

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS

TELEPHONIC MEETING OF THE  
AUDIT COMMITTEE

OPEN SESSION

Thursday, March 15, 2012

2:34 p.m.

Legal Services Corporation  
3333 K Street, N.W.  
Washington, D.C. 20007

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairperson  
Gloria Valencia-Weber  
David H. Hoffman, Non-Director Member  
Harry F. J. Korrell, III

OTHER BOARD MEMBERS PRESENT:

Julie A. Reiskin

## STAFF AND PUBLIC PRESENT IN THE CORPORATION'S OFFICES:

James J. Sandman, President

Richard L. Sloane, 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, Office  
of Financial and Administrative Services

Martin Polacek, Accountant Manager, Office of Financial  
and Administrative Services

Wendy Christmas, Inventory Accountant, Office of  
Financial and Administrative Services

Jeffrey E. Schanz, Inspector General

Ronald "Dutch" Merryman, Assistant Inspector General  
for Audit, Office of the Inspector General

David Maddox, Assistant Inspector General for  
Management and Evaluation, Office of the  
Inspector General

John Idleman, Senior Program Counsel, Office of  
Program Performance

Chuck Greenfield, National Legal Aid and Defender  
Association (NLADA)

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Motions: 5, 5, 20

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

2 (2:34 p.m.)

3 CHAIRMAN MADDOX: I'll call the meeting to  
4 order of the Audit Committee of the Legal Services  
5 Corporation that was duly noticed. Do we need to take  
6 a roll now that we've actually started our meeting?

7 MR. RICHARDSON: Yes, sir, please.

8 CHAIRMAN MADDOX: Okay. I'm Victor Maddox.

9 PROFESSOR VALENCIA-WEBER: Hello. This Gloria  
10 Valencia-Weber.

11 CHAIRMAN MADDOX: Gloria.

12 PROFESSOR VALENCIA-WEBER: Hi, Victor.

13 CHAIRMAN MADDOX: Hi, there. We just  
14 announced the start of the meeting. You haven't missed  
15 a thing. And we're glad you could join us.

16 So for our roll we have me and Professor  
17 Valencia-Weber so far.

18 MR. KORRELL: Harry Korrell.

19 MR. HOFFMAN: And David Hoffman.

20 PROFESSOR VALENCIA-WEBER: I'm glad David's  
21 here.

22 MR. HOFFMAN: Hi, Gloria.

1           CHAIRMAN MADDOX: Yes. We're all glad.

2           So with that, I will ask if we could have a  
3 motion to approve the agenda.

4                           M O T I O N

5           PROFESSOR VALENCIA-WEBER: I'll move for  
6 approval of the agenda.

7           CHAIRMAN MADDOX: Second?

8           MR. KORRELL: I'll second.

9           CHAIRMAN MADDOX: All in favor?

10           (A chorus of ayes.)

11           CHAIRMAN MADDOX: The motion carries and the  
12 agenda is agreed to.

13           The first item on our agenda is approval of  
14 the minutes of the Committee's meeting of January 19,  
15 2012. Is there a motion to approve?

16                           M O T I O N

17           MR. KORRELL: So moved.

18           PROFESSOR VALENCIA-WEBER: I'll second.

19           CHAIRMAN MADDOX: All in favor?

20           (A chorus of ayes.)

21           CHAIRMAN MADDOX: And the motion carries.

22           So that takes us to our substantive agenda,

1 which is item No. 3, a report on the Form 990 for  
2 fiscal year 2011. And I'll turn it over to David  
3 Richardson.

4 MR. RICHARDSON: Yes, sir. For those of you  
5 on the phone, this is David Richardson, the treasurer  
6 of the Corporation. I have provided to the Board  
7 copies of the Form 990 and an analysis that we had  
8 completed, basically tracking the financial statements  
9 that were presented to the Board in January, tracing  
10 those numbers into the Form 990.

11 One of the questions in the Form 990 is, has  
12 the organization provided a copy of the Form 990 to all  
13 members of the governing body before the filing of the  
14 form? Certainly we did that. I provided that in an  
15 email to everybody on February 24th. But we wanted to  
16 do a little more than that. We wanted to show you that  
17 we had conducted a review of the financial information,  
18 and how it tracked from the financial statement into  
19 the Form 990.

20 The worksheets that we provided for you tracks  
21 that information from the financial statement, the  
22 statement of activities, into the Form 990. That was

1 completed by Wendy Atanga Christmas, who has joined us  
2 in today's meeting, and I wanted to thank her for doing  
3 that, and we've reviewed them together. Martin Polacek  
4 is with me also, and he helped with the coordination of  
5 the financial statements. And I wanted to make sure to  
6 recognize them for their hard work on this project.

7           We, as I said, tracked those financial  
8 statements into the Form 990. But we also took our  
9 balance sheet because there's a great deal more  
10 breakdowns that are needed in the Form 990 as far as  
11 salaries, rent, supplies. So we basically took the  
12 trial balance and we have entered information onto the  
13 side to show where the information from our trial  
14 balance tracks into the financial statements and to the  
15 expense lines also.

16           We presented that information to the auditors.  
17 They have incorporated it into the 990. We've  
18 incorporated the payments that we made to you as board  
19 members. You'll see in the worksheets themselves, when  
20 you look at the amount of pay, it also records the  
21 number of hours that you spent on LSC time.

22           There was a few that we did not get time

1 reports on. So what I did was base the information  
2 that was reported on the amount of time spent in the  
3 meetings, some travel time, and preparation time, and  
4 that information is included in the report. I had not  
5 intended to go completely through the tracking of all  
6 the expenses, but I'd be glad to answer any questions  
7 that you may have based on the information that you've  
8 been provided.

9           For those that are from outside the  
10 Corporation, that information, we've asked it to be  
11 posted to the internet site, and that should be up  
12 there now. It should have been posted in the last 10  
13 minutes. So hopefully you have it and are able to  
14 review that.

15           Again, I'd be able to answer any questions you  
16 may have at this time.

17           PROFESSOR VALENCIA-WEBER: This Gloria  
18 Valencia-Weber. David, I appreciate the form you put  
19 it in because it connects the budget and also the  
20 reporting process we have to go through. I have just a  
21 few questions, if you don't mind.

22           MR. RICHARDSON: Sure.

1           PROFESSOR VALENCIA-WEBER: First, on the trial  
2 balance for 2011, on the second page you have, towards  
3 the bottom, item 5750, "Peer reviewers," and nothing  
4 there to date. Now, I know that we have compliance and  
5 performance review, and other units within the  
6 Corporation that do use outside reviewers.

7           This is just that it's so early in the year.  
8 Is that correct?

9           MR. RICHARDSON: No, ma'am. This is for the  
10 full year of 2011. What has occurred there, because we  
11 had the issue with the consultants being shown as  
12 temporary employees in this year, we recharacterized  
13 how we are using those folks, and they are now  
14 considered temporary employees.

15           So any time that we use somebody from the  
16 field to go on a visit to a program, that is actually  
17 being shown on page 1 of the trial balance --

18           PROFESSOR VALENCIA-WEBER: Yes. I see that.

19           MR. RICHARDSON: -- as a temporary employee/  
20 professional.

21           PROFESSOR VALENCIA-WEBER: Employee. Right.  
22 Okay. I'm sorry. I meant 2011 when I was looking at

1 this. So as a result of what happened in that dispute  
2 about their status, we moved them to that temporary  
3 employees/professional.

4 And so from 2012 onward, are we really going  
5 to have any peer reviewers?

6 MR. RICHARDSON: I do not know at this point.

7 Sometimes we may use that. It is a category that  
8 we've used in the past, and if we actually get into a  
9 situation where we actually set up what I would term a  
10 true peer review process, there's a possibility that we  
11 could use that. But we would have to, of course, seek  
12 counsel on that because of the reclassification that we  
13 went through.

14 PROFESSOR VALENCIA-WEBER: Right. Okay.  
15 Thank you.

16 CHAIRMAN MADDOX: David, I don't have any  
17 other questions on your analysis. It's very thorough,  
18 obviously. Are there any takeaways that you would  
19 highlight for us?

20 MR. RICHARDSON: I don't believe so. I think  
21 we went through and identified the information. We are  
22 actually talking this week about how to show some of

1 the expenses in a little different light internally,  
2 which will, I think, help the reporting. But that'll  
3 be totally transparent to you at this point.

4 One of those, just to give you an idea, is the  
5 occupancy cost. We pay \$1.71 million for the rent in  
6 this building. We paid \$3,300 for meeting room space  
7 when we have meetings for the Board. Some of the OPP  
8 staff uses meeting rooms. That's lumped in as  
9 occupancy.

10 And we are going to recharacterize that in the  
11 future to be a travel cost because we would not have  
12 those costs unless we were traveling. So there will be  
13 a few little changes that we're going to address  
14 internally, but they are very minor.

15 MR. HOFFMAN: David, this is David Hoffman. I  
16 don't have any substantive comments. I just want to  
17 say that I appreciated you and your staff sending us,  
18 in addition to the 990, the backup worksheet. And the  
19 analysis is actually quite helpful to see some of that  
20 backup documents. And so thanks to you and Wendy and  
21 Martin for doing that for your work.

22 MR. RICHARDSON: Thank you, sir.

1           CHAIRMAN MADDUX: Okay. Are there any other  
2 comments about the Form 990 or its presentation?

3           (No response.)

4           CHAIRMAN MADDUX: If not, we can move to item  
5 No. 4 on our agenda, which is the discussion of the  
6 committee members' self-evaluations for 2011 and the  
7 goals for 2012.

8           I think that the evaluations are, as I recall,  
9 pretty consistent with the evaluations that we gave  
10 ourselves for the prior year. I didn't see any real  
11 troubling items. There seemed to be a general level of  
12 satisfaction.

13           As far as the goals, I think that they're  
14 consistent with my own views. I don't know if others  
15 have thoughts on them. But it seems that assessing the  
16 effectiveness of the Fiscal Oversight Task Force  
17 implementation would be perhaps the most substantive  
18 area that we as a committee might be looking at for  
19 2012.

20           Comments? Suggestions? Thoughts on that?

21           PROFESSOR VALENCIA-WEBER: This is Gloria. I  
22 would agree generally with you, Victor. Am I on?

1           CHAIRMAN MADDOX: You are.

2           PROFESSOR VALENCIA-WEBER: Okay. And looking  
3 at the summary that we got, I think that, for instance,  
4 if you look just at the items that have 2.0 or more  
5 indications, it's the kind of items that fit in with  
6 that fiscal oversight and also some of our strategic  
7 planning.

8           To look at item 5, you have the highest of the  
9 less -- let's say it's the least strongly agreed at  
10 2.7. The Committee has made the process on long-term  
11 (telephone cuts out briefly) related to its goals and  
12 purposes.

13           And then No. 7, and then No. 8, and then No.  
14 11, about how we do our business generally, I think as  
15 we finish working on the charter and as we also try to  
16 look at what was in the strategic report and the fiscal  
17 oversight committee, we can probably then have a fit.

18           CHAIRMAN MADDOX: I'm sorry, Gloria. I just  
19 missed the last couple of words. Can you repeat them?

20           PROFESSOR VALENCIA-WEBER: I think if we work  
21 with those other two documents, the strategic planning  
22 document that we've been working with and the fiscal

1 oversight committee, that how we as a committee will do  
2 our work, we'll all have a better fit.

3 CHAIRMAN MADDOX: Yes. I agree with that.  
4 David or Harry?

5 MR. HOFFMAN: Yes. It's David. No other  
6 comments.

7 MR. KORRELL: None for me, Victor.

8 CHAIRMAN MADDOX: Yes. I guess one thought is  
9 that there wasn't, I guess, strong agreement for item  
10 No. 8 that our meetings are held regularly and with  
11 appropriate frequency. And since they are held  
12 regularly, I guess I'm wondering if there is a general  
13 sense that we need to be meeting more frequently  
14 because we certainly can. I just -- Gloria?

15 PROFESSOR VALENCIA-WEBER: I would not like to  
16 have an automatic rule. But I do think because of the  
17 continuous things that have been put not just on this  
18 Committee but on the Board that we have to respond  
19 because of time frames, including the strategic study,  
20 the looking at development, that we've had events we  
21 have to respond to, so that at least sometimes it makes  
22 sense for us to try to have a telephone meeting between

1 the regular board meetings.

2           That seems to be where we've run into a  
3 crunch. As I say, I would not necessarily want to  
4 require that we automatically have one. But we did  
5 seem to have in the last year, because of the number of  
6 activities, run into more of the items to respond to or  
7 turn around on a timetable.

8           CHAIRMAN MADDOX: Right. Okay. Well, that's  
9 helpful.

10           Okay. If there are no other comments on  
11 that -- I've lost my agenda here -- we can move to the  
12 next item, which is public comment. Do we have any  
13 public comment?

14           MR. GREENFIELD: Chuck Greenfield from NLADA.  
15 Can I say something?

16           CHAIRMAN MADDOX: Absolutely.

17           MR. GREENFIELD: I just wanted to thank Jim  
18 Sandman and Vic Fortuno for arranging to have the  
19 materials for the Audit Committee posted now on the  
20 non-confidential materials section of the website,  
21 LSC's website. Last week they were posted, or provided  
22 to us in advance, on the Promotion and Provisions

1 Committee as well.

2           And I just wanted to thank Jim for that  
3 because it makes it much easier for us to follow the  
4 meeting when we have materials as others do, at least  
5 public materials, that we can look at. So I just  
6 wanted to bring that to your attention.

7           MR. RICHARDSON: Thank you, Chuck. You're  
8 welcome.

9           CHAIRMAN MADDOX: You know, I think that's a  
10 certainly appropriate practice, and I'm glad that Jim  
11 has instituted it.

12           Is there any other public comment?

13           (No response.)

14           CHAIRMAN MADDOX: If not, we can move to item  
15 No. 6, which is to consider and act on other business.

16           The only other business that I know of offhand is, I  
17 guess, to address the status of our revision of the  
18 committee charter.

19           I think we're probably in our third or fourth  
20 meeting where we've discussed this to one degree or  
21 another, and probably in the last two or three meetings  
22 at some point, Mattie Cohan solicited feedback from, I

1 think, all of us at one point, and certainly from me.

2           And this February, I was unable to deal with  
3 it because of some other matters I was dealing with in  
4 my own practice. And so I told Mattie that I will get  
5 back to her on that next week and we'll try to gather  
6 comments from everybody else if you haven't already  
7 provided them.

8           Paul Snyder had given us some comments in late  
9 January in connection with our last meeting, and there  
10 may be other comments as well. I know that at our  
11 meeting in San Diego, Harry, you had asked for an  
12 annotated, I believe, version of the charter. Is that  
13 a request that's still on the table, or is that  
14 something we need to follow up on?

15           MR. KORRELL: I don't think I've seen it. It  
16 is possible that I got it and it got buried in the  
17 flood of emails. But I don't think I've seen that yet.

18           It would be helpful to take a look just so that we  
19 have some input on what satisfies our obligations under  
20 those particular charter items. Also --

21           PROFESSOR VALENCIA-WEBER: I think one -- I'm  
22 sorry.

1                   CHAIRMAN MADDOX: I'm sorry?

2                   PROFESSOR VALENCIA-WEBER: Sorry. But before  
3 the San Diego meeting, there was a clean copy sent, and  
4 then another one with annotations. It would be easy  
5 enough to bring them up.

6                   CHAIRMAN MADDOX: Right. I'll follow up with  
7 Mattie Cohan on that and try to gather the materials,  
8 as they exist, and see where we stand. And we'll  
9 circulate something in the next week or two.

10                   I think we ought to have as our goal getting  
11 this finally resolved at our April meeting, and if I  
12 work with Mattie and others, get our comments in, I'm  
13 sure that we'll have a document that reflects the best  
14 thinking that we've been able to come up with.

15                   And we ought to be in a position to make a  
16 decision on it and make whatever recommendation to the  
17 full Board we need to make. That would certainly be  
18 the goal, I think, and I think we ought to plan on  
19 doing that unless there's some emergency that comes up  
20 at our next meeting.

21                   MR. HOFFMAN: Vic, it's David. I missed the  
22 San Diego meeting. And since then, I've had a chance

1 recently to get very familiar with the materials, to  
2 look at the marked-up version of the charter that  
3 Mattie provided, the memo that was provided describing  
4 the changes, to get familiar with what the issues are.

5 And so a couple comments.

6           First -- not substantive, just  
7 procedural -- first, I agree with you that I think it's  
8 realistic and should be an important goal of the  
9 Committee to have this finalized at the meeting in  
10 April.

11           Second, thanks again to Mattie for the work on  
12 this. It's very helpful, and including the explanation  
13 of what the changes are.

14           Third, my just general impression is I think  
15 this is in very good shape. I'm likely to have some  
16 comments, and I want to spend a little more time  
17 fine-tuning my thoughts on it. But given the time  
18 frame, I'm going to try to get my comments to Mattie  
19 and the others in the same time frame that you just  
20 identified, Vic, meaning next week or so, so that to  
21 the extent there's any need for additional changes or  
22 substantive discussion, we're in a position to have

1 that in final form for the April meeting.

2 So I think my impression was -- you haven't  
3 heard yet because I really hadn't reviewed it  
4 yet -- was I think it's generally good. I think we're  
5 close. I'm going to get my comments in, and I think  
6 we'll be in good shape for April.

7 CHAIRMAN MADDOX: All right. I appreciate  
8 that, David. And I generally share your impression of  
9 it. I think a fair bit of solid work has already been  
10 put into it, and we certainly can't be accused of  
11 moving too quickly on it. So I'll look forward to your  
12 comments and anyone else's, and we'll work with Mattie  
13 and make sure we're ready to do that in April.

14 So is there any other new business?

15 (No response.)

16 CHAIRMAN MADDOX: If not, is there a motion to  
17 adjourn?

18 M O T I O N

19 PROFESSOR VALENCIA-WEBER: I'll move to  
20 adjourn.

21 MR. KORRELL: Second.

22 CHAIRMAN MADDOX: All in favor?

1 (A chorus of ayes.)

2 CHAIRMAN MADDOX: The motion carries. That  
3 concludes our meeting. Thank you all very much.

4 MR. KORRELL: Thank you.

5 MR. HOFFMAN: Thanks, everybody.

6 (Whereupon, at 2:58 p.m., the committee was  
7 adjourned.)

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