

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
AUDIT COMMITTEE

OPEN SESSION

Thursday, January 19, 2012

3:31 p.m.

Legal Aid Society of San Diego
1764 San Diego Avenue, Suite 200
San Diego, California 92110

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairman
Harry J.F. Korrell, III
Gloria Valencia-Weber

OTHER BOARD MEMBERS PRESENT:

Sharon L. Browne
Laurie Mikva
Robert J. Grey Jr.
Charles N.W. Keckler
Father Pius Pietrzyk, O.P.
Julie A. Reiskin

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Richard L. Sloane, Special Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Mattie Cohan, Senior Assistant General Counsel,
Office of Legal Affairs
Katherine Ward, Executive Assistant, Office of Legal
Affairs
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, 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
Ronald "Dutch" Merryman, Assistant Inspector General
for Audit, Office of the Inspector General
John Constance, Director, Office of Government
Relations and Public Affairs
Stephen Barr, Communications Director, Office of
Government Relations and Public Affairs
Janet LaBella, Director, Office of Program Performance
Dennis Holz, Managing Attorney, Legal Aid Society of
San Diego
Toby Rothschild, General Counsel, Legal Aid Foundation
of Los Angeles
Thomas F. Smegal, Jr., Former LSC Board Member and
Member of Institutional Advancement Committee

Nancy Davis, WithumSmith+Brown
Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Chuck Greenfield, National Legal Aid and Defender
Association (NLADA)
Justice Earl Johnson, Jr., American Bar Association
(ABA) Standing Committee on Legal Aid and Indigent
Defendants (SCLAID)

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CLOSED BRIEFING

Communication by Corporate Auditor with those
charged with governance under Statement on
Auditing Standard 114

Deferred

Jeff Schanz, Inspector General

Ronald "Dutch" Merryman, Assistant
Inspector General for Audits

Nancy Davis, WithumSmith+Brown

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

2 (3:31 p.m.)

3 CHAIRMAN MADDOX: This is the meeting of the
4 Audit Committee of the Legal Services Corporation, and
5 I'm going to call the meeting to order.

6 I will first note that we have Gloria
7 Valencia-Weber, Harry Korrell, and myself present, so I
8 believe that constitutes a quorum. Our other committee
9 member is David Hoffman, who was not able to make it
10 today. And then we have other members of the Board
11 present.

12 So I will call the meeting to order and ask if
13 there is a motion to approve the agenda.

14 M O T I O N

15 MR. KORRELL: So moved.

16 PROFESSOR VALENCIA-WEBER: Second.

17 CHAIRMAN MADDOX: All in favor?

18 (A chorus of ayes.)

19 CHAIRMAN MADDOX: So the motion is carried and
20 the agenda is approved.

21 Before I go on to the next item, I want to
22 also mention that Paul Snyder, who is a member of the

1 Fiscal Oversight Task Force, has agreed to be another
2 non-board member of the committee, and he will be
3 presumably joining us at our future meetings. He was
4 not able to make it today.

5 Paul was a great asset to LSC and the Fiscal
6 Oversight Task Force. He's the former, I believe,
7 managing member or partner of KPMG, I believe, one of
8 the big regional accounting firms or the big national
9 accounting firms. And so he will be an invaluable
10 member of the committee. Unfortunately, even though
11 he's based in Phoenix, he was not able to make it to
12 today's meeting.

13 So item No. 2 is approval of the minutes of
14 the committee's meeting of October 18th. And I noted
15 the agenda says October 18; the minutes actually say
16 October 17.

17 PROFESSOR VALENCIA-WEBER: Yes.

18 CHAIRMAN MADDOX: I don't know which is
19 correct. So whatever Monday of that week was -- I
20 think it's the 17th, actually. Let's just find out
21 here real quick. So it was October 17, so that's
22 correct.

1 There are at least two errors I noted in the
2 draft minutes. One is that Sharon Browne is a
3 non-committee member who was also present, and it lists
4 you as a member. And the other is, on the second page,
5 it lists that David Hoffman is with Sidney Austin.
6 That's actually Sidley Austin, so if that correction
7 could be made.

8 I don't know if there are any other
9 corrections. Gloria?

10 PROFESSOR VALENCIA-WEBER: Take one B out of
11 my name, Valencia-Weber with one B.

12 CHAIRMAN MADDOX: Okay. And where is that?

13 PROFESSOR VALENCIA-WEBER: Page 9, on the
14 material -- it's the second page, the same page with
15 the Sidley Austin.

16 CHAIRMAN MADDOX: I see that. Right. So if
17 we can get --

18 MR. KORRELL: It appears again in the motion,
19 so we can just do a global --

20 PROFESSOR VALENCIA-WEBER: Yes. We just do
21 them all.

22 CHAIRMAN MADDOX: So sort of a global. They

1 did get it correct in the first page, Gloria.

2 PROFESSOR VALENCIA-WEBER: Yes.

3 CHAIRMAN MADDOX: With those corrections --

4 MS. BROWNE: And the last page.

5 PROFESSOR VALENCIA-WEBER: Yes.

6 CHAIRMAN MADDOX: Yes. With those
7 corrections, is there a motion to approve the draft
8 minutes?

9 M O T I O N

10 PROFESSOR VALENCIA-WEBER: I'll move.

11 MR. KORRELL: Second.

12 CHAIRMAN MADDOX: And seconded. And the
13 motion -- aye -- will carry.

14 So the third item on our agenda is the
15 presentation of the fiscal year FY 2011 annual
16 financial audit. And we're going to hear from Dutch
17 Merryman, the Assistant Inspector General for Audit,
18 and Nancy Davis, who looks like she may be sitting in
19 the front row there, who is with WithumSmith+Brown.

20 Folks?

21 MR. MERRYMAN: For the record, Ronald
22 Merryman, Assistant Inspector General for Audit, the

1 Office of Inspector General. We're here to present the
2 results of the audit. Nancy will provide the briefing.

3 We are going to cover several things for the
4 committee.

5 I did pass out copies of the final report and
6 management letter to committee members as well as Board
7 members. I have limited copies. That has not been
8 formally transmitted to the Board yet, so I'm trying to
9 limit it to management and Board members until we can
10 formally transmit it.

11 The letter was signed -- the transmittal
12 letter was signed -- this afternoon. I need to get
13 that package together and out to everybody. And then,
14 as our practice has been in past years, we will then
15 post it to -- and required by law -- post it to the
16 website early next week when we get back from the
17 committee.

18 The letter that will transmit it simply
19 indicates that we are forwarding it to the Board for
20 its consideration. It does not contain any new
21 information because we do not conduct the audit, but we
22 do look at certain things under Guidance from GAO and

1 also from the Organization of Inspectors General to
2 look at independence, to look at staff qualification,
3 to look at working papers and the types of working
4 papers and information that's contained.

5 We do not validate the findings nor have any
6 responsibility for the findings. It's the judgment of
7 the accounting firm who has conducted the audit for
8 those judgments, those major judgments.

9 So I'll turn it over to Nancy.

10 MS. DAVIS: All right. I'm Nancy Davis. I'm
11 a partner with WithumSmith+Brown. We have been your
12 auditors in the past. The last couple of years, there
13 was an audit rotation and we rotated out. But we have
14 been the auditors here at LSC for a number of years, so
15 we are familiar with your operation.

16 What I'd like to do initially is just provide
17 you with a brief overview of the results of the audit
18 for the year. Our audit opinion, we were glad to tell
19 you that we issued an unqualified opinion, a clean
20 opinion, on the financial statements of LSC for the
21 fiscal year ended September 30, 2011.

22 Our audit was performed in accordance with

1 generally accepted auditing standards. But it was also
2 performed in accordance with government auditing
3 standards, and those standards required that we also
4 issue a report to you, which you will find on -- it
5 doesn't have a page number, but it's page 14 in the
6 report.

7 It's a report on internal control over
8 financial reporting and on compliance and other
9 matters, based on an audit of the financial statements
10 performed in accordance with government auditing
11 standards.

12 We are required under government auditing
13 standards to test controls and to test compliance
14 with -- test the controls over compliance with issues
15 that have a direct and material impact on the financial
16 statements. And as a result of that, we issued this
17 report. We do not perform enough work to be sufficient
18 to issue an opinion on internal controls, and so we do
19 not do that.

20 As a result of this look at internal controls
21 and compliance, we did issue one finding this year
22 which we deemed to be significant deficiency in

1 internal controls over financial reporting within the
2 organization. And we will go into that.

3 The audit report that you see here -- the
4 financial statements, the footnote disclosure notes,
5 and management's discussion and analysis, which is
6 presented in the appendix to the report -- all of those
7 documents are prepared by management and provided to us
8 for audit. And so we have audited the financial
9 statements.

10 We reviewed the disclosure notes for their
11 accuracy and also for their compliance with auditing
12 standards. There's been a lot of change in recent
13 years; auditing standards are moving these days, and
14 that's had a great effect on disclosure notes and
15 requirements there. So we looked to see if the
16 footnote disclosures do comply with the current
17 requirements.

18 In this case, we found that with these
19 disclosure notes, with the exception of the disclosure
20 note on the LRAP program, which we proposed some
21 additional changes to that we felt would be -- it's
22 disclosure note 12 on page 12 on the loan repayment

1 assistance program -- we felt that there was some
2 additional information that should be provided that
3 would give the reader a more comprehensive
4 understanding of the status of the program and some of
5 the financial data relevant to the program as it
6 existed September 30 of 2011.

7 For those of you on the Audit Committee, I
8 know you've been a part of this audit in that several
9 of you participated in our entrance conference and in
10 the exit conference where we discussed some of the
11 issues.

12 As far as LSC, as you all know, the financial
13 position of the organization is fairly stable. Your
14 programs are fairly stable. You're a grant-making
15 organization. And so as it relates to the financial
16 statements themselves, the most significant changes
17 that you see from one year to the next has been the
18 drop in the amount of appropriated dollars that you all
19 received for the year; and also that there were a
20 number of changes that occurred as a result from
21 clarifying the distinction between what are the exempt
22 and the non-exempt employees that you have, as well as

1 utilizing some temporary employees rather than
2 consultants as you have in the past.

3 So the change in the status of some of the
4 employees resulted in some increases in your
5 obligations in terms of employee benefits, salaries,
6 these sorts of things. And across the board, as you've
7 lost your appropriated dollars, that has provided a cut
8 that has impacted some of your numbers. But otherwise,
9 the organization has been very stable.

10 I would say that I think that LSC, on the
11 whole, does a very good job with their financial
12 management. I have worked with Dave for many years and
13 he does a fine job. We raised an issue this year that
14 we identified in the audit that we felt needed to be
15 corrected, and that related to the LRAP program.

16 This program began back in 2006/2007, and
17 every year the amount of dollars that have been
18 reported as being outstanding in loans has been a
19 number that's been immaterial to the financial
20 statements, taken as a whole.

21 However, going from 2010 to 2011, that number
22 increased from \$470,000 to \$1.1 million, or 138 percent

1 increase, but the realizable value of that receivable
2 was really on \$7500. Because you have enough program
3 history and whatnot with the writeoffs that would be
4 expected, loan forgiveness under that program, it's
5 reasonable to be able to estimate that the net
6 realizable value was \$7500.

7 So we felt that that was something that needed
8 to be adjusted, and with it, the related deferred
9 revenue amount. And that would be in accordance with
10 the accounting standards.

11 So we raised this issue with management at the
12 time of the exit conference, and I believe that from
13 that point and until today that we've had a very
14 constructive dialogue in working through the issues,
15 both us expressing our position on it and their
16 expressing theirs. And I believe that from my
17 perspective, we came to a good understanding, and I
18 think we're in consensus in terms of going forward.

19 So the amounts as reported on the LRAP have
20 been adjusted down so that the accounts receivable that
21 you see on page 4, your Statement of Financial
22 Position, the accounts receivable net only shows

1 \$16,473. Of that, \$7500 relates to the LRAP program.
2 In other words, that is all that current exists that
3 you expect to have refunded to you.

4 So that's a significant change from the \$1.1
5 million. But we believe that that presents a more
6 realistic statement of the assets of the organization
7 as of September 30, 2011.

8 At the time of the discussion that we had, we
9 had initially identified this as a material weakness.
10 And the reason that we did this is that materiality in
11 an audit to some degree is subjective, and yet we are
12 constrained within the confines of the auditing
13 standards that we do.

14 And the auditing standards permit the auditors
15 to assess materiality either based on total revenues of
16 an organization or on their total assets. Either one
17 is considered valid, depending on which one that the
18 auditor believes to be most appropriate.

19 Because there were some issues that were
20 raised relative to what prior auditors had said or not
21 said concerning the treatment of the financial activity
22 of the program, we did obtain copies of the prior year

1 work papers and reviewed them. And basically, their
2 conclusion was that, as presented, the LRAP receivable
3 was appropriate in light of materiality.

4 But it became clear to me that the other
5 auditors had made the determination that materiality
6 should be based on total revenues. We had made the
7 decision that it should be based on total assets.

8 And the reason for that is frequently you will
9 go with total revenues; but in this case, because you
10 all, being a grant-making agency, basically are a
11 pass-through organization for the largest dollars of
12 the organization, so we felt that the total assets
13 formed a better indication of materiality because that
14 was where the real substance of the operations was
15 taking place.

16 So if you looked at the adjustment that we
17 propose for LRAP based on materiality on total assets,
18 it was material. If you looked at that based on an
19 assessment of materiality based on total revenues, it
20 would not be.

21 So we felt that because there was some
22 discussion that way, and because there was some

1 subjectivity in terms of the decisions made, that I
2 determined that I felt that it was reasonable at this
3 point, then, to downgrade our finding to a significant
4 deficiency rather than a material weakness, although
5 the finding as it was originally stated still stands.

6 Management agreed, or agreed to disagree. But
7 we did come to concurrence as to that, and the
8 adjustment was made to the numbers to properly reflect
9 the value of the assets and liabilities at September
10 30.

11 And again, I'm just going to give you kind of
12 an overview here, and then give you all an opportunity
13 to ask any questions you may have.

14 We also issued this year a management letter
15 in conjunction with the audit report. Management
16 letters are not a required component of the reporting
17 that we do, but if there's an issue that we believe
18 needs to be brought to the attention of those of you
19 charged with governance that does not rise to the level
20 of a significant deficiency or material weakness, we
21 will report it to you in a side letter, which is what
22 this is.

1 The essence of it is that the deadline for the
2 audit, the annual audit every year, has been subject to
3 discussion for many years. The Board generally meets
4 every January, and that's the time at which the audit
5 is presented as completed.

6 But GAO has come in in previous years, and the
7 federal government requires that the audited financial
8 statements of all federal agencies are submitted to OMB
9 by November 15th every year. So it was GAO's position
10 that they felt that LSC should be issuing their audited
11 financial statements earlier than they were occurring.

12 However, LSC is not a federal agency, and they
13 are not subject to those constraints. So there was
14 some dialogue about it in terms of what would be a
15 reasonable timeline for the audit to be completed. The
16 decision was made that we would issue our draft report
17 on the 5th of December, with the final report on
18 December 15th.

19 For a number of reasons, there were some
20 challenges that management had in being able to meet
21 the timelines. We agreed to those timelines at the
22 entrance conference, discussed them in full. But there

1 were some challenges there and so, as a result, the
2 timelines slipped.

3 So what we were simply raising here in this
4 letter is to say that, again, we think that this is an
5 issue that needs to be discussed between the IG and
6 management and with the auditors to come to some
7 concurrence on what is a reasonable timeline for the
8 audit that everyone can agree to a date. And then we
9 will work together to meet those timelines. So that's
10 the nature of that recommendation that we've put
11 forward here.

12 So, because you all have participated in this
13 along the way, I'd like to know if you all have any
14 specific questions or areas that you would like me to
15 discuss with you.

16 CHAIRMAN MADDUX: I guess just one question
17 is, in light of the adjustment to the LRAP receivable,
18 are there changes to the accounting procedures going
19 forward so that that problem won't arise in the future?
20 Or is this a one-time adjustment?

21 MS. DAVIS: Well, no. The internal control
22 that we felt was not present was that when you see a

1 spike like that from one year to the next, it gives
2 rise -- in our case, it required that we perform
3 additional audit procedures that we didn't in the past
4 when it was immaterial.

5 Because the organization is so stable and
6 steady from year to year, and even though it is, these
7 issues need to be -- the numbers and the disclosures
8 and everything related to the overall presentation of
9 the organization needs to be revisited to say, is what
10 we have today and what we're doing today appropriate
11 and not simply because we did it yesterday?

12 It needs to be an active process, not a
13 passive process. So I don't believe you're going to
14 see these big write-downs. I think that this new
15 accounting treatment is something that will be followed
16 through from now forward.

17 CHAIRMAN MADDOX: So the significant
18 deficiency in internal controls was the failure to
19 allow for the non-collectibility, if you will --

20 MS. DAVIS: Correct. Right.

21 CHAIRMAN MADDOX: -- of future loan payback.
22 So now you've written that down. It's no longer a

1 material issue because it's \$7500. And the controller
2 is in agreement with you, I gather, that --

3 MS. DAVIS: I believe the problem will be
4 resolved.

5 CHAIRMAN MADDOX: -- that the problem is not
6 going to appear in the future?

7 MS. DAVIS: Yes. I do not believe it's an
8 ongoing problem, no.

9 CHAIRMAN MADDOX: That's good.
10 Harry?

11 MR. KORRELL: Thank you, Mr. Chairman.

12 I have a question about your review of the
13 prior audit treatment of the LRAP issue because I know
14 that one of management's concerns was that this had
15 been looked at by others, and including by your firm,
16 and nobody said that there was a problem.

17 Was the treatment of that issue -- was a
18 conclusion about that issue that the accounting
19 treatment was fine? Or was the conclusion that it was
20 not fine but it was not material? I mean, there's a --

21 MS. DAVIS: The work papers didn't state that
22 clearly one way or the other. However, the conclusion

1 that they had on the work papers was that they believed
2 that the receivable was reasonable in all material
3 respects, which means that it was materially okay. But
4 in this case, their materiality far exceeded ours, and
5 so that was no additional procedures needed.

6 There was nothing that specifically said
7 whether they agreed or disagreed with the treatment.

8 MR. KORRELL: Okay. Maybe I'm -- you see that
9 there's a difference between saying, you're doing it
10 fine, or, you're not doing it right but the amount's so
11 small it doesn't matter.

12 MS. DAVIS: Right.

13 MR. KORRELL: Is there a way to assess what
14 was said about it the first time through?

15 MS. DAVIS: We can't tell from the work
16 papers. But I think that what raised the issue at all
17 is that those numbers went up 138 percent. And because
18 we knew that the underlying value of the receivable was
19 only \$7500, regardless of what was appropriate last
20 year at the level that it was, it was not appropriate
21 this year because it misrepresented the assets that we
22 felt in terms of its true value.

1 MR. KORRELL: Is there something that -- in
2 your view, does that spike in a number? Like is that
3 something that should trigger a review? This is more
4 of a global issue than just on the LRAP. When a number
5 like that moves from -- I don't know, what was the
6 number? I don't have the numbers right in front of
7 me -- but a relatively small amount, a couple hundred
8 thousand dollars --

9 MS. DAVIS: 470,000 at one point.

10 MR. KORRELL: -- right, to 1 point some
11 million dollars, is that something that should flag
12 from an internal control standpoint, somebody taking a
13 look at this and making sure that we're assessing
14 these? Is that making sense?

15 MS. DAVIS: Well, we asked that a preliminary
16 analytical review be done by comparing last year's to
17 this year's ending balances. And we asked management
18 to describe and to explain to us why there are
19 significant jumps, material changes in numbers. Then
20 throughout the course of the audit, we then performed
21 procedures to corroborate what we were told.

22 And so in our audit, because it jumped that

1 much, it did become significant and we did have to do
2 more work, where in the past we did not. So how
3 management would respond to those changes really would
4 be a decision on their part.

5 MR. KORRELL: And what's the difference
6 between an opinion and a report? We have a report on
7 internal controls based on those that you looked at.

8 MS. DAVIS: Right. It in our profession is
9 referred to as a Yellow Book report. It's a report
10 specifically required under government auditing
11 standards, as opposed to our opinion. And our opinion
12 is something completely different.

13 So we are not issuing an opinion on internal
14 controls. We're simply reporting on the impact of
15 significant internal controls and how they affect your
16 financial reporting.

17 MR. KORRELL: And this may go beyond the
18 discussion of this report or an opinion. But one of
19 our committee's responsibilities is to oversee the
20 internal controls of the Corporation with respect to
21 financial statements. And I just -- this is for Victor
22 or for the OIG -- I'm just curious what resources are

1 available to us to make sure that we're doing that.

2 It sounds like this report is not really an
3 adequate -- for us, it's not adequate for us to look at
4 that report that you've issued and say, internal
5 controls --

6 MS. DAVIS: Well, our report -- this report
7 has a narrow scope. It's dealing with financial
8 reporting. It's internal controls or compliance issues
9 that could impact your financial statements.

10 So to that extent, yes, we do have to do
11 sufficient work to report on that. But it doesn't
12 cover the whole scope of controls that may be necessary
13 in the organization or things that the IG would
14 address. This is a very narrow scope that we're
15 reporting on.

16 MR. KORRELL: Thank you.

17 MR. MERRYMAN: This would be one aspect of an
18 overall program. When you look towards getting an
19 opinion on internal controls, examination of internal
20 controls, if you will, it requires a lot more work in
21 the control area. It requires a lot more
22 responsibility and representation of management of what

1 they have done to look at their own controls. And
2 there's a lot -- it's a lot bigger engagement.

3 There are directives in OMB circulars that
4 deal with management control, which is wider than
5 financial control. And it does list as resources
6 GAO -- the certified financial statement reports and IG
7 reports as assisting in management's responsibility to
8 make sure that the control system is in place and
9 operating.

10 Risk assessment is another thing for control
11 that you would look at from the standpoint of the risk
12 management program within the organization. Where are
13 the major risks? What are the controls that have been
14 put in place? And periodically, I believe, the
15 committee has been briefed on some of those controls
16 and what has been in place to address them.

17 So it would be a lot broader to do the whole
18 control thing.

19 CHAIRMAN MADDOX: Gloria?

20 PROFESSOR VALENCIA-WEBER: Yes. I understand
21 that this is not an opinion, and as you say, were
22 essentially addressing the scope of the testing and

1 then the results of the testing, which led to this
2 conclusion about how the LRAP numbers should be
3 treated.

4 So as based -- correct me if I have this
5 understanding not the way it's supposed to go
6 forward -- going forward, you're going to have the
7 question of materiality based on the assets in the LRAP
8 function rather than --

9 MS. DAVIS: It's applied to your financial
10 statements as a whole.

11 PROFESSOR VALENCIA-WEBER: Right, because of
12 how it impacts the financial statement as a whole. And
13 it's not based on what prior reviews had used, which
14 you call the receivables. Is that correct?

15 MS. DAVIS: Right. We looked at the
16 circumstances related to this fiscal year, not what
17 existed in the prior year. But that's what we could
18 report on.

19 PROFESSOR VALENCIA-WEBER: And going forward,
20 you and all the parties within LSC have agreed to how
21 this LRAP treatment will go in the future?

22 MS. DAVIS: It's my understanding that we

1 have. I feel comfortable that the corrective action
2 management has proposed addresses the issue, yes.

3 PRESIDENT SANDMAN: That's correct.
4 Management agrees with that. We will account going
5 forward for the LRAP receivable in the way described in
6 the finding.

7 CHAIRMAN MADDOX: Let me ask you about the
8 timeline issue. I'm not quite sure I understand it.
9 The letter we got today refers to a January 9 letter.
10 This letter is also dated January 9. So both of
11 these --

12 MS. DAVIS: As of September -- yes.

13 CHAIRMAN MADDOX: Right. The audit was as of
14 September 30th. But I'm looking at the letter which
15 Dutch just gave us today dated January 9.

16 MS. DAVIS: Right.

17 CHAIRMAN MADDOX: And it talks about this
18 timeline business. And as I -- I mean, the letter says
19 that a timely audit requires a greater coordination
20 between management and OIG and the auditors. And then
21 management says, we agree that it requires greater
22 coordination.

1 So the upshot is we're just going to work
2 closer together; we're not going to change the timeline
3 in any way? Or is there some change to the timing of
4 the audit itself contemplated; it's going to be moved
5 up earlier in the year; December 15th is going to
6 become December 1st -- I mean, is there some change
7 contemplated?

8 MR. MERRYMAN: What we contemplate doing in
9 the IG is take a look at the circumstances contributing
10 to that to see if an adjustment to the timeline would
11 be appropriate and bring it back to the committee and
12 management so that we can avoid -- around the holidays,
13 it gets difficult. That's part of our problem. We
14 could not get the information we needed from the other
15 audit firm. They didn't have the people on board that
16 needed to give us this information.

17 So what we want to do is look at the
18 situations that contributed to this one, see what could
19 be done, if anything, to do things more in advance, if
20 we can get them done in advance, and still meet the
21 December 15th. I'm not throwing the baby out with the
22 bath water.

1 But given that, realistically, it's not a good
2 date, and we can document why it's not a good date,
3 then to bring that back to the committee for
4 consideration -- the data actually evolved more because
5 of the GAO report on governance, to try to get the
6 information sooner.

7 And so what we plan to do is bring something
8 back to the committee after we work with management and
9 the auditor to see if we can adjust it. And if not,
10 then what actions do we need to make sure that we get
11 it done within the established time that it is now.

12 CHAIRMAN MADDUX: Okay. Sounds like a plan.
13 I guess, Jim, you're happy with that?

14 PRESIDENT SANDMAN: Yes. I think this is
15 something we need to address annually, what a
16 reasonable time period is under the circumstances as
17 they present themselves each year. But I agree with
18 the procedure in going forward that Mr. Merryman has
19 described.

20 CHAIRMAN MADDUX: Good.
21 Mr. Inspector General?

22 MR. SCHANZ: I do want to make sure that the

1 Audit Committee has a degree of confidence in this
2 report. Using a due diligence standard, Nancy and her
3 team went back and actually obtained working papers
4 from the prior audits to see where the divergence
5 occurred. And I was very happy that that occurred.

6 It took, as Dutch mentioned, a little while,
7 and that goes back to your question, Gloria, as to
8 whether we do a cost analysis or a comparison basis.
9 Generally, the financial statements are for that
10 period, the time period, and the opinion is expressed
11 based on the time period ending September 2011.

12 But because an issue was flagged, we went
13 back. We figuratively went back and looked at the
14 working papers from the prior audit, which I believe is
15 a very good example of due diligence and an opportunity
16 for you to have more confidence in the report that was
17 issued. Thank you.

18 CHAIRMAN MADDUX: Thank you, Jeff.

19 And I want to thank the panel. Thank you,
20 Nancy Davis, for coming to present it to us, and Dutch,
21 for your hard work on it. I know it was a big job.
22 Any kind of transition year always is, I'm sure. So

1 appreciate it very much.

2 If there are no other questions from the
3 committee members, we're going to move on to our next
4 item in the interest of trying to stay on something of
5 a schedule.

6 The next item on our agenda is report on the
7 program quality evaluations. And we have the director
8 of the Office of Program Performance, Janet LaBella.
9 Welcome, Janet.

10 MS. LABELLA: Welcome, and thank you. I'm
11 Janet LaBella, the director of the Office of Program
12 Performance. And I've been asked to give an overview
13 on how the Office of Program Performance performs
14 oversight.

15 As I'm sure most of you know at this point,
16 the Office of Program Performance, or OPP, is charged
17 with ensuring grantee provision of high quality legal
18 services, and we go about that in a variety of ways.

19 We rely on the LSC performance criteria as our
20 guide for that. We use that in the evaluation of
21 competitive grants through the competitive grant
22 process. We use it also when we perform onsite

1 evaluations of grantees. As part of the competitive
2 grant process, we will recommend special grant
3 conditions regarding program quality issues, if those
4 are necessary; and we also review those throughout the
5 year.

6 Our staff maintains regular contact and
7 followup with grantees, and that concerns followup from
8 onsite evaluations, as well as any issues that were
9 spotted during the competitive grant process, as well
10 as regular followup throughout the year.

11 We also encourage innovation and best
12 practices. And as you know, that frequently concerns
13 technology. Our 2012 budget is somewhat over \$4
14 million, and when we look at how that is allocated
15 through OPP's responsibilities, approximately 60
16 percent is devoted to program quality, about 17 percent
17 is devoted to TIG, and about 15 percent to competition.

18 In terms of staff time throughout the year,
19 our program staff -- and those are primarily the
20 program counsel and program analysts that do onsite
21 evaluations and review programs.

22 And we have figured out that approximately 34

1 percent of their time during the year is spent on
2 program quality visits, and approximately 6 percent on
3 program engagement visits, and about 2 percent on
4 capability assessment visits, and about 11 percent on
5 grant application reviews. The rest of the time is
6 spent on followup, on committee assignments, and
7 promoting the work of programs.

8 Currently, we have 27 positions in OPP, of
9 which two are vacant, and those are the deputy director
10 and a program analyst for special projects. Our core
11 staff for program staff consists of 11 program counsel
12 and one program analyst. For TIG, we have two program
13 counsel, one grants coordinator, and one full-time
14 program analyst, and then a portion of another program
15 analyst who devotes a portion of his time to TIG. We
16 also have two full-time staff for competition.

17 As an overview of the grants award process, as
18 you know, this was congressionally mandated beginning
19 in 1996. Typically, we fund grantees for a maximum of
20 three years. Most of the grants are from one to three
21 years, with the bulk of them being three-year awards.

22 Those grantees that receive a multi-year award

1 file annual grant renewals, and as I mentioned before,
2 there may be special grant conditions attached to any
3 grant award, and that can happen whether the applicant
4 grantee is in the regular competition cycle or as part
5 of a renewal.

6 Most of the service areas have one applicant,
7 who is the current provider; however, there have been
8 some changes over the years. In 2010, there was a
9 multi-applicant service area and a new provider. In
10 2011, that was a multi-applicant service area and a
11 change in providers resulting from that. And in 2012,
12 there was a multi-applicant service area, and again,
13 another new provider in Massachusetts.

14 The competition process -- and this was the
15 first year that Jim oversaw the competition
16 process -- is a lengthy process, and it's quite
17 comprehensive. The staff review all of the grant
18 applications based on the LSC performance criteria, the
19 ABA standards, the LSC regulations, and the RFP.

20 And if necessary, we will actually perform an
21 onsite assessment. That is not just in the case if
22 there's multi-applicants, but it can be if we perceive

1 from the written materials that there are questions, or
2 we think there are some weaknesses there that we want
3 to perform an onsite assessment to further evaluate
4 them.

5 Both OPP and OCE complete a recommendation in
6 LSC grants. And we also get input from the OIG. If
7 there is a multi-applicant service area, the staff will
8 conduct a capability assessment of the applicants,
9 which is customarily a visit to both of them.

10 They prepare capability assessment reports,
11 and we also convene a review panel that assesses the
12 capacities of the applicants. And, as you know, the
13 LSC president makes the funding decisions, and that is
14 after meetings with OPP, OCE directors, and the grants
15 manager, typically.

16 So in addition to the competition process, we
17 perform grantee oversight by onsite assessments. The
18 most significant one of those is the program quality
19 visit, and that is typically a week-long visit, which
20 is performed by a team.

21 The team consists of staff from OPP and,
22 frequently, temporary employees. Often, the teams will

1 be consisting of four to five people. If we have a
2 very large program, we may be there longer than a week,
3 so there's no set time period and no set number of
4 people on the team.

5 In 2011, we performed 20 program quality
6 visits and one capability assessment visit. We also
7 performed 18 program engagement visits. Those are
8 shorter visits, typically 2 to 3 days in duration, that
9 are performed by the program counsel liaison to the
10 program. Sometimes there may be someone else that goes
11 on those visits if there are particular questions,
12 again, that we want to delve into.

13 Those typically can be followups to
14 recommendations that we've made in a program quality
15 visit, or it can be to find out more about the program,
16 or there may be other issues that have come to our
17 attention and we want to follow up onsite for those.

18 Now, this year, for the first time, we
19 implemented another followup activity, which was part
20 of the competitive grants process, and we called that
21 the post-program quality visit grant application. And
22 that applied to programs that were grantees that were

1 single applicants for the service area that had had a
2 PQV in the last two years.

3 We designated certain recommendations in the
4 report as tier one, which were those recommendations
5 that were to have the greatest impact on service
6 delivery for the program. And instead of submitting a
7 50-page narrative, those programs indicated whether
8 they had implemented the recommendations, and if they
9 had not, why not.

10 If they were in the process, they indicated
11 how far along in the process they were. If they were
12 considering it, they explained what the considerations
13 were in deciding whether or not they could implement
14 the recommendation.

15 Most of the recommendations, we found, were
16 either implemented or being implemented. Of course,
17 with some programs, there were some financial concerns
18 that might delay or impede implementation of the
19 recommendations. But by and large, we were very
20 pleased with the results. It provided us with a very
21 succinct way of following up on our recommendations
22 from the program quality visit reports for the last two

1 years.

2 CHAIRMAN MADDOX: Janet, let me ask you -- I
3 should have asked you this earlier -- how long do you
4 think you're going to need?

5 MS. LABELLA: Just a few more minutes.

6 CHAIRMAN MADDOX: Because I have at least one
7 question, others may have questions, and we're going to
8 be running up against a deadline.

9 MS. LABELLA: Then I'll wrap it up quickly.

10 CHAIRMAN MADDOX: Thank you.

11 MS. LABELLA: So this year we had 14 post-PQV
12 competitive grant applications, and 28 post-PQV grant
13 renewal applications. We also changed the renewals for
14 those that had had a program quality visit in the last
15 two years, so that the renewal application also
16 followed up on the significant recommendations from the
17 report.

18 Forty-six percent of the applications were
19 standard renewals this year and 23 percent and 23
20 percent were competitive standard applications; the
21 post-PQV renewals represented 21 percent, and the
22 post-PQV competitive grant applications were 10

1 percent. So that was the breakdown.

2 This was our first year that we did this
3 followup activity, and we have got good feedback from
4 both staff and programs, who thought that it was a good
5 way for them to show what they had done in terms of the
6 recommendations, and also relieved them of writing a
7 50-page narrative describing their service delivery
8 system when we had just been there and assessed it.

9 So I'd be happy to take any questions.

10 CHAIRMAN MADDUX: Thank you for that report.
11 I have a question. OPP got some very complimentary
12 remarks in the strategic planning process that we're
13 still undergoing, and it was highlighted as one of the
14 most effective parts of LSC by some of the directors.

15 I have a question, though. How do you
16 determine what a bad program is, and what are the
17 consequences when you do that?

18 MS. LABELLA: Well, I'm not sure I would use
19 the terminology "a bad program." But let's say that we
20 perform an onsite visit and determine that there are
21 some areas of the delivery system that are inadequate
22 or weak.

1 We would then issue a report. We would also
2 talk, of course, to the executive director and other
3 management staff.

4 CHAIRMAN MADDOX: Right. But you've already
5 gone beyond where -- what I'm wondering is how do you
6 determine --

7 MS. LABELLA: How do we determine it? Okay.
8 We determine --

9 CHAIRMAN MADDOX: -- that some aspect is weak?
10 What is it, is plan English, if we can do that? I
11 don't know if it can be done, that says --

12 MS. LABELLA: All right. Well, let's --

13 CHAIRMAN MADDOX: -- in the universe of
14 programs, San Diego is great, but this one over here is
15 not really up to snuff.

16 MS. LABELLA: We use the performance criteria
17 as a guide. But, for example, it might be easier to
18 answer your question by example. Let's say we are
19 evaluating the intake system, and we determine that the
20 wait time on calls exceeds a half hour for someone to
21 get through the system; that there's a lot of dropped
22 calls that they can measure; and so that the access is

1 certainly impaired by a combination of perhaps the
2 technology that they're using as well as staffing, and
3 there may be some other aspects of that.

4 So that is how we look at an intake system.
5 We're looking for access. We're looking for
6 sensitivity to the clients when they're involved in the
7 intake process. And we're looking at how efficiently
8 they can move through the process. So that's just an
9 example.

10 We review, for example, a writing sample from
11 every advocate. And there have been programs that have
12 said, really, Janet. Are you really going to look at
13 these? And I consider it probably the most important
14 document that we review in terms of evaluating program
15 quality.

16 It gives us an idea -- it's supposed to be an
17 example of the advocate's best writing in the last 24
18 months. And it's not supposed to be a form pleading.
19 It's supposed to show analysis, legal argument,
20 development, and so forth.

21 And if we get form pleadings, that's an
22 indication that those advocates are not doing legal

1 analysis. They're not doing really significant legal
2 work. We often will find typos. We will find other
3 errors in these -- I shouldn't say "often," but on
4 occasion we do. And that's an indication to us of lack
5 of supervision.

6 So we review a tremendous number of documents.

7 We try to dig fairly deep. We look at, of course, the
8 CSRs. We get additional case lists before we go on
9 program visits. We have an open case list for every
10 advocate that we review. So we try to look at the
11 extent of the legal work that the program is doing, the
12 quality of it, the efficiencies, and the effectiveness
13 of the legal work.

14 CHAIRMAN MADDOX: That's very helpful. I
15 could go on with other questions, and I will, probably,
16 in the future. But I want to go over to Sharon right
17 now.

18 MS. BROWNE: I just have a real quick
19 question. When you identify that there is a weakness,
20 are you looking at a checklist that has specific
21 criteria -- for example, dropped calls, if it's 30
22 minutes before somebody is helped, or there's too many

1 dropped calls -- do you have a checklist that you go
2 down? And the criteria that you use, is that already
3 set out so that the grantee is aware of what you're
4 going to look at?

5 MS. LABELLA: The LSC performance criteria is
6 the general guideline. It's not like a checklist. It
7 won't say in there, for example, greater than 30
8 minutes is evidence of a significant weakness. But it
9 does talk in terms of being sensitive to clients,
10 having prompt decisions, being able to do intake
11 efficiently and effectively.

12 We also have other documents that we use to
13 assist our staff when they go onsite, and one of those
14 is, for example, an intake checklist that has a lot of
15 those things prepared in a checklist format that can be
16 of assistance to our staff when they go onsite and
17 evaluate programs.

18 MS. BROWNE: Are all these documents and
19 guidelines available to the grantee so that they know
20 what you're going to be looking at?

21 MS. LABELLA: The grantees have all received
22 copies of the LSC performance criteria, which is again

1 the general guide.

2 MS. BROWNE: And how about your manual? Do
3 they have access to the manual or the instructions
4 that --

5 MS. LABELLA: You mean to any checklists and
6 so forth? No. They don't have access to those. But
7 they do have -- they've been provided with the LSC
8 performance criteria to assist them. And then the way
9 we perform our visits are really in concert with the
10 performance criteria. Every performance area is an
11 area that we evaluate when we're onsite. And it also
12 follows the format of the competitive grant
13 application, the RFP, as well.

14 MS. BROWNE: Thank you.

15 CHAIRMAN MADDOX: Thank you.

16 Any other questions?

17 (No response.)

18 CHAIRMAN MADDOX: Janet, thank you very much
19 for that report. It's very helpful.

20 MS. LABELLA: Well, thank you. And if you
21 have any other questions later on, feel free to ask
22 them.

1 CHAIRMAN MADDOX: I will. I will.

2 We're going to move on to --

3 MS. REISKIN: She went over a lot of really
4 good stuff really quickly. I'm wondering if we could
5 just get an electronic copy of that at some point?

6 MS. LABELLA: Sure. I apologize. I had
7 intended to show it as a PowerPoint, but my plane was
8 so late I wasn't able to set it up.

9 PROFESSOR VALENCIA-WEBER: Do you know what
10 else might be helpful, is if we could look at a copy of
11 the program quality --

12 MS. REISKIN: Yes. The criteria.

13 MS. LABELLA: Oh, the performance criteria?

14 MS. REISKIN: Yes.

15 MS. LABELLA: It's on the LSC website. But if
16 you want a copy, I'm sure we can provide you each with
17 a copy of it.

18 PROFESSOR VALENCIA-WEBER: The website's good.

19 MS. LABELLA: The website's good?

20 MS. REISKIN: Yes. Just electronic is fine.
21 You don't have to make copies, at least for me.

22 MS. LABELLA: Very well. I'll do that.

1 CHAIRMAN MADDOX: Thank you very much.

2 MS. LABELLA: Thank you.

3 CHAIRMAN MADDOX: We're going to move on to
4 item No. 5 on our agenda now, report on the LSC 403(b)
5 plan performance.

6 MR. SLOANE: Good afternoon. I'm Richard
7 Sloane. I'm the special assistant to the president,
8 and I anticipate that my remarks will be quite brief.
9 I submitted a memorandum to the Board, and I'll quickly
10 go over that with you.

11 So I'll summarize my remarks in two sections.
12 The first deals with three recent changes to LSC's
13 403(b) thrift plan that took effect during the fourth
14 quarter of 2011. Two of those changes were to the
15 thrift plan document, and one change was to the thrift
16 plan procedures. All of these changes were more fully
17 discussed and addressed during the Board of Directors
18 meeting in November 2011.

19 The first change to the plan document involves
20 post-separation compensation, where the thrift plan
21 document was amended to include post-separation
22 compensation as eligible compensation for thrift plan

1 purposes. And that often came in the form of final
2 paychecks to participants.

3 The second change had the thrift plan document
4 amended to permit federal Civil Service Retirement
5 System, or CSRS, eligible employees to participate in
6 the thrift plan for employee contributions but not for
7 employer contributions or employer matching purposes.
8 And this was a follow up on Board Resolution 2009-009.

9 The third was a change to the loan procedures,
10 which were modified to eliminate a prior restriction
11 that a participant in the 403(b) plan could not take
12 more than two loans within any 12-month period. There
13 still are restrictions on participant loans that are
14 subject to a cumulative loan amount limitation of the
15 lesser of either \$50,000 or 50 percent of the
16 participant's vested benefit in the plan.

17 All of these three changes were discussed with
18 the bargaining units, with the union at LSC. The union
19 had no objections to any of them, and all of them have
20 been implemented.

21 The second section of my remarks will provide
22 a very quick summary of the fourth quarter 2011 thrift

1 plan performance. As of November 30, 2011, the total
2 assets in the thrift plan were approximately
3 \$15,600,000. I did receive, just recently, the
4 Morningstar-Principia report through December 31, 2011,
5 and the total assets in the plan have increased to
6 \$16,760,297.

7 I'll just note that the Morningstar-Principia
8 report is provided monthly. It's a two-page document
9 that quickly summarizes fund performance. And I'm
10 happy to share that with the Board in full or with this
11 committee if you think that that would be useful or
12 helpful. So I'll leave it up to you. I'm happy to
13 send that to you electronically.

14 CHAIRMAN MADDOX: Thank you, Richard. We've
15 seen that report in the past, and I don't know that we
16 have to have it today or at this meeting.

17 MR. SLOANE: Great. Great. I'm happy to take
18 any questions if you have them.

19 CHAIRMAN MADDOX: Questions?

20 (No response.)

21 CHAIRMAN MADDOX: Hearing none, I want to
22 thank you for your report.

1 MR. SLOANE: Thank you.

2 CHAIRMAN MADDOX: The next item on our agenda,
3 and as usual, Mattie, we're running short on time, is
4 the discussion of the committee's charter. I think, in
5 light of the fact that we have two members -- I do want
6 to get your comments, and we have a couple questions,
7 but we don't want to take any action on this today.
8 We've got two members of the committee who are not
9 present.

10 I got an email from Paul Snyder yesterday with
11 some comments and questions. I didn't really have a
12 chance to review them. And I would like to get their
13 comments as well as -- or his comments as well as David
14 Hoffman's.

15 So that being said, we'd like to have a brief
16 report from you summarizing your memo. And I know that
17 Harry, at least, has a couple questions.

18 MS. COHAN: Sure. For the record, my name is
19 Mattie Cohan with the Office of Legal Affairs.

20 In accordance with some of the direction from
21 the committee at its last meeting, we put together a
22 revised draft charter for the committee's

1 consideration. There are proposed changes at the
2 moment to four sections -- Section 2, Purpose, Section
3 7, Authority, Section 8, Duties and Responsibilities,
4 and Section 9, Limitations.

5 The changes to Section 2 and Section 9 are
6 essentially the same thing. It's clarifying that the
7 Audit Committee is not an executive committee or, as
8 the new term is being used in the D.C. Nonprofit Code,
9 a committee of the Board that has the authority to act
10 in executive capacity for the Board.

11 There is one change in the Authority section
12 which is a deletion of the duty to expressly oversee
13 the selection of the external auditor, mainly because
14 the external audit function, that contracting is done
15 by the Office of the Inspector General.

16 The Inspector General is responsible for the
17 selection and retention of the auditor. And I don't
18 want to speak for them, but I believe it's their
19 position that there's a concern that the existing
20 specific authority statement vesting the committee with
21 the authority of overseeing the selection and retention
22 of the auditor may infringe on the OIG's independence

1 and responsibility in that matter.

2 So most of the changes occur in the Duties and
3 Responsibilities section. One of the first things that
4 was done was reorganization of the duties so that they
5 are now grouped by substantive areas of
6 concern -- audits and audit-related matters, financial
7 reporting, risk assessment, and other duties and
8 responsibilities.

9 It was believed and suggested at the last
10 meeting that the reorganization would be very helpful
11 to help the committee get a handle on what it's
12 supposed to be doing and where its areas of
13 responsibility were.

14 So then within that, a lot of the duties that
15 are set forth in this reorganized manner are actually
16 restatements of some of the existing duties. We've
17 tried to tinker with the language to make it clear that
18 there's a distinction between the annual financial
19 audit performed by the external auditors and other
20 audits as may be performed by the Office of the
21 Inspector General.

22 There is one new duty in this section

1 proposed, which expressly vests the Audit Committee
2 with the responsibility to address unresolved
3 disagreements between management and the OIG on matters
4 arising out of the audit process.

5 This comes because in the federal sector,
6 there's something called the A-50 process, which is a
7 specific process for the resolution of disagreements
8 arising out of an audit. LSC isn't subject to the A-50
9 process. We do have, though, an equivalent process for
10 referrals made by the OIG to management on findings of
11 the OIG relative to recipients, when they go out and
12 review recipients. But there isn't a formal A-50
13 equivalent policy regarding OIG findings and referrals
14 with respect to audits of management.

15 So the proposed duty just basically provides
16 some mechanism for the resolution of significant
17 disputes should they arise. I think the expectation is
18 that because of the good and continued working
19 relationship between management and the OIG, that
20 process would rarely have to be used because these
21 things usually get worked out. But in the event that
22 it didn't, there's a place for the OIG and management

1 to come and say, we can't resolve this. Help guide us.

2 With respect to financial reporting, several
3 of those duties are the same as they exist in the
4 existing charter with regard to the review of
5 management and the Finance Committee's letters of
6 certifications regarding financial reporting.

7 And I just want to note that in carrying out
8 these responsibilities -- because that was part of the
9 discussion, was not just what is the responsibility but
10 how do we do this -- it's anticipated that the
11 committee will ask for and rely upon management, the
12 OIG, and/or the external auditors to bring matters
13 necessary to the committee's attention. And there's a
14 cross-reference to Section 9, Limitations, which says
15 that the committee has the right to rely on the
16 information brought to it.

17 In the duties relating to risk management, we
18 took portions of Duty 7 and portions of Duty 6 in the
19 existing charter to really focus on the responsibility
20 of the committee to review management's monitoring of
21 the internal controls.

22 These revisions are intended to narrow the

1 scope of the duties to make it clear that management
2 has the responsibility to identify and mitigate risk
3 and to monitor internal controls, and it's the
4 committee's responsibility to assist the board in the
5 oversight of management in management's
6 responsibilities in this process.

7 With respect to other duties and
8 responsibilities, they are, with one amendment,
9 generally consistent with the existing duties in the
10 current charter, and they are related to a variety of
11 different miscellaneous things -- communications with
12 the OIG, meetings with the OIG, establishing procedures
13 for the receipt, retention, and treatment of complaints
14 regarding accounting, internal controls, reporting to
15 the board, periodically assessing the committee's
16 performance and reviewing the charter, and other duties
17 as consistent with the charter as may be asked by the
18 Board.

19 The one change in this section is proposing
20 that the committee report to the Board four times a
21 year rather than twice a year since that's what the
22 Board's schedule is. And it seemed just if the Board

1 is meeting, that the Board should be getting a report
2 from the Audit Committee as a general matter.

3 Then finally, I want to note that we've
4 deleted one duty from the existing charter in its
5 entirety, which is to, in concert with the OIG,
6 annually review and confirm the independence of the
7 external auditor. This is another one of those places
8 where that responsibility rests with the OIG, and the
9 OIG has expressed concern that having the committee
10 have this duty is a possible infringement and is just
11 not necessary.

12 Currently, what happens is that the OIG
13 reports to the committee on the process it uses to
14 complete for and select the external auditor, and this
15 practice would continue under the auspices of Section
16 6, Resources Being Provided to the Committee, of the
17 proposed revised charter. So the committee would still
18 get information on this selection and independence of
19 the external auditor, but would do so in a manner more
20 consistent with the OIG's responsibilities.

21 CHAIRMAN MADDOX: Let me ask Harry if you've
22 got a particular concern that you want to address to

1 Mattie now. What I'm going to suggest is that we
2 solicit comments from the members, as well as those who
3 are not present, and get back to you, and then work in
4 some additional items and perhaps address some
5 additional concerns with the goal of taking final
6 action on this probably at our next meeting, if not
7 before that, at another meeting that we schedule next
8 quarter.

9 MS. COHAN: Certainly. I sit here ready to
10 assist the committee in any way.

11 CHAIRMAN MADDOX: Understood.

12 Harry?

13 MR. KORRELL: Yes. I'll just make this real
14 quick. Mattie, at one point you talked about, I think,
15 preparing an annotated version of this, like is item 4
16 satisfied by doing A, B, C. Is that still something
17 you're contemplating pulling together?

18 MS. COHAN: Oh, I believe the annotated
19 version that I had done was for the last meeting, and
20 for this meeting, I focused on the redline and the
21 clean version. But I am happy to put together another
22 annotated version, certainly. If that will help you,

1 I'm all for it.

2 MR. KORRELL: I think at some point, once we
3 finalize our charter, it would be helpful to have some
4 input on what we ought to be doing.

5 MS. COHAN: Absolutely.

6 MR. KORRELL: And then most of my other
7 comments are really substantive and probably better
8 saved for the more meaty discussion of it. I do think
9 there are a couple of the items in here that to me
10 continue to be over-broad and beyond our appropriate
11 responsibilities and capabilities. But I think we
12 should probably get the input of the other members of
13 the committee and talk about that in more detail.

14 CHAIRMAN MADDOX: Yes. I agree. And I think
15 we're already past time today, so I don't think we can
16 really effectively do it.

17 So with that, thank you, Mattie. We will
18 follow up with you in due course.

19 MS. COHAN: Great. Thank you.

20 CHAIRMAN MADDOX: Our next item on the agenda
21 is discussion of the committee members'
22 self-evaluations for 2001 (sic) and goals for 2012.

1 I'm going to schedule another meeting where we can do
2 that in advance of our next quarterly meeting. We'll
3 do that by telephone, if that's appropriate, because I
4 don't believe we have time to do it now effectively.

5 Is there an objection to that? Gloria?
6 Harry?

7 MR. KORRELL: No.

8 CHAIRMAN MADDOX: Okay. Item No. 8 is public
9 comment. Is there any public comment?

10 (No response.)

11 CHAIRMAN MADDOX: Hearing none, item No. 9 is
12 to consider and act on other business.

13 (No response.)

14 CHAIRMAN MADDOX: Hearing none, we'll move to
15 item No. 10, which is to consider and act on
16 adjournment. Before we do that, we're going to pass on
17 the closed briefing, in consultation with the Inspector
18 General's office, and we'll do that, if need be, at
19 some other time.

20 So is there a motion to adjourn?

21 M O T I O N

22 PROFESSOR VALENCIA-WEBER: So move.

1 MR. KORRELL: Second.

2 CHAIRMAN MADDOX: And all in favor?

3 (A chorus of ayes.)

4 CHAIRMAN MADDOX: The motion carries, and the
5 meeting is now adjourned. Thank you very much.

6 (Whereupon, at 4:38 p.m., the committee was
7 adjourned.)

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