

ORIGINAL

**LEGAL SERVICES CORPORATION
AUDIT AND APPROPRIATIONS COMMITTEE MEETING**

JANUARY 27, 1989

9:00 a.m.

**Washington Marriott Hotel
West End Ballroom A
1221 22nd Street, N.W.
Washington, D.C. 20037**

COMMITTEE MEMBERS:

**Pepe J. Mendez, Chairman
Hortencia Benavidez
Paul Eaglin
J. Blakeley Hall
Thomas F. Smegal**

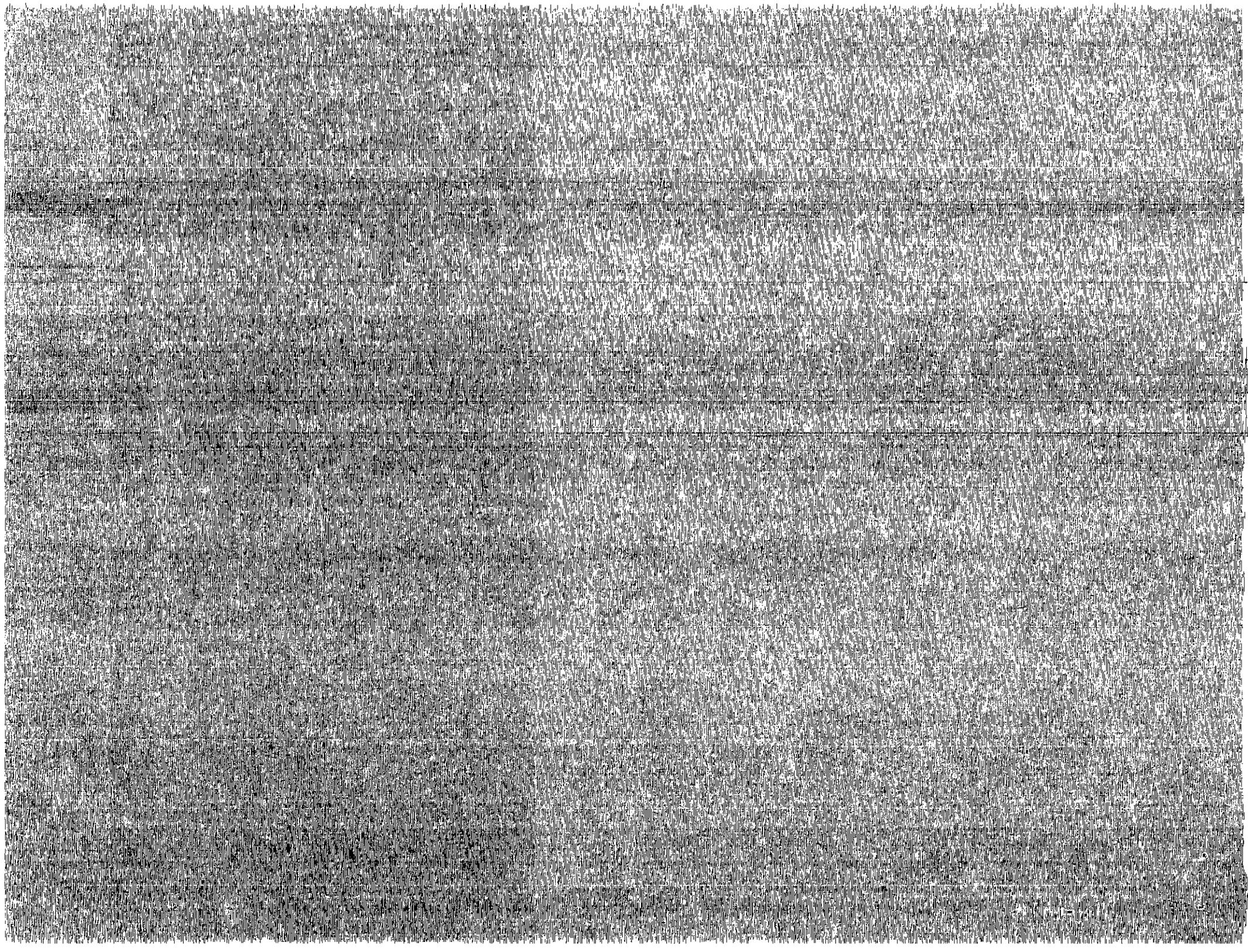
STAFF PRESENT:

**Terrance Wear President
Timothy B. Shea, Vice
President & General Counsel
Maureen Bozell, Secretary**

ALSO PRESENT:

**Lorain Miller
Claude G. Swafford
Robert A. Valois**

**Diversified Reporting Services, Inc.
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WASHINGTON, D.C. 20005
(202) 628-2121**



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P R O C E E D I N G S

9:06 a.m.

1
2
3 CHAIRMAN MENDEZ: Good morning, ladies and gentlemen,
4 my name is Pepe Mendez and we are here this morning on the Audit
5 and Appropriations Committee.

6 At this time I will call the Audit and Appropriations
7 Committee to order. Let the record reflect that we have
8 committee members, Hortencia Benavidez, Paul Eaglin, Tom Smegal
9 and myself present. As well we have Lorain Miller, Claude
10 Swafford and Bob Valois.

11 At this time I will ask for the adoption of the
12 agenda. Do I hear a motion?

M O T I O N

13
14 MR. EAGLIN: I move.

15 MS. MILLER: I second.

16 CHAIRMAN MENDEZ: Are there any comments or any
17 suggestions?

18 (No response.)

19 All in favor, signify by saying aye?

20 (A chorus of ayes.)

21 The next matter on the agenda is the approval of the
22 minutes from December 10th. Do I hear a motion to approve the

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1 minutes from December 10th?

2 MR. EAGLIN: I have corrections, Mr. Chairman.

3 MR. SMEGAL: I have several, also.

4 CHAIRMAN MENDEZ: Just generally do we have a motion,
5 though?

6 M O T I O N

7 MR. EAGLIN: I move.

8 CHAIRMAN MENDEZ: Paul was first.

9 MR. SMEGAL: They may be the same.

10 MR. EAGLIN: On number 4, page 4, the last full
11 paragraph. From a list of names it appears there was a tie
12 rather than a four to three vote. I think Mr. Hall's name was
13 left out if my guess. Assuming he was still in the room.

14 CHAIRMAN MENDEZ: He was.

15 MR. EAGLIN: Then on the Attachment B, this is really
16 minor, the comment at the very bottom at the margin should be
17 "budget as proposed by" rather than "budget as proposed". It's
18 a minor thing, but a very important thing.

19 Those are the things that I noticed.

20 CHAIRMAN MENDEZ: We'll adopt those without objection.
21 Tom?

22 MR. SMEGAL: I've got a couple on the top of page 4.

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1 We had several motions, and the two that Mr. Eaglin made do not
2 indicate there was a second, and there obviously was. I would
3 somehow ask that the minutes be corrected at the top of page 4
4 in both instances to indicate that Mr. Eaglin's motions were
5 seconded by someone, and I think the record might reflect who it
6 was.

7 CHAIRMAN MENDEZ: I'm not sure they can distinguish
8 that, but it would just be satisfactory to say that they were
9 moved and seconded.

10 MR. SMEGAL: Well, I certainly made an effort to
11 second both of those. Whether the record reflects that or not,
12 if someone else is clear, let's get a name in there.

13 MS. SWAFFORD: You know I'm not on this committee, but
14 I believe Robert's Rules of Order say you don't have to name the
15 person who made the second, you merely have to say that it was
16 seconded. I seem to remember having read that years ago.

17 MR. SMEGAL: That's fine except in the case of Mr.
18 Wallace's motion, Mr. Durant offered a second and further on
19 these minutes Mr. Mendez makes a motion and Mr. Durant seconds
20 the motion. So, let's be consistent, Claude. It makes not
21 difference to me.

22 MS. SWAFFORD: I'm not on the committee, I'm not

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1 trying to --

2 CHAIRMAN MENDEZ: Tom, we'll take care of that. Is
3 there anything else?

4 MR. SMEGAL: That's all I have.

5 CHAIRMAN MENDEZ: Are there any other questions or
6 comments?

7 (No response.)

8 With those corrections, all in favor?

9 (A chorus of ayes.)

10 Opposed?

11 (No response.)

12 The minutes pass as corrected.

13 The next matter is the presentation of the
14 corporation's audit report. Mr. Richardson, I believe you have
15 some gentlemen with you.

16 Everyone should, on the committee, should have
17 received, as well as the board, should have received the audit
18 report. If you didn't, please let me know.

19 PRESENTATION OF THE CORPORATION'S AUDIT REPORT

20 MR. RICHARDSON: Good morning, for the record, my name
21 is David Richardson, Comptroller of the corporation. This
22 morning I have with me representatives of Peat Marwick. To my

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1 right is Paul Leleck who is the partner in charge of our audit
2 engagement and behind me is Scott Janssen, he was in charge of
3 the job.

4 They are here to answer any questions that you may
5 have at this time. Direct them either to myself or to them.

6 CHAIRMAN MENDEZ: Does anyone have any specific
7 questions?

8 MR. EAGLIN: I have some questions, is there going to
9 be a general presentation of this or just start into this?

10 CHAIRMAN MENDEZ: No.

11 MR. LELECK: The only thing I really would say is that
12 following up last year to reach an unqualified opinion, that's
13 the opinion at issue, which means we've covered the whole scope
14 of LSC's operations and wrote the report.

15 MR. EAGLIN: On the first one, right after your
16 letter, the balance sheets, can you give me a general idea what
17 the other assets are that are just generally categorized as
18 other assets? What are they?

19 MR. LELECK: Those are primarily prepaid expenses,
20 miscellaneous deposits, things of that sort. You have to have a
21 deposit on your current lease facility, and it is normal to have
22 one month's deposit outstanding. Prepaid expenses would be

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1 things like insurance, items of that nature.

2 Miscellaneous, travel advances, that would be
3 outstanding until, of course, the person who comes in with the
4 appropriate documentation. It's just the timing factor.

5 MR. EAGLIN: Later on, then, two lines down, other
6 liabilities, generally what are the major groupings in other
7 liabilities, can you characterize that; a quarter of a million
8 dollars each year?

9 MR. LELECK: The biggest item in there is accrued
10 vacation.

11 MR. EAGLIN: Then it says other liabilities?

12 MR. LELECK: Other liabilities would be payroll tax
13 liabilities.

14 MR. RICHARDSON: Again, there is one other thing, we
15 have temporary payroll that is paid two weeks in arrears, a
16 major portion approximately, and vacation accrual was \$160,000.
17 The two major factors deal with payroll and the taxes involved
18 in it.

19 MR. EAGLIN: The statement of functional expenses,
20 then, explain generally, then, the supporting activities, that
21 column and then under the program activities those first two
22 figures resulting in travel and programming. From there explain

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1 the difference in the program activities and supporting
2 activities, if you would.

3 MR. RICHARDSON: Program activities do involve our
4 grantees, our providers of services. The amounts that are under
5 consulting and travel, involves the attorney training that we
6 undertook last year.

7 MR. EAGLIN: So that's categorized there.

8 MR. RICHARDSON: We have the training for the
9 attorneys and then, of course, your grants and contracts to the
10 providers is the major segment of that money. The other one, or
11 supporting activities, are the expenses for headquarters.

12 MR. EAGLIN: I didn't know. I couldn't figure out off
13 hand what they would be. Over into the note 1, it isn't really
14 attached to anything that precedes it.

15 MR. LELECK: Note 1 is a standard note that appears.

16 MR. EAGLIN: It appears that way.

17 MR. LELECK: For your organization.

18 MR. EAGLIN: Right. I noticed, though, that on the
19 other notes they were actually annotated with something that
20 occurred in the papers that preceded them, except note 4.

21 Do you want that generally to stand alone or should it
22 be appended to one of the items earlier?

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1 MR. LELECK: Normally it stands by itself. Normally a
2 pension plan or retirement plan stands by itself.

3 MR. EAGLIN: I had difficulty on note 6 in the middle
4 of that. The notes says --I had difficulty figuring out what
5 happens after that comma. The second sentence goes down that
6 comma, "for which the corporation may be held libel, amounts
7 paid in settlement and litigation costs."

8 I had difficulty with that sentence. I was wondering
9 if a word or a phrase had been left out, or is that how you
10 intended it to read?

11 MR. RICHARDSON: You're talking about the sentence
12 that begins "The corporation's management?"

13 MR. EAGLIN: Yes, particularly the part that follows
14 the comma about two lines down, two printed lines down.

15 CHAIRMAN MENDEZ: Let's see if we can work this out in
16 another way rather than to go through the language specifically.
17 Are there any legal problems or is it clear?

18 MR. RICHARDSON: We have, according to FASB Five,
19 revealed all the litigation that is outstanding.

20 CHAIRMAN MENDEZ: Is what?

21 MR. RICHARDSON: According to FASB Five, that's the
22 Financial Accounting Standards Board, we have to reveal to them

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1 all the outstanding litigation and potential liability. All
2 this is stating is that we have fulfilled that, that there is no
3 substantial damages that is going to interrupt the operations of
4 the corporation.

5 MR. EAGLIN: I understood that part, I was just
6 wondering whether the sentence actually reads the way that you
7 intended it to read. I had difficulty comprehending it as it is
8 written.

9 CHAIRMAN MENDEZ: I'll agree it doesn't make the most
10 sense.

11 MR. EAGLIN: Especially if you consider the short
12 sentence that comes after it. I thought perhaps a comma or a
13 sentence was misplaced or something. It just doesn't read
14 correctly.

15 MR. SMEGAL: We're talking about contingencies and
16 then the part that Paul is focusing on talks about past tense.

17 CHAIRMAN MENDEZ: I would say that probably the best
18 way to say is libel, or amounts.

19 MR. EAGLIN: This is an audit report and it ought to
20 read rather precisely. I'd like to have it clarified. I
21 understand what the thrust of the note says.

22 MR. LELECK: I understand your concern.

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1 MR. EAGLIN: I have a little more general comment
2 about the audit report itself, and it really gets to the
3 process. Considering all of last year, to me the most
4 significant financial thing from the concern of fiduciary
5 responsibility of the directors was the investigation of the
6 chairman's expense reports.

7 I was wondering was this reviewed at all? Should that
8 be properly the subject of an audit report investigation? I was
9 concerned to see nothing about that.

10 MR. LELECK: That would not be something that would be
11 part of this. We would report specifically on that
12 investigation.

13 MR. EAGLIN: Would you have reviewed it?

14 MR. LELECK: As part of our audit we review all travel
15 expenses and things of that nature.

16 MR. EAGLIN: Did you review his? I mean, there was
17 concern on the part of Congress about that. It seems to me our
18 own auditors ought to go over the very same thing if it
19 attracted such attention.

20 MR. RICHARDSON: The way the audit is undertaken, they
21 would randomly sample the travel. Whether this was pulled out,
22 I do know that these fully encompass the travel and checked and

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1 reviewed the documentation with him. Everything was complete
2 when pulled. We do not review every trip he undertook, no.

3 MR. EAGLIN: It seems to me this should have gathered
4 more attention from our auditors than that. This is a rather
5 significant event, the financial statements of this corporation.
6 I'm not sure the comment really is addressed the auditors. Of
7 course, as you know since you're in this business, to a great
8 extent your work as an auditor depends on the client.

9 So, it seems to me that we should have presented more
10 to the auditors, should have directed their attention toward
11 this matter to get a review of that.

12 Part of the reason I am concerned about it, from a
13 personal sense, I notice on some of my vouchers I get a dollar
14 changed here fifty cents there, based on the last meeting I
15 received a call to question why I took a lunch on a particular
16 day when I arrived here.

17 There is very close attention to my records and yet
18 the records that got the most attention from Congress did not
19 get, it seems to me, sufficient attention from our own auditors
20 for the year. I am bothered by that.

21 MR. RICHARDSON: The same scrutiny that your travel
22 advances and payments go through, everyone's goes through,

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1 because there is a three-step review process. Nothing is
2 reimbursed, no check is written without sufficient
3 documentation.

4 In a case where you might have had a subtraction on
5 yours particularly, it may be a case where there was no receipt
6 or it was over a limit. Mr. Durant would be under the same
7 scrutiny.

8 MR. EAGLIN: I understand some of his were reimbursed
9 without documentation.

10 MR. RICHARDSON: That's not true. Categorically, no.

11 MR. SMEGAL: Let me follow up on that question. Are
12 you saying then in doing your audit you found no irregularities
13 in the way that our accounting records are kept with respect to
14 board members, that necessitated a footnote in here or some
15 instruction to the corporation to do something differently?

16 MR. LELECK: We would not do the financial statement
17 reports if the documentation was not found for some expense. It
18 would not be appropriate for any financial statement.

19 MR. SMEGAL: Where would that go?

20 MR. LELECK: We would have -- be part of our audit to
21 randomly select invoices, transactions, do statistical samples
22 and things that nature and found nothing unusual, per se.

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1 We did not have corporation's direction, the Audit and
2 Appropriations Committee did not single out one or two
3 individuals per se to address some irregularities which you just
4 noted.

5 As part of our audit we cover all the transactions we
6 believe are appropriate for LSC, not necessarily singling out
7 one area unless directed by the corporation or by the Audit and
8 Appropriations Committee.

9 MR. SMEGAL: Let me see if I understand what you've
10 just said. I've read a lot of these reports, I've served on a
11 lot of boards through the years and frequently I will see a
12 letter from the auditing firm setting out some comments,
13 suggestions, irregularities that they've observed.

14 Are you suggesting there are none, you've found none
15 and there is no such document that's been provided to the
16 corporation? Peat Marwick found no irregularities, no comments
17 were required in addition to what we've see in front of here?

18 MR. RICHARDSON: No, sir. There is a management
19 letter and we're in the process of reviewing at this point and
20 you will get copies of that next week. Substantially there was
21 two comments on the surface, but again, you'll get those next
22 week with any comments.

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1 MR. SMEGAL: The management letter we're going to get
2 is from Peat Marwick or what?

3 MR. LELECK: Yes, sir.

4 MR. SMEGAL: Is there a draft now and it will be
5 finalized next week, what's going to happen to it?

6 MR. LELECK: It's actually in final form now.

7 MR. SMEGAL: Is it a change from the draft?

8 MR. LELECK: No, sir.

9 MR. SMEGAL: I have a couple of other questions. On
10 your balance sheet, it isn't numbered so I can't refer to it, I
11 always get confused by 501 (c) entities taking depreciation. I
12 assume what we're doing here is just going through some
13 bookkeeping entry, because I see 547,285 in assets and backed
14 out under liabilities.

15 Are we just kind of playing numbers games?

16 MR. LELECK: No, what we're trying to do is -- you're
17 right, we are depreciating our assets. We want to point out
18 that part of that fund balance is made up of property and
19 equipment. So, when you capitalize an asset and spend the
20 funds and that thing gets depreciated over the life of the
21 equipment, you don't want to overstate your fund balance and
22 think you have available money.

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1 Of your \$3 million, \$500,000 thousand is related to
2 property and equipment. They will always equal each other. So,
3 it isn't accounting, but it isn't trying to anything other than
4 that. You do have fund -- your two fund balances that are
5 "potentially available to spend," is the \$1.7 million and then
6 committed \$677, that's really what's available to LSC.

7 MR. SMEGAL: I'll get to that in a minute. The
8 question I have on footnote two with respect to what I just
9 referred you to, in '87 accumulated depreciation and
10 amortization was almost a million and a half, this year it's
11 about half that much.

12 I assume '87 was, for some reason irregular, I don't
13 remember what it was on last year's accounting and financial
14 statement. What went on in '87 that required this?

15 MR. LELECK: It's actually what took place in '88.
16 You went through and disposed of quite a bit of equipment, in
17 particularly I understand a computer system and some other items
18 so that asset also would be produced.

19 If you can see the top line of office furniture and
20 equipment, \$2.5 million went down to \$1.2, so they were related
21 in accumulated depreciation also came off the books at that time
22 that you disposed of those assets.

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1 MR. SMEGAL: No, actually it happened in '87, if I
2 read this correctly. I've got an '87 column, we've got property
3 and equipment and I assume it's at the beginning of the year we
4 depreciated a million and a half, and we end up with a carryover
5 in '88 of \$1.130172 for net property and equipment.

6 So, we took the depreciation accumulated depreciation
7 and amortization in '87 or it wouldn't be in that column; would
8 it?

9 MR. LELECK: Your depreciation expense was the same
10 for both years. In '87 it was 242, in '88 it was 225. Those
11 are those assets, the asset came off the book and the older
12 accumulated depreciation came off the '87 column, that's why it
13 went down.

14 MR. SMEGAL: The asset came off in '87?

15 MR. LELECK: Yes, sir, in '88.

16 MR. RICHARDSON: The asset came off and the related
17 depreciation also came off.

18 MR. SMEGAL: You've made reference to going back to
19 the balance sheet again. There is \$1.78059 as uncommitted. I
20 appreciate that maybe you can't answer this question, but maybe
21 David can.

22 On page 29 of our materials we've received for this

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1 meeting, at the bottom of it there is an item called grant
2 recoveries, \$985,518, which is not part of this \$1.78 you just
3 referred to.

4 Where does that come from, Dave?

5 MR. RICHARDSON: That is grant recoveries that have
6 come into the corporation, subsequent to the closing at the end
7 of the year.

8 MR. SMEGAL: So this is after September 30. We'll get
9 to that when we get to that part of the report. I have one
10 other question.

11 You've got two notes, 5 and 6 that Paul just referred
12 to with respect to 6 at least, and I look at your balance sheet
13 again, and in spite of the fact there notes, I see nothing out
14 there in either column, why do we prepare that.

15 It says, "Commitments and contingencies, notes 5 and
16 6," and then on my page it's blank.

17 MR. RICHARDSON: As far as notes, we are required to
18 reveal any outstanding lease commitments that we have in the
19 coming years, that's what note 5 is, the lease on the building
20 that we're in, plus the leases on the regional offices.

21 Six, as far as the contingencies related to legal
22 issues, what we're stating is that we have revealed all of those

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1 to the auditors and they will not affect our contingent
2 operations. There is nothing of major value that will interrupt
3 our operations.

4 MR. SMEGAL: So to complete this document there should
5 be a zero or something here to indicate they're actually -- the
6 way it looks to me is like somebody just left out a number. Do
7 you want to put zero there?

8 MR. LELECK: No.

9 MR. JANSSEN: It's standard procedure to leave that
10 area blank, to merely provide a reference in the fact of the
11 balance sheet for the reader so that he or she is aware that
12 there are commitments, contingencies that exist.

13 MR. SMEGAL: They have no affect on this balance? If
14 they have not effect, isn't the effect zero?

15 MR. JANSSEN: Zero. Zero implies that there may, in
16 fact be a number there. Zero is a number itself. This is
17 intended to represent that there is no accrued value to those
18 liabilities.

19 MR. SMEGAL: The whole page is numbers, that's
20 inconsistent with the page. If these notes should have no
21 effect and they are not intended to be a number, why aren't they
22 just tagged on somewhere else and not given a separate line.

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1 MR. LELECK: It's important.

2 MR. SMEGAL: Everything else on here that has a line
3 has a number.

4 MR. LELECK: From Peat Marwick's perspective the firm
5 has determined in the liability section to highlight the fact
6 there are commitments and contingencies for any client, standard
7 Marwick reference that's required because of liabilities that
8 exist primarily as cited under the lease. You just do not put a
9 dash or a zero in there.

10 MR. SMEGAL: So the note could also alternatively go
11 up under -- after liabilities -- up at the head of the page?

12 MR. DANSON: Yes, sir. Liabilities and assets are
13 typically put in order of liquidity. So, in this case
14 commitment to contingencies which do not carry an exact value
15 with them, often are placed at the end of the balance sheet.

16 MR. LELECK: It's important for the reader to
17 understand you have a large commitment, in your case it's lease
18 space.

19 MR. EAGLIN: So it should be in the liability and it
20 shouldn't appear below the totals, not even then? Even that
21 might make these --

22 (Simultaneous conversation.)

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1 MR. DANSON: The only time that there would be a
2 number there is if you had posted an accrual. If you had
3 actually accrued an amount to be paid. At this point the
4 balance sheet doesn't -- you don't have an accrual. You would
5 accrue this, it's not an accruable item.

6 MR. SMEGAL: That brings to mind it seems to me maybe
7 it wasn't last year, but within the years we've served on this
8 board we have had an accrual account in potential litigation
9 expenses. I remember sitting in this room and suggesting --

10 MR. LELECK: The Lochriccio case.

11 MR. SMEGAL: Right, that's right. We had money in
12 some accrual account. That's gone now, is that out of here? We
13 don't have any more?

14 MR. RICHARDSON: That's right, that money has been
15 returned. Further reference to that, if you look at the balance
16 sheet on '87, you'll see other assets it was \$141,000. The
17 other assets in '88 in \$48,000 and that's where that money would
18 have been received.

19 MR. SMEGAL: Thank you very much.

20 CHAIRMAN MENDEZ: Tom, do you have any other
21 questions?

22 MR. SMEGAL: No.

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1 CHAIRMAN MENDEZ: Paul?

2 MR. EAGLIN: No.

3 CHAIRMAN MENDEZ: Does anyone else on the board, other
4 members of the board have any questions.

5 Do I hear a motion to accept the audit report from
6 Peat Marwick?

7 M O T I O N

8 MR. SMEGAL: Is that the appropriate motion or is it a
9 recommendation to the board that the board accept the audit
10 report? I would make that motion, but that isn't quite the
11 total motion I would make, which is to recommend to the board
12 that the auditors report be approved, conditioned upon our
13 review of the management letter.

14 CHAIRMAN MENDEZ: Is there a second?

15 MS. BENAVIDEZ: I second that.

16 CHAIRMAN MENDEZ: Any comments?

17 (No response.)

18 None appearing, all in favor, signify by saying aye?

19 (A chorus of ayes.)

20 Opposed?

21 (No response.)

22 Thank you, sir.

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1 Tom, do you want to recommend to the board to accept
2 the audit report, conditioned upon the review of the management
3 letter?

4 MR. SMEGAL: The board review of the management
5 letter. I think everyone should have an opportunity to see
6 that. There may be some items in there that would change our
7 view of whether we should approve this or not?

8 CHAIRMAN MENDEZ: I just want to make sure that when I
9 reported it I had it right.

10 MR. EAGLIN: Excuse me. Do you have anything after
11 the tab '88 COB? Do you have anything in your book?

12 CHAIRMAN MENDEZ: No, I don't have anything.

13 The fourth thing on our agenda, which Paul has just
14 alluded to, the presentation of the final consolidated operating
15 budget for FY '88.

16 Mr. Richardson, where should be look for materials?

17 PRESENTATION OF THE FINAL CONSOLIDATED OPERATING
18 BUDGET FOR FY 1988

19 MR. RICHARDSON: During our discussions you had asked
20 that that not be presented at this time, but it is seen in a
21 format under the next category, allocation of carryover. It is
22 a written version of it. Since we presented it at the December

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1 meeting and there's no changes, it was left out of this
2 document.

3 CHAIRMAN MENDEZ: Paul, the reason I didn't do that
4 was that we talked about it in December and we didn't have any
5 changes then and I didn't think that we needed to revisit it
6 this time.

7 Does anybody want to revisit it, let me just ask that
8 question?

9 (No response.)

10 None appearing, we'll pass to the next item, the
11 allocation of FY '88 carryover funds.

12 What do we have in terms of carryover, Mr. Richardson?
13 Where should we look so that we have everybody on the same page?

14 PRESENTATION OF THE FY 1988 CARRYOVER FUNDS

15 MR. RICHARDSON: If you turn to page 22. The
16 committed carryover is \$677,580. That goes to our programs and
17 board designated projects that have not been completed as yet.
18 Uncommitted carryover, which is available for allocation, is
19 \$1,780,059.

20 I have prepared a document on 23 with a proposed
21 allocation of the carryover within the budget lines that would
22 make it available to different programs as the board committed

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1 and also the uncommitted being transferred or allocated to the
2 corporate management and administration budget.

3 CHAIRMAN MENDEZ: This \$1,780,059, that's essentially
4 the money Congress talked about in their language?

5 MR. RICHARDSON: That is correct. The appropriation
6 that allowed reprogramming the \$1.7 million.

7 CHAIRMAN MENDEZ: That's what you suggest be
8 transferred into M&A?

9 MR. RICHARDSON: Clarification of that, the only
10 amount that needs to be transferred is \$1,167,000.

11 CHAIRMAN MENDEZ: The remaining amount is already
12 appropriated?

13 MR. RICHARDSON: That's correct.

14 CHAIRMAN MENDEZ: Are we all on the same wavelength
15 about this?

16 MR. SMEGAL: So far, but I have some questions. I
17 didn't have in the materials that I was sent an indication of
18 how much M&A was actually expended last year, can you give me
19 that number; leaving \$611,000 as a carryover, what was spent?

20 MR. RICHARDSON: The amount of expense last year was
21 \$9,900,000.

22 MR. SMEGAL: That was actual expense?

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1 MR. RICHARDSON: That's how much entered M&A, yes.
2 However, there was an adjustment based on the FERS money coming
3 back into the corporation. The actual amount spent was \$10
4 million last year; it was like \$10,100,000.

5 MR. SMEGAL: I don't have the breakout here, again, on
6 any of these documents. Some portion of that was spent on
7 monitoring last year?

8 MR. RICHARDSON: That's correct.

9 MR. SMEGAL: Could you tell me what that number was?

10 MR. RICHARDSON: Just a moment. This is the
11 presentation of the consolidated budget that was given to you in
12 December. I did bring it in final form. If you'll turn to page
13 3 of this document, you'll see that the monitoring spent
14 \$4,219,000 last year.

15 This is the same document that you received at the
16 November meeting.

17 CHAIRMAN MENDEZ: Let's go through these numbers again
18 which you talked to Tom about previously. I see this \$9,911,000
19 as the total expenditure, but you're saying that that doesn't
20 reflect some of the FERS money?

21 MR. RICHARDSON: I'm saying that it does. If you
22 recall, we had a credit of \$150,000 because of the FERS program.

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1 That money has now been received by the corporation, is back in
2 our books. It was credited to this year's expense.

3 CHAIRMAN MENDEZ: To '88's expense?

4 MR. RICHARDSON: To '88 expense, even though it was
5 '87 monies. In essence, we have spent \$9.9 million plus
6 \$150,000.

7 MR. SMEGAL: It was spent; is that right?

8 MR. RICHARDSON: Right.

9 CHAIRMAN MENDEZ: If the actual expenditure that the
10 corporation had was then \$10.06?

11 MR. RICHARDSON: Right.

12 MR. SMEGAL: You got that by adding \$150,000 to \$9.91?

13 CHAIRMAN MENDEZ: Right.

14 MR. SMEGAL: David, how much on this document that
15 you've just given us of four pages, page 3, Roman numeral III
16 (a) 6 which is monitoring, audit and compliance, can you tell me
17 of the \$4.2 spent how much of that was spent on non-LSC -- let me
18 put it in a different way.

19 How much of that is LSC staff salaries, permanent
20 salaries?

21 MR. RICHARDSON: In the monitoring division?

22 MR. SMEGAL: Yes.

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1 MR. RICHARDSON: I don't have that information with
2 me, I can supply it to you.

3 MR. SMEGAL: Would you give me an idea, is it half, a
4 third, a tenth?

5 MR. RICHARDSON: It's at least half, I would think,
6 but I wouldn't -- I can call and get the figure and provide it
7 for you after the meeting.

8 MR. SMEGAL: Thank you. So what part are we working
9 on, 19 to what?

10 CHAIRMAN MENDEZ: We're on 22 and 23. Do you have any
11 other questions, Tom?

12 MR. RICHARDSON: If you like, we can go through the
13 carryover in each line. It is detailed in the written
14 documentation. It's also detailed on the bottom of the sheet
15 that was just given to you in a very concise format.

16 Let me give you one for a reference in regards to the
17 basic field programs, it's \$233,449 committed carryover. That
18 money is committed to Essex-Newark Legal Services and for
19 Southwest Louisiana Legal Services in the Tri-Parish area.

20 Each one of these lines is documented to a specific
21 program or board commitment.

22 MR. SMEGAL: So I understand completely what page 23

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1 represents, we have our normal spreadsheet and what you've done
2 is added to the bottom of it under Roman numeral III and item 2,
3 which is identified as fiscal year '88 uncommitted carryover,
4 and you've taken everything out of column 1 that is not
5 committed, totaled it up and put it over here under column 2 as
6 proposed allocation of fiscal year '88 carryover?

7 MR. RICHARDSON: That's correct.

8 MR. SMEGAL: Included in that is about a little under
9 \$600,000 of what had been allocated for the legal assistance,
10 and it is not committed, only \$588,000 is committed, so you've
11 taken that difference and moved it down there also; is that
12 right?

13 MR. RICHARDSON: Yes, sir. If you'll look at the
14 consolidated sheet that was just handed to you in the last two
15 columns, column 8 and column 9. Column 9 is the amount that is
16 uncommitted and the proposed allocation.

17 CHAIRMAN MENDEZ: Do you have any other questions,
18 Tom?

19 MR. SMEGAL: No.

20 MR. EAGLIN: Are we are the point of making a motion?

21 CHAIRMAN MENDEZ: Well, do you have some questions?

22 MR. SMEGAL: No. I have no further questions.

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1 CHAIRMAN MENDEZ: Paul, do you have any other
2 questions?

3 MR. EAGLIN: Not questions.

4 CHAIRMAN MENDEZ: Does anyone else have any questions?

5 (No response.)

6 I think we probably ought to put something on the
7 floor.

8 MR. SMEGAL: I think we should have a motion on the
9 floor before we ask the audience to comment.

10 M O T I O N

11 MR. EAGLIN: I have one. What I would prefer is this,
12 and this is my motion. In Roman I, the delivery of legal
13 assistance -- the carryover and delivery of legal assistance,
14 the \$1.177 be carried over, and the amounts that fall under the
15 columns there, 1, 2, 3, carry forward.

16 We add to basic fields the following carryover from
17 down below, the C 1 carryover, the 2 A carryover, and the amount
18 that would remain there from corporation management and grant
19 administration, that figure now would be changed because the one
20 you have here takes into account --

21 CHAIRMAN MENDEZ: Go though this again, Paul, you've
22 managed to lose me.

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1 MR. EAGLIN: Roman I, the carryover remains there.
2 Basic field keeps its carryover, Native American keeps its
3 carryover, migrant keeps its carryover. Law school clinics
4 carryover goes to basic field. Training and technical
5 assistance --

6 CHAIRMAN MENDEZ: Okay.

7 MR. SMEGAL: The management carryover to basic field?

8 MR. EAGLIN: Yes.

9 MR. SMEGAL: The \$612,744, and you think that has to
10 be reduced by some or not?

11 MR. EAGLIN: Maybe. No, that shouldn't have to if
12 that's what the carryover is.

13 CHAIRMAN MENDEZ: The regional training centers, does
14 that go to the basic field?

15 MR. EAGLIN: Yes.

16 CHAIRMAN MENDEZ: State support, does that go to
17 basic?

18 MR. EAGLIN: No, it stays.

19 CHAIRMAN MENDEZ: CLAR?

20 MR. EAGLIN: I think there was a comment that there
21 was need for --

22 MR. SMEGAL: Four dollar more than that.

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1 CHAIRMAN MENDEZ: I just want to make sure that I
2 understand.

3 MR. RICHARDSON: If you look at the statements it does
4 say that the carryover for the CLAR was \$8,331, but we actually
5 need \$8,775.

6 MR. EAGLIN: Because of Massachusetts law reform;
7 right?

8 MR. RICHARDSON: That's correct.

9 MR. EAGLIN: So, I don't want to change that one.

10 CHAIRMAN MENDEZ: What about under this law school
11 thing?

12 MR. EAGLIN: Yes, that moves up, that is to basic
13 field.

14 CHAIRMAN MENDEZ: However, their note indicates that
15 there is \$25,000 of that that is committed, and there's only
16 \$8,000.

17 MR. EAGLIN: We're only discussing uncommitted
18 carryover in the motion, at least that was my intent to discuss
19 only the movement of uncommitted carryover.

20 CHAIRMAN MENDEZ: His notes previous to that -- David,
21 tell me if I'm reading this right or wrong. On page 20 you say
22 under law school clinics and recruitment, that there's \$33,000

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1 remaining. Of that, \$25,000 is committed?

2 MR. RICHARDSON: That's correct.

3 MR. EAGLIN: My motion has only to do with uncommitted
4 carryover. He's explained in the memo that there are certain
5 things that must commit.

6 CHAIRMAN MENDEZ: You and I are on the same
7 wavelength?

8 MR. EAGLIN: Yes. I'm discussing only uncommitted
9 carryover in these lines.

10 CHAIRMAN MENDEZ: Let me make sure that I understand.
11 You don't want to change anything that is committed as contained
12 in the memorandum of January 18th?

13 MR. EAGLIN: We're going to meet our commitments. I'm
14 talking about moving only uncommitted carryover in the line
15 items that I've discussed. I don't have that total.

16 CHAIRMAN MENDEZ: I don't want to mistake anything.
17 Your motion is to move only uncommitted carryover to basic field
18 and you want to move the uncommitted carryover from law school
19 clinics and from M&A; is that a fair statement? That's the only
20 one you wanted to move?

21 MR. EAGLIN: Well, the training and technical
22 assistance as well. We can't move anything -- there's little to

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1 be moved from regional training because there's so much
2 committed there. I believe that the staff is recommending to
3 move 2 (a) 1 down below to M&A. I'm suggesting that the
4 uncommitted ought to go up to basic field?

5 CHAIRMAN MENDEZ: That's what I said.

6 MR. EAGLIN: Okay.

7 CHAIRMAN MENDEZ: Move only uncommitted carryover to
8 basic field, that's what you want to do?

9 MR. EAGLIN: Yes.

10 CHAIRMAN MENDEZ: From all lines that are not
11 committed?

12 MR. EAGLIN: With the exception of 2 (d). In state
13 support I'm not suggesting that you move that, for example, from
14 there, the basic field, the uncommitted part.

15 CHAIRMAN MENDEZ: Is there anything else that's
16 uncommitted that you don't want --

17 MR. EAGLIN: Within 1 (a), I'm not suggesting to move
18 Native American or migrant uncommitted funds to basic field, but
19 that they should keep that carryover. That should also be an
20 exception.

21 CHAIRMAN MENDEZ: Let me see if I can just paraphrase
22 your motion to make sure that I'm on the -- your motion is to

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1 move uncommitted carryover to basic field except for state
2 support, Native American and migrant. That summarizes your
3 motion?

4 MR. EAGLIN: Yes. Those programs keep their
5 uncommitted carryover, the exceptions that you just mentioned.

6 MR. SMEGAL: Is the motion complete now? I will
7 second that motion.

8 CHAIRMAN MENDEZ: Let me just read it back so that I
9 can make sure that I'm on the same. The motion is to move
10 uncommitted carryover to basic field except for state support
11 and Native American and migrant. These exceptions will keep
12 their carryover, the uncommitted carryover.

13 We have a motion by Paul, it's seconded. Now
14 discussion.

15 MR. SMEGAL: Let me, if I may, make one observation.
16 What we're talking about here is about \$1.8 million. We had a
17 discussion, some of you were present in Raleigh, North Carolina
18 a week ago today, where it was proposed that we rewrite 1609 so
19 that some amount of money, which may be as much as three times
20 \$1.780 be redistributed among programs.

21 The laudatory basis asserted for doing that is to
22 distribute more money to the basic programs. Here we've got an

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1 opportunity to do thirty percent of that in a relatively simple
2 way, merely take our uncommitted carryover from 1988 and 1989,
3 place it in the basic field programs in a manner that Mr. Eaglin
4 has proposed, then require publication of proposed regulations,
5 it doesn't require extensive debate and 335 responses,
6 essentially all negative, to the other plan.

7 This is a very simple procedure, the same objective
8 that we discussed at great length last Friday in Raleigh. It
9 seems to me, under the circumstances, if we're going to be
10 consistent in our acts, we have no alternative but to proceed as
11 Paul has suggested and transfer those uncommitted funds to the
12 basic field programs.

13 MR. EAGLIN: I need to make a clarification. I was
14 just talking to Mr. Richardson and then with respect to my
15 intentions on the migrant, the money that you see there, the sum
16 that you see, represents funds, as he indicates, available to
17 four states for which there are no providers.

18 My intention in recategorizing it is to make it
19 available to all migrant programs, not just to redirect it only
20 to those four states.

21 What kind of wording would you need to make that
22 clear?

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1 CHAIRMAN MENDEZ: Paul, I think we can just say that.
2 All we have to do is just say migrants and then we'll just back
3 in there and discuss about what we're going to do with it later.

4 MR. EAGLIN: So Washington -- North Carolina, Texas--

5 CHAIRMAN MENDEZ: I think if this passes, what you do
6 is make some directive.

7 MR. EAGLIN: I just want to make that clear, though.
8 I don't want to leave it there.

9 CHAIRMAN MENDEZ: I don't disagree, I would have some
10 comment, if this passes, about that.

11 Before we vote on it, I think we probably should take
12 some public comment. Before we do that, take public comment, is
13 there any discussion from the board?

14 (No response.)

15 None appearing, does anyone from the audience care to
16 discuss?

17 MS. ROGOFF: On behalf of the PAG, we would support
18 this motion.

19 CHAIRMAN MENDEZ: That's the shortest public comment
20 I've had since I've been here.

21 Any other comments?

22 (No response.)

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1 None appearing, we'll go through and vote on this.
2 Let me make one comment. As chairman I don't agree with this.
3 Congress told us that they gave us \$8.3 million for the
4 corporation and we were to transfer -- their indication was that
5 \$1.7 million was to be transferred to bring the corporation back
6 up to where it was last year.

7 If you do this, the corporation won't have the funds
8 to be back at the same level it was operating at last year.

9 MS. SWAFFORD: I have a question. In the event that
10 this motion passes, is it a recommendation to the board?

11 CHAIRMAN MENDEZ: It's a recommendation to the board.

12 MS. SWAFFORD: Which can be redebated?

13 CHAIRMAN MENDEZ: That's correct.

14 MS. SWAFFORD: It would be debated at that point and
15 voted?

16 CHAIRMAN MENDEZ: That's correct.

17 MS. SWAFFORD: Thank you, I wasn't quite sure.

18 CHAIRMAN MENDEZ: Probably the best way to do this is
19 go through and have a roll-call vote.

20 Mr. Eaglin?

21 MR. EAGLIN: I support my motion.

22 Mr. Smegal?

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1 MR. SMEGAL: Aye.

2 Chairman votes no.

3 Mr. Hall?

4 MR. HALL: Yes.

5 Ms. Benavidez?

6 MS. BENAVIDEZ: Yes.

7 It carries four to one.

8 MR. SMEGAL: May I just add a footnote? Your comment
9 is interesting to me. I'd like to see the language in the act
10 that required us to find \$1.7 million--

11 CHAIRMAN MENDEZ: I didn't say required.

12 MR. SMEGAL: I'm sorry, I understood you to say that.

13 MR. RICHARDSON: It does not require it, but it does--
14 - in the language in the conference report -- state that \$1.7 of
15 the carryover could be moved to the M&A line.

16 MR. SMEGAL: If the board felt there was more money
17 needed for M&A?

18 CHAIRMAN MENDEZ: No.

19 MR. SMEGAL: If I can just see the language before we
20 vote further on this, I'd appreciate it.

21 MR. RICHARDSON: The conferees did suggest in the
22 language that they recognize that \$8.3 was not enough money to

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1 run the management and administration, and it did make available
2 to the programming staff up to \$1.7, and even made reference
3 that additional monies could be made available to M&A through
4 the reprogramming.

5 CHAIRMAN MENDEZ: Tom, just to make sure that's it
6 clear, I thought I said suggested that that was.

7 MR. SMEGAL: I misunderstood you and I apologize. If
8 it as the kind of language that we've discussed over the last
9 four years that we ignore, then it's one thing. If it's what I
10 understood Pepe to say, then it's another thing, of course.

11 MR. RICHARDSON: That's almost identical to last year.

12 MR. SMEGAL: It's in the committee report it is not
13 language in that?

14 MR. RICHARDSON: No.

15 CHAIRMAN MENDEZ: Do you have the language?

16 MR. RICHARDSON: I don't believe I have it with me,
17 but I'll have it delivered.

18 The next matter is discussion of the corporation's FY
19 '89 consolidated operating budget. Tim, do you have the
20 language?

21 MR. SHEA: The current language?

22 CHAIRMAN MENDEZ: The current language.

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1 MR. SHEA: I do.

2 MR. SMEGAL: I'd like to look at it at some point, but
3 we've got another matter here to discuss, Mr. Chairman.

4 DISCUSSION OF THE FY '89 CONSOLIDATED BUDGET

5 CHAIRMAN MENDEZ: Yes, that's the '89 COB. I think
6 also when we talk about the '89 COB, and I assume that we're
7 going to be addressing the grant recoveries, I think it would be
8 helpful if we had that language before discussed the grant
9 recoveries.

10 MR. SMEGAL: The word is may. There's also some other
11 additional language with respect to finding a carryover from
12 non-delivery components.

13 CHAIRMAN MENDEZ: The language is that the conferees
14 have assumed the availability of \$1.7 carryover funding to meet
15 the needs of corporation management and administration. Then it
16 goes on to say, in the next paragraph, "The conferees are agreed
17 that additional carryover beyond \$1.7 maybe applied to
18 management and administration funds, submission and approval of
19 a reprogramming request."

20 I think the key is the first paragraph after the
21 outlining of the various items that they assume there was an
22 availability of a \$1.7 in carryover funds.

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1 MR. SMEGAL: Well, there's another sentence, Pepe, you
2 neglected to read.

3 CHAIRMAN MENDEZ: There's quite a few.

4 MR. SMEGAL: No, just one more sentence in the
5 paragraph that you were reading. You might read that also.
6 Where it's suggested that maybe we can find such funding from
7 "non-delivery components," isn't that what it said, the last
8 sentence in the paragraph?

9 CHAIRMAN MENDEZ: You and I are on different
10 paragraphs.

11 MR. SMEGAL: Maybe that's the problem.

12 CHAIRMAN MENDEZ: It seems to me that this paragraph
13 is one, if you're asking for more than \$1.7 it talks about that.
14 On the first \$1.7 it doesn't say that.

15 MR. SMEGAL: I don't know the carryover, the only
16 carryover we're talking about is \$1.7 and the sentence says,
17 "However, the conferees would urge that the corporation make
18 every attempt to drive such carryover from the non-delivery
19 components of its budget."

20 CHAIRMAN MENDEZ: That's in excess of the \$1.7.

21 MR. SMEGAL: Well, there's only one carryover, it's
22 \$1.7, it's the only thing in here called carryover.

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1 CHAIRMAN MENDEZ: The conferees agreed that additional
2 carryover beyond \$1.7.

3 MR. SMEGAL: That isn't what this says. It doesn't
4 say such additional carryover, it's just talking about carryover
5 again. The only word carryover is up there. Again, as Mr.
6 Wallace has pointed out on so many occasions that I can't count
7 them, it's really conference language, it isn't statutory. It
8 doesn't bind us in any way as he's pointed out to us so many
9 times.

10 CHAIRMAN MENDEZ: Tom, you're riding the opposite
11 horse today.

12 MR. SMEGAL: Ride any horse that's available, you've
13 got to get from here to there somehow.

14 CHAIRMAN MENDEZ: When it's convenient, okay.

15 MR. SMEGAL: When it's necessary.

16 CHAIRMAN MENDEZ: We're now to the '89 COB. I would
17 invite the board's attention to pages 27 and 29. I assume
18 that's the are we ought to be looking at.

19 MR. RICHARDSON: That's correct.

20 CHAIRMAN MENDEZ: Let me just go through on page 29.
21 Column 1 is what has been appropriated by conference; is that
22 correct?

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1 MR. RICHARDSON: Yes, that's correct.

2 CHAIRMAN MENDEZ: If we move -- I want to look at
3 column 2. I'm not sure how it's going to be greeted up on the
4 Hill, but I think we have to go up and make a reprogramming
5 request for that to move that \$60,128 from basic field to Native
6 American. There's the explanation in there and that would be
7 the only change that I think that we need to talk about.

8 Is that a fair statement?

9 MR. RICHARDSON: Yes, sir.

10 CHAIRMAN MENDEZ: Do I have a motion to change it from
11 basic field to Native American, the \$60,128.

12 MR. EAGLIN: We need to do that to support that
13 program that's operating there.

14 CHAIRMAN MENDEZ: Yes, either that or there's another
15 alternative.

16 MR. EAGLIN: What is that?

17 CHAIRMAN MENDEZ: Well, I was thinking about -- I was
18 confusing the migrant.

19 MR. EAGLIN: How'd we do it last year?

20 CHAIRMAN MENDEZ: This is the first year we've had it,
21 though.

22 MR. EAGLIN: They just assume that responsibility this

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1 year?

2 CHAIRMAN MENDEZ: When did it change, Dave?

3 MR. RICHARDSON: This has been going on since the
4 early '80s. Last year it was not handled and did have a
5 revolving pool and money in a contingency fee that we were able
6 to support this line last year.

7 CHAIRMAN MENDEZ: Do I hear a motion to move it from
8 one line to the other?

9 MR. EAGLIN: I don't think we need to do that.

10 CHAIRMAN MENDEZ: I think that would be more
11 legitimate.

12 M O T I O N

13 MR. EAGLIN: I move.

14 CHAIRMAN MENDEZ: Do I have a second.

15 MR. SMEGAL: Second.

16 CHAIRMAN MENDEZ: Paul has moved it and Tom has
17 seconded it. Is there any discussion about moving the \$60,000
18 from basic field to Native American?

19 (No response.)

20 None appearing, does PAG have any comments concerning
21 the movement from one line to the other on this?

22 MS. ROGOFF: No.

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1 CHAIRMAN MENDEZ: All in favor, signify by saying aye?

2 (A chorus of ayes.)

3 With that change, do I have a motion to approve the
4 COB as amended?

5 MR. SMEGAL: I believe to be consistent with the vote
6 we just a few minutes ago we're going to need to make some
7 changes, Mr. Mendez. If I recall our motion it was to take the
8 \$1,780,059 uncommitted.

9 CHAIRMAN MENDEZ: Integrate all of what we've done
10 before.

11 MR. EAGLIN: That's part of the motion?

12 CHAIRMAN MENDEZ: No, I don't have a motion.

13 MR. SMEGAL: I'll let Paul make the motion to be
14 consistent in this. I think what you're doing Paul would be
15 consistent as in column 3, \$1.78059 has to become zero, and it
16 be redistributed in accordance with the motion that's already
17 passed. That goes away.

18 Before you make the motion, Mr. Richardson, I have
19 another question there. You've got this grant recovery which
20 you explained to me earlier was the result of activity since
21 September 30, 1988.

22 It would be now my understanding that since September

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1 30, 1988, there have been \$985,516 recovered from grantees?

2 MR. RICHARDSON: Yes, sir. That's in regards to the
3 fund balance recovery found in excess of ten percent. We
4 granted waiver for anything over that and the corporation could
5 grant a waiver to 25 percent, providing they have a plan to use
6 the money if the system recovered that money.

7 MR. SMEGAL: That's the only source of this money?

8 MR. RICHARDSON: Yes, sir.

9 MR. SMEGAL: Is it a one-time recovery that is now
10 completed for year?

11 MR. RICHARDSON: Yes, sir.

12 CHAIRMAN MENDEZ: Do we have the money actually in
13 pocket?

14 MR. RICHARDSON: Yes, it is.

15 MR. SMEGAL: Do you physically get it back, or you
16 take it as a credit.

17 MR. RICHARDSON: We physically took this back.

18 MR. SMEGAL: Did they write you a check?

19 MR. RICHARDSON: That's correct. They do that in each
20 case. Occasionally we will have someone who will take a grant
21 reduction, but in most cases they will write us a check and
22 return the money.

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M O T I O N

1
2 CHAIRMAN MENDEZ: The chairman is going to make one
3 motion and see how it goes. I move that we put the grant
4 recoveries, the \$985,516 in M&A. Do I have a second?

5 (No response.)

6 MR. HALL: Could you repeat that?

7 CHAIRMAN MENDEZ: I move that put the grant recoveries
8 that we've had, the \$985,516 into management and administration.

M O T I O N

9
10 MR. SMEGAL: That having failed for lack of a second,
11 I'll move that the grant recoveries of \$985,516 be moved to line
12 1 (a) 1.

13 MR. EAGLIN: Second.

14 MR. SMEGAL: That then will change this document, page
15 29, again consistent with the prior motion that we passed with
16 respect to the carryover; that's in addition.

17 CHAIRMAN MENDEZ: I mean that's all of it will be
18 added to that?

19 MR. SMEGAL: Right.

20 CHAIRMAN MENDEZ: The motion is then line 1 (a) 1 is
21 basic field?

22 MR. SMEGAL: Right.

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1 CHAIRMAN MENDEZ: Again I will speak in opposition to
2 it, stating that my reading of the comments that Congress, when
3 it allocated the \$8.316 to M&A, that they intended that there be
4 an additional \$1.7 million.

5 Is there any other discussion?

6 MR. SMEGAL: Yes. I think the paragraphs -- assuming
7 there is carryover and then there's carryover, Mr. Mendez, I
8 think your comments are inconsistent with the committee report
9 which states, as I pointed out to you in the last sentence of
10 the paragraph to which I referred you, that additional carryover
11 funds should not be transferred from the delivery system and
12 that is exactly what you're doing here. These are grant
13 recoveries from the delivery system.

14 CHAIRMAN MENDEZ: Tom, I don't believe that you're
15 reading the language correctly.

16 MR. SMEGAL: I think I am, Pepe. I think it's very
17 clear. You pointed out to me how you believe it to be clear,
18 and I am accepting for the purpose of your discussion that it is
19 clear in that point.

20 These are additional carryover funds, grant recoveries
21 from field programs, and the Congress has made it very clear,
22 assuming we now start following committee report language, very

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1 clear that we shouldn't do this. They said that very
2 specifically.

3 The last sentence is very clear. I don't have it now,
4 the document is no longer here.

5 CHAIRMAN MENDEZ: If we assume your argument is
6 correct, then the \$600,000 which was in the corporation budget
7 from before should be left in the corporation budget.

8 MR. SMEGAL: No, that's a different motion.

9 CHAIRMAN MENDEZ: I understand, but your logic on one
10 is different from the other.

11 MR. SMEGAL: No, I just want to focus on this, Pepe.
12 These will obviously be separate matters discussed at the board.
13 While I am buoyed by the fact that this motion has passed in
14 this particular subgroup, I am not overwhelmed with confidence
15 that it will pass again.

16 I am hopeful it will. In the event that it does not,
17 we are back looking at something in addition to the \$1,780,000.
18 I'm telling you that the committee report that I read says we
19 don't take this \$985,000 and do what you would like to do with
20 it.

21 In any event, I call for the question.

22 CHAIRMAN MENDEZ: You can't call for the question,

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1 Tom, you were one of the motion makers.

2 Is there any other discussion?

3 (No response.)

4 Any public discussion?

5 (No response.)

6 None appearing, all in favor of Mr. Smegal's motion,
7 signify by saying aye?

8 (A chorus of ayes.)

9 Opposed?

10 The chairman votes nay.

11 MR. HALL: No.

12 CHAIRMAN MENDEZ: It passes three to two.

13 REVIEW OF MONTHLY EXPENDITURES

14 The last item on our agenda is the review of monthly
15 expenditures. I invite the board's attention to pages 33 and 35
16 to 36. Are there any questions concerning that?

17 MR. SMEGAL: Actually, we have been handed an update
18 which covers two months. They are unnumbered pages, it's for
19 the two-month period ending November 30, so we've got the
20 benefit of another month.

21 CHAIRMAN MENDEZ: I have that now.

22 MR. SMEGAL: Could we somehow get this officially in

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1 by numbering these pages 35a and 36a, or maybe 37 and 38.

2 MR. EAGLIN: We could call them 36 and 37.

3 MR. SMEGAL: We've got a 36.

4 CHAIRMAN MENDEZ: Let's just do them 37 and 38

5 MR. SMEGAL: I move we approve, if that's the action
6 that's required --

7 CHAIRMAN MENDEZ: No, all we're doing is reviewing.

8 MR. SMEGAL: Oh.

9 CHAIRMAN MENDEZ: This is just a report for us to
10 review. If you have any questions or comments that you want to
11 make, that's all we're going to do on this. It's just to make
12 sure that everybody is brought up to date as to the current
13 status of what is transpiring in this fiscal year.

14 Are there any questions or comments?

15 (No response.)

16 Paul, do you have any questions?

17 MR. EAGLIN: No.

18 CHAIRMAN MENDEZ: Any other member of the committee or
19 the board have any questions concerning this?

20 (No response.)

21 Are there any public comments concerning any matters
22 appropriately before the Audit and Appropriations Committee?

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1 (No response.)

2 None appearing, do I have a motion to adjourn?

3 M O T I O N

4 MR. EAGLIN: So moved.

5 MR. SMEGAL: I'll second it.

6 CHAIRMAN MENDEZ: All in favor, signify by saying aye?

7 (A chorus of ayes.)

8 We are adjourned.

9 (Whereupon, at 10:20 a.m., the meeting of the Legal
10 Services Corporation Audit and Appropriations Committee was
11 adjourned.)

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