to a better narrative message, LSC must better explain the financial and economic benefits that result from funding civil legal services for the poor. Because civil legal services programs can save government and society money, funding these services is an efficient use of government resources. Averted foreclosures and evictions, for example, avoid homelessness with all its attendant costs and collateral consequences. Likewise, civil restraining orders in domestic violence cases can avoid future hospitalizations and unemployment.

Some studies at the state level have already quantified the economic benefits of civil legal services, but further evidence is needed. Development of this data is intrinsically linked to the development of valid outcome measurements as a component of the Performance Management Initiative (1.2), as discussed above. It will also be a prerequisite for evidence-based communication and advocacy, by demonstrating not only direct benefits to clients served, but also indirect benefits to society, the courts, and the public treasury.

There are three primary courses of action to build this case:

- **Gather and analyze broad, nationwide data** on the results achieved in civil legal services cases as the starting point for a strong economic analysis;
- **Conduct research** on the best methods for quantifying the cost savings realized by the outcomes achieved; and
- **Create a research-backed case** for the investment in civil legal services that shows the value of current expenditures and reasonable estimates of the public value that would be created by increased funding – a projected marginal value for legal aid dollars. As data are gathered, this research will be incorporated into LSC's budgeting process and Congressional communications.

Initiative Three:

Recruit and enlist new messengers and sources of funds to increase private support for civil legal services

The legal services community needs to enlist new messengers to make the case for legal aid to new audiences. LSC must find those who have already embraced the case for civil legal services and made it their own, and use these exemplars to recruit others who would approach the issue from a different angle in order to reach different audiences. Members of the LSC Board of Directors can model the role of community leaders as spokespersons for civil legal assistance. LSC also must remain active in seeking potential non-Congressional sources of funds for the organization, to broaden its financial base and provide funds for special initiatives, while at the same time integrating support for legal services within the field of national philanthropy.

LSC can and should ensure that individuals who are not part of the civil legal services community as well as the traditional advocates are equipped with relevant information and opportunities to speak about civil legal services for low-income individuals. LSC must expand the base of private financial support for civil legal services. There are at least four steps LSC will pursue:

- **Use the legal services network** to help identify those outside the community who are making the case on a local, regional, and national basis;
- **Engage potential messengers** to see how best to take advantage of their natural inclinations on a broader or more targeted basis;
- **Expand the network** through these messengers to see whom they know; and
- **Seek funding opportunities** from other grant-making organizations for special projects and initiatives consistent with this Strategic Plan and LSC’s statutory mandate.

Initiative Four:

Institutional advancement and grantee development support

As a creation of the federal government, LSC will remain dependent on the federal treasury for all of its basic field grants. Nevertheless, LSC should pursue private sources of financial support that will complement its Congressionally-given mandate, within the limitations imposed by applicable law. To do this, LSC will create an internal advancement office in order to support its own ability to fund the following:

- ▷ Research projects;
- ▷ Fellowships created for new lawyers and senior lawyers to serve in legal services programs;
- ▷ Create appropriate public service announcements and public education materials;
- ▷ Launch of an honorary auxiliary board;
- ▷ Launch of a national alumni association; and

- ▷ Other pilot projects and initiatives.

LSC will continue to pursue the possibility of creating this internal capacity through a grant (or grants) that could provide the necessary financial support to establish such an operation. This internal office would not in any way compete with fundraising efforts of LSC grantees. LSC management, together with oversight from the Institutional Advancement Committee of the Board, sensitive to this issue, will work to assure that such competition for funds does not occur.

In addition, LSC has recognized that many of its grantees need support in their own work of institutional advancement. With this internal advancement office, LSC will be able to provide advice and assistance to grantees in this important area, as listed below, and LSC will collaborate as appropriate with other organizations that provide development support to grantees:

- LSC will combine knowledge and insights from all of its communication efforts with those from the work of LSC's Institutional Advancement Committee to create materials and support training for grantees in their development efforts.
- LSC (including members of the LSC Board, to the extent of their availability) will work with grantees to develop and share common communications strategies and materials.
- LSC will share with its grantees strategies on how and when to deliver compelling messaging, on how to identify alternative sources, and on how to cultivate long-term relationships with donors.

Supporting grantees in their development efforts would provide them with:

- An understanding that LSC is focused on their most critical issue; and
- New strategies for developing private-sector resources.

Providing grantees with development support should include:

- **Delivering** the LSC narrative, the business case, and information on how best to use non-traditional messengers so that LSC's grantees have the tools needed to make their own cases.
- **Training** on the various tools, so that grantees fully understand their messages, their potential uses, and how they should be used.
- **Sharing development strategies** through online and in-person seminars, so that grantees can be introduced to new concepts, ask questions, and begin to use the concepts with local potential donors.
- **Assessment** of efforts through the creation of appropriate performance metrics to evaluate the effectiveness of LSC development and development support endeavors.

Initiative Four:

Enhanced Strategic Collaboration

In its role as the principal federal funder of civil legal services, LSC can facilitate coordination between the legal services community and those governmental entities that significantly affect the clients served by LSC grantees.

Such coordination should include, to the extent permissible under existing law and feasible with LSC's resources:

- Collaborating with state Access-to-Justice Commissions and the Access to Justice Initiative of the U.S. Department of Justice to coordinate the provision of civil legal services to the poor; and
- Working with the Access to Justice Initiative and other federal agencies to address particular policies or practices of a federal agency that impact clients significantly.

Accountability

LSC's efforts on these initiatives will be organization-wide, but led by the President of LSC, supported by Government Relations and Public Affairs, the research and informational components of the new Office of Grants Management, and a designated Institutional Advancement Officer (for Initiatives Three and Four). The Office of Financial and Administrative Services will provide technical support as needed for grant applications and evidence-based budgeting (as part of Initiatives Two and Three). The LSC Board will be accountable for continued engagement in building the public profile of LSC and the development of new policies to implement this initiative. The success of LSC's efforts will be measured by progress in formation of strategic partnerships, the wide adoption of its developed messaging, and by objective measures of the year-over-year improvement of LSC grantees in acquiring external sources of funding. LSC management must also develop procedures to provide for periodic reassessment of these key metrics to ensure that they reflect up-to-date LSC mission priorities and objectives. LSC will staff these initiatives and provide the necessary training as part of its forthcoming Strategic Human Capital Plan, including the acquisition of development, communications, and economic expertise as required.

3. Ensure Superior Fiscal Management

The American taxpayer is the ultimate source of the funds that LSC distributes to its grantees. At a time when Americans are tightening their belts, it is incumbent upon LSC to ensure that its grantees are managing and spending these taxpayer funds prudently. In addition, the money entrusted to LSC and its grantees is meant to be used in service to the poor. Money that is better spent will be able to aid more of those in need. Proper fiscal oversight is not in competition with the goal to assist the poor, but enhances the ability to accomplish it.

In accordance with the recommendations of LSC's Fiscal Oversight Task Force, LSC will strengthen its fiscal oversight processes by conducting a thorough review of current processes,

by implementing improved and streamlined processes, and by adopting new organizational structures to reduce redundancies and improve effectiveness. LSC will aim to give Congress and the American people confidence that money appropriated to LSC is managed and expended prudently and lawfully.

The recommendations of the Fiscal Oversight Task Force, adopted by LSC's Board of Directors in January of 2012, encompass the initiatives necessary to achieve this goal. The following is a summary of those initiatives:

Organizational Identity and Mission

- Clarify and affirm LSC's responsibilities related to grantee fiscal oversight.
- Establish a consistent "tone at the top," define and promulgate a strong organizational culture, and continue to keep the LSC Board active and engaged in its oversight of grant-making operations.

Communication and Coordination among the Board, Management, and the Office of Inspector General

- Consolidate management's oversight responsibilities, currently dispersed among the Office of Program Performance (OPP), the Office of Compliance and Enforcement (OCE), and the Office of Information Management (OIM), into one office (called the Office of Grants Management (OGM)), instituting a "cradle-to-grave" approach to grants management and fiscal oversight.
- Appoint a Vice President-level individual to lead OGM whose background includes grants management and internal controls.
- Document and memorialize the roles, expectations, and operating practices of LSC's Board, management, and the Office of Inspector General (OIG) in order to ensure that all necessary fiscal oversight activities are undertaken and to enable progress to be maintained during periods of leadership transition.
- Formalize and maintain or increase the flow of fiscal oversight-related information and communication to the LSC Board from management and the OIG.

Grantee Fiscal Oversight Process

- Conduct a unified, comprehensive LSC risk assessment process (incorporating input from the OIG and the grantees' Independent Public Accountants (IPAs)) that includes identifying financial risks and incorporating current methods and best practices for addressing such risks through fiscal oversight.
- Structure management's grantee reviews to address financial risks comprehensively, both prior to grant award and post-award.
- Create systems to support timely and efficient sharing within LSC of appropriate information about grantees and monitoring of the status of grantee corrective actions.
- Identify, monitor, and disclose conflicts of interest related to staff and grantees.

Knowledge, Skills, and Experience

- Encourage the sequencing of Board appointments so as to stagger the terms of Board members as permitted by the LSC Act.
- Continue the practice of utilizing non-Board members with experience in accounting, finance, and internal controls to serve on key financial-related committees and urge the Boards of grantee organizations to adopt a similar practice.
- Ensure that employees filling fiscal oversight roles within the new OGM structure have the necessary knowledge and skills.
- Provide directed training to staff, grantees, grantee Board members, and IPAs.

Accountability

LSC's efforts on these initiatives will be organization-wide, but led by a new Vice-President for Grants Management, acting in coordination, where appropriate, with the Office of Inspector General. The LSC Board, the Office of Legal Affairs, and the President of LSC will be accountable for policies supporting improvements in fiscal oversight, and for rapid and appropriate responses to wrongdoing. The success of LSC's efforts in this area will be measured by the adoption and implementation of a risk-based program of assessment, and by objective measures of a year-over-year reduction of risk indicators among LSC grantees as a whole, as well as by a decline in losses to malfeasance, due to more rapid detection of waste, fraud, and abuse. LSC management, in coordination with the OIG, must also develop procedures to provide for periodic reassessment of these key metrics to ensure that they reflect up-to-date LSC mission priorities and objectives. LSC will staff these initiatives and provide the necessary training as part of its forthcoming Strategic Human Capital plan, including the acquisition of financial, accounting, and auditing expertise as required.

Part Three: Achieving these Goals

The LSC Board will review periodically (but at least annually) the three main strategic goals listed above. To assist in this review, LSC management will perform a formal annual review of the performance of LSC according to this Strategic Plan. This review should include the concrete steps that have been taken to achieve each initiative proposed for the various goals, additional action that is required, as well as designated metrics for determining the degree to which the initiatives taken support each goal.

Conclusion

Access to justice is a founding principle of this nation and the commitment of Congress in creating LSC. At this challenging time, LSC commits to improving access to justice for the poor by improving the quantity and quality of civil legal assistance, promoting innovation that accomplishes more with fewer resources, and demonstrating the highest standards of fiscal responsibility through its work and the work of the legal service providers it supports. The trust of the American people demands no less.

DRAFT

Appendix

Appendix: The Strategic Planning Process

The strategic plan has been informed by research, interviews, and surveys conducted over a six-month period. It has been facilitated by a consultant, VShift.

A variety of documents were reviewed during the course of the process. They included past Strategic Directions documents for LSC, statutes and regulations, and literature measurement methodologies and metrics.

Additional primary research involved such sources as financial reports from LSC-funded organizations, staffing plans, program overviews, news reports, materials from civil legal services advocacy organizations, and best practices in similar organizations.

Most of these documents were reviewed prior to the start of the in-depth interviews, but some of them were identified by interview subjects and were reviewed as they were suggested.

Perspectives from stakeholders were collected via a combination of in-depth interviews and online surveys.

In-Depth Interviews

During the first three months of the project, over 75 in-depth interviews were conducted by a combination of VShift, LSC board members, and LSC senior staff.

Discussion guides were prepared for different interview groups, and the interviews lasted an average of 45 minutes each, with the shortest being about 30 minutes and the longest going well over 90 minutes.

The interview subjects consisted of five primary groups:

- LSC Board of Directors
- LSC Staff
- LSC Grantee Executive Directors
- External stakeholders
- Members of Congress and congressional staff

The goal of the interviews was two-fold: (1) to gain insight into the views of the different audiences; and (2) to seek innovative ideas from members of different constituencies.

Surveys

Four different audiences were surveyed during this process:

- LSC Grantee Executive Directors

- LSC Grantee Board Chairs
- LSC Grantee Client-Eligible Board Members
- LSC Staff

These were administered both via an online service (Survey Monkey) and through offline methodologies for the client-eligible board members.

All grantee Executive Directors and board chairs and all LSC staff members were invited to complete the online survey. Client-Eligible Board Members were invited to participate by grantee Executive Directors and Board Chairs.

The survey was designed: (1) to gather qualitative information as a baseline that can be used for comparison in the future, (2) to ensure that current views are understood and taken into account in the planning process, and (3) to have the widest possible participation in the planning process.

The survey questions covered three main areas: (1) basic demographic information, (2) the respondents' perceptions of LSC effectiveness, and (3) respondents' reactions to potential LSC activities going forward.

LSC's consultant, VShift, prepared reports from these data collection activities and briefed the Board on the findings.

Board Briefings

VShift conducted two briefings for the LSC Board of Directors. These included:

- Key insights from VShift analysis done to date;
- A range of initial hypotheses on structuring the strategic plan;
- Potential marketing and communications approaches to address funding challenges;
- Key opportunities for achieving quick results; and
- Legislative priorities, challenges, and options.

These were primarily one-way briefings focused on providing the Board with essential information, but they also included clarifying questions, initial reactions, and some feedback from individual Board members.



BOARD OF DIRECTORS

Legal Services Corporation
America's Partner For Equal Justice

RESOLUTION

ADOPTING THE LEGAL SERVICES CORPORATION'S STRATEGIC PLAN FOR 2012-2016

WHEREAS, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”), with the assistance of staff, has developed a draft *LSC Strategic Plan 2012-2016*; and

WHEREAS, in June 2012, LSC made the draft *LSC Strategic Plan 2012-2016* available to and invited comments from the public; and

WHEREAS, timely comments were submitted and reviewed and, after consideration of the comments received, the Board revised the draft *LSC Strategic Plan 2012-2016*; and

WHEREAS, in September 2012, the draft *LSC Strategic Plan 2012-2016*, as revised, was again made available to the public; and

NOW, THEREFORE, BE IT RESOLVED THAT having carefully considered the revised draft *LSC Strategic Plan 2012-2016*, a copy of which is appended hereto, the Board hereby adopts it as final.

Adopted by the Board of Directors
on October 2, 2012

John G. Levi
Chairman

Victor M. Fortuno
*Vice President for Legal Affairs,
General Counsel & Corporate Secretary*

Resolution 2012-XXX



Development Plan

September 2012

Plan Objectives

- To establish a three-year, sustainable fundraising plan for the fundraising priorities identified in the Strategic Plan that will not undermine the separate fundraising activities of LSC's grantees
- To identify as many potential donor prospects as necessary to meet the goals of the plan
- To engage all prospects effectively
- To create a reliable and stable pool of funders
- To create a strong Institutional Advancement Committee and volunteer corps capable of major gift fundraising
- To establish an LSC alumni group and honorary support auxiliary group
- To provide some level of technical support to LSC grantees in basic fundraising
- To introduce LSC grantees to potential private funders

Vision

- It is critical to articulate a vision
- Big ideas get big gifts
- LSC's vision should build on its Strategic Plan
 - Obtaining gifts to fund the establishment and growth of an LSC development operation
 - Promoting the identification and development of best practices for the delivery of civil legal services
 - Promoting the development and implementation of technologies that maximize the availability of legal information and assistance
 - Implementing a new performance measurement system to assess client needs, client outcomes, and program efficiency
 - Developing a comprehensive communications program to explain the need for civil legal services and to present a research-based business case for civil legal services
 - Creating a fellowship program for new and senior lawyers to serve in civil legal services programs
 - Cultivating major gifts in support of a Pro Bono Innovation/Incubation Fund aimed at encouraging innovations and best practices in pro bono

Institutional Advancement Committee

- Traditionally, fundraising begins with the board of an organization
- LSC does not have a traditional board
- Members of the Institutional Advancement Committee will need to serve as fundraisers
 - Will include non-board members
 - Will need to expand committee
 - Will need to oversee volunteer efforts
 - Volunteers are a critical part of fundraising

Institutional Advancement Committee

- Membership can be:
 - Board members
 - Former board members
 - Alumni of LSC or LSC grantee organizations
 - Others interested in access to justice issues
 - Law firm partners
 - General Counsel of corporations
 - Retired judges
 - Chairs and members of states Access to Justice Commissions
 - Academics

Prospecting

- LSC's best prospects will be
 - Large national foundations
 - Selected individuals (most likely with family foundations)

Major Gifts

- Major gift success:
 - A bold vision
 - A strategic plan
 - Staff that has a strong understanding of relationship-building and stewardship
 - A database able to track relationships
- Experienced staff is the best way to start a program
- Appropriate use of volunteers with respect to making introductions

Foundation Giving

- Foundation giving represents best source of giving
- Identify foundations interested in legal services and related areas
- Fundraising efforts need to be connected to each foundation's areas of focus

Foundation Stewardship

- Foundations require targeted stewardship
- Suggested stewardship activities:
 - Required reports – usually asked for annually
 - Interim reports
 - Sent six months into grant period
 - Press booklet – collection of annual press
 - Face-to-face visits

Alumni Constituencies

- Former LSC board members
- Former LSC officers
- Former grantee volunteer leaders

Alumni Structure

- National Alumni Board
 - Assist with LSC fundraising
 - Coordinate national alumni efforts
 - Serve as ambassadors

Honorary Auxiliary

- Increase public awareness of and educate about LSC and its mission
- Assist with raising funds and other activities in support of LSC

Development Office Staffing

- The number of staff will depend on the growth of LSC's development operation
- A staff of four is probably needed by year three:
 - Chief Development Officer
 - Development Associate
 - Development Associate (Grantee Support)
 - Development Assistant
- Retain consultants with respect to fundraising advice as needed



BOARD OF DIRECTORS

Legal Services Corporation
America's Partner For Equal Justice

RESOLUTION

ADOPTING A DEVELOPMENT PLAN FOR THE LEGAL SERVICES CORPORATION

WHEREAS, on July 31, 2010, the Board of Directors (“Board”) of the Legal Services Corporation (“LSC” or “Corporation”) established a Development Committee, which was renamed the Institutional Advancement Committee on September 19, 2011, for the purpose of assisting the Board in exploring and pursuing development opportunities by the Corporation in carrying out its mission; and

WHEREAS, the Institutional Advancement Committee has approved and recommends the Board’s adoption of the attached Development Plan for the Corporation to help guide in the establishment and implementation of the Corporation’s development efforts;

NOW, THEREFORE, BE IT RESOLVED THAT the Board hereby adopts the attached Development Plan for the Corporation.

Adopted by the Board of Directors
on October 2, 2012

John G. Levi
Chairman

Victor M. Fortuno
*Vice President for Legal Affairs,
General Counsel & Corporate Secretary*