



OFFICE OF THE PRESIDENT

Legal Services Corporation
America's Partner For Equal Justice

MEMORANDUM

To: Operations and Regulations Committee

From: Victor M. Fortuna 
Interim President

Date: January 22, 2010

Subj: Management Recommendations with respect to Part 1607 – Recipient Governing Boards and Audit Committees

This memorandum sets forth management's recommendations regarding the various issues and options presented to you in the Office of Legal Affairs's (OLA) Rulemaking Options Paper (ROP) on potential rulemaking to require recipient governing bodies to have audit committees.¹

Having considered the various options and analysis set forth in the ROP, management recommends that the Committee, in turn, recommend that the Board determine not to initiate a rulemaking to amend Part 1607 to require that recipient governing bodies have audit committees.

LSC's management team believes that most recipient boards are performing oversight, including fiscal oversight activities, in an appropriate manner and is not persuaded that adding an audit committee requirement itself will be sufficient to ensure that those recipient boards which are not performing adequately will do so. Because of the diversity of LSC's recipients as corporate entities, management believes that a formal requirement, imposed by regulation, that each recipient governing body establish and maintain an audit committee, could be an unnecessary administrative burden on some recipients. We are concerned that the adoption of additional substantive standards regarding fiscal oversight will either duplicate existing requirements or result in the imposition of a one-size-fits-all standard that will not serve either recipients' or LSC's interests very well. Instead, management recommends that the Committee recommend to the Board that LSC continue to explore and implement non-regulatory measures to encourage recipient boards to have audit committees, adopt sound fiscal oversight practices and engage in active partnership with their recipients' management to ensure compliance with all LSC requirements.

¹ As contemplated by the LSC Rulemaking Protocol, the ROP is prepared by OLA and is designed to provide the Committee and the Board with a full range of options and information to aid the Committee and Board in their respective deliberations and decisionmaking process. Although recent practice has been to include the management recommendation in the ROP, I believe that setting forth management's recommendations in a separate memo will benefit the Committee and the Board by clarifying the distinction between the analysis being provided by OLA and the policy recommendation being made by Management.