

ORIGINAL

LEGAL SERVICES CORPORATION

BOARD OF DIRECTORS
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

Thursday, January 27, 1994

10:42 a.m.

The Legal Services Corporation
750 First Street, N.E., 11th Floor
THE BOARD ROOM
Washington, D.C. 20002

Diversified Reporting Services, Inc.
918 16TH STREET, N.W. SUITE 803
WASHINGTON, D.C. 20006
(202) 296-2929

BOARD MEMBERS PRESENT:

Maria L. Mercado, Chair
Hulett H. Askew
LaVeeda M. Battle
Douglas S. Eakeley
Ernestine P. Watlington
Fo Wm. McCalpin

STAFF PRESENT:

Alexander D. Forger, President
Patricia D. Batie, Secretary
David Richardson, Treasurer & Comptroller
Edouard Quatrevaux, Inspector General
Victor Fortuno, General Counsel
Martha Bergmark, Vice President
Gerry Singesen, Consultant

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P R O C E E D I N G S

1
2 CHAIR MERCADO: Good morning. We will now call the
3 meeting of the Audit and Appropriations Meeting to order on
4 this January 27, 1994. I would like to welcome members of
5 the staff and visitors, members of PAG, NLADA and other field
6 services directors that are here, and other members of the
7 Board to our committee meeting. I would, for the record,
8 note that we do have a quorum for this meeting and,
9 therefore, we can conduct business.

A P P R O V A L O F T H E A G E N D A

10
11 CHAIR MERCADO: I would like to entertain a motion
12 for approval of the agenda, unless there's any changes.

M O T I O N

13
14 MR. EAKELEY: So moved.

15 MS. WATLINGTON: Second.

16 CHAIR MERCADO: I do have a note here that the
17 report by Grant and Thornton regarding the audit for 1993
18 will not be given, which is Item 3 in the agenda. Is that
19 correct, Mr. Richardson?

20 MR. RICHARDSON: Yes, ma'am.

21 CHAIR MERCADO: So we need to go ahead and delete
22 Item 3 from this agenda, to be dealt with at a different

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1 time. So with that deletion, all those in favor of the
2 agenda as amended?

3 MR. EAKELEY: The quorum speaks and say aye. For
4 once the chair is needed at a committee meeting, wonderful.

5 CHAIR MERCADO: Have you had an opportunity to look
6 at the minutes for January 6th and 7th?

7 MR. EAKELEY: I did.

8 CHAIR MERCADO: Are there any corrections or
9 additions to them?

10 MR. EAKELEY: Bill McCalpin had some changes, but I
11 don't think they're related to the -- no, this relates to the
12 Board meeting and the presidential committee. So, no.

13 APPROVAL OF MINUTES OF JANUARY 6-7, 1994, MEETING

14 CHAIR MERCADO: I will now entertain a motion to
15 approve the minutes as presented.

16 M O T I O N

17 MR. EAKELEY: So moved.

18 CHAIR MERCADO: All those in favor?

19 MR. EAKELEY: Aye.

20 CHAIR MERCADO: Opposed?

21 (No response.)

22 CHAIR MERCADO: Abstentions?

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1 (No response.)

2 CHAIR MERCADO: Motion carries. We have to go
3 through the process.

4 Now we have Item 4 which is to consider and act on
5 proposed fiscal year 1994 consolidated operating budget for
6 the Legal Services Corporation. Mr. Richardson and Mr.
7 Singesen will address us regarding that particular item.

8 CONSIDER AND ACT ON PROPOSED FISCAL YEAR 1994
9 CONSOLIDATED OPERATING BUDGET FOR THE CORPORATION

10 MR. RICHARDSON: For the record, my name is David
11 Richardson. I'm the treasurer/comptroller of the
12 Corporation. If I might, let me direct you to a summary that
13 is provided for you. It is Attachment A entitled "Legal
14 Services Statement of Funds Available and Projection of Fund
15 Balance."

16 CHAIR MERCADO: Okay.

17 MR. RICHARDSON: What this does is summarize the
18 amount of the appropriation and the elements of the
19 consolidated operating budget. We have it in three Roman
20 numerals: one being allocated, funds not allocated to the
21 fiscal year 1994 budget, and then funds that were allocated
22 for the deficit reduction plan.

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1 In reviewing, management and administration, of
2 course, is the key element that we'll work on today, but the
3 budget was \$10,928,000. The Board initiatives was \$100,000.
4 Grant funds was \$388,972,000, with that total being \$4
5 million, the amount of the appropriation.

6 There is one new element that you have not seen
7 before, but I hope that it's been reported to you in other
8 forums, and that is the U.S. Court of Veterans Appeals money.
9 \$790,000 has flowed through to the Corporation for the
10 administering of that program.

11 In addition to those funds, we have the fund
12 balance issue with 1993. We have designated funds and
13 undesignated. The designated funds we have brought into this
14 budget. We have also brought the other funds available, the
15 balance of the interest and grant recoveries. As you see,
16 400 Virginia Avenue lost \$848,000.

17 I might report here at this point that the last two
18 weeks we've been negotiating with Grant/Thornton in regards
19 to our 1993 statements. At the end of 1992, there was no
20 projection of a loss because we had a tenant, the General
21 Services Administration, who had come forward stating that
22 they would take the space at 400 Virginia Avenue. They have

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1 since, of course, reneged on taking over the total space and
2 taking on two lesser portions.

3 MR. EAKELEY: What do you mean when you use the
4 legally charged word "reneged"?

5 MR. RICHARDSON: We had actually had meetings with
6 Trammell Crow, Charles E. Smith, representatives of the
7 Corporation, and General Services Administration. When those
8 meetings were originally conducted, we were talking about
9 only a piece of 400 Virginia Avenue. However, at a meeting
10 in October, the then procurement officer for the General
11 Services Administration informed both Charles E. Smith and
12 Trammel Crow and us that they would take the 400 Virginia
13 Avenue space in total.

14 MR. EAKELEY: But was there a legal commitment made
15 or was there just an indication that was sufficient for
16 avoiding the need to record it, a total rent accrual
17 obligation?

18 MR. RICHARDSON: Right. There was only the verbal
19 commitment at that point. We were in negotiating with them
20 in regard to a space that HUD now occupies. It was with the
21 understanding that they would take over the balance of that
22 space. With the elections, change in administration, things

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1 did not come to fruition. Then with the change in
2 administration, there was a freeze put on all new leasing.

3 There was actually from a point around December
4 20th until January 20th, about a month, that they -- because
5 the procurement officer that we were working with left GSA,
6 they changed procurement officers two additional times
7 because no one wanted to face the fact and tell us that they
8 were not going to take the space.

9 This was all while we were in audit with the
10 understanding that they were still going to take the space.
11 Grant/Thornton and we did not see that we should be booking a
12 loss at that time.

13 MR. EAKELEY: When does the lease expire?

14 MR. RICHARDSON: August 1995.

15 MR. EAKELEY: 1995. Is it fair to say that the
16 administration has a moral obligation to take this space? I
17 mean, should we be trying to go back, or maybe we're already
18 doing that, but while there may be a prohibition against
19 renting new space or taking on new leases, if there are
20 existing leases that are expiring somewhere within this large
21 government, maybe we should get a little bit more or maybe
22 400 Virginia Avenue should get a little bit greater

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1 preference because of that prior commitment that had been
2 withdrawn and the fact that it's federal funds that have to
3 be paid one way or the other in order to make our commitment
4 on the lease.

5 MR. RICHARDSON: That has been explored with GSA.
6 The gentleman that I've been working with is a gentleman by
7 the name of Ron Kendall. He tells me that no only -- we have
8 been put in line as a preference as far as GSA space.
9 However, with the downsizing of government, I understand that
10 they had in the neighborhood of 400 to 500 thousand square
11 feet of space turned back over to GSA for their disposition
12 with private tenants in the area, private brokers, where they
13 were downsizing different departments of government.

14 CHAIR MERCADO: Do you know in the contract that we
15 have for the 400 Virginia Avenue what the default provisions
16 are as far as what the Corporation would be liable for if it
17 did breach its contract? I know that the lease expires in
18 August of 1995?

19 MR. RICHARDSON: August of 1995.

20 CHAIR MERCADO: Of 1995. I mean if we were to cut
21 our losses much earlier than that and pay any kind of default
22 payment, do we have a six-month provision, a year provision?

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1 Do we have to pay the remainder of the lease?

2 MR. RICHARDSON: We would have to pay the remainder
3 of the lease and if we would default, any legal fees that may
4 occur. We have also, on two different occasions, talked with
5 Trammell Crow who is the broker for PACTEL who owns the
6 building -- it's a pension company that owns it -- about the
7 possibility of discounting the rent and, by chance, buying us
8 out of the lease. The broker tells us at one point that
9 there is absolutely no need to do that on their part because,
10 of course, they're getting full rent.

11 Many of you, I hope, were aware that we did have an
12 incident early in the week where we lost a day in the
13 building because of a PEPCO problem with the fire in the
14 street and they had to close the building. Yesterday, they
15 had some of the building owners and principals in and I had
16 talked to them at that point and told them that I'd like to
17 have a sit down meeting with them against next week to
18 possibly pursue that avenue again to see if they were
19 amenable to going ahead and doing that.

20 So it is something that we are going to pursue,
21 both with Trammel Crow and, hopefully, they'll go back to
22 PACTEL. I'll also go back to Mr. Kendall at GSA and his

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1 supervisor and see if we can get some relief there also, see
2 if they would be interested in taking additional space.

3 MR. FORGER: Madam Chair, I'll report later. I met
4 with the brokers who have an exclusive on the Virginia space
5 yesterday to see what additional steps we might do to reduce
6 the loss that we have on that space. So from various points
7 of view, we are trying to work that loss down. But the point
8 that David was making is the decision of the outside
9 accountants with respect to how we report that for 1993.

10 MR. RICHARDSON: It does have an impact.
11 Originally we were looking at a deficit of \$907,000 for
12 management and administration. With the loss provisions --
13 and this is projected because there is some things that we
14 will be working with and negotiating with Grant/Thornton, but
15 it looks like it will be in the neighborhood of \$2.665
16 million as the deficit that we'll have to recognize in our
17 financial statements.

18 Let me continue with the Board initiatives. Of
19 course we have a new amount there of \$100,000. That money
20 will go to fund a grant that has been made and will also go
21 to fund the presidential search cost there. There's a small
22 cushion of money from the projections of the costs that we

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1 see there. But as we said, that could fund additional
2 expenses, but it should be held, probably, just in case we
3 have a cost overrun on the presidential search.

4 MR. EAKELEY: Yes. I think we have to be careful
5 of that.

6 MR. RICHARDSON: Yes. The \$1,572 that you see as
7 undesignated, that's the program development money. The
8 remaining balance of the \$300,000 that we had set aside for
9 timekeeping grants, that money will be moved into the Board
10 initiatives category. Then, the deferred revenue, the
11 \$258,734, is the amount that is left for the competition
12 committee resources or meetings and planning there. So you
13 have a total in the Board initiatives. Basically, all has
14 been allocated for different purposes.

15 In your grant recoveries, as you see, we start with
16 the \$388 million budget. We add the court money,
17 undesignated money. There's an \$18,900 amount there,
18 designated funds, that's monies that is allocated to those
19 programs that are on the short funding, the month-to-month
20 funding.

21 I'm sorry, let me back up. The \$123,000 is
22 designated by the Board or president for projects. A couple

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1 of those have been paid out. It's not in total at this time.
2 The deferred revenue, the \$805,000 is the amount that is for
3 the month-to-month funding grants. So we have a total grant
4 budget of \$390,710, basically.

5 As we look at Roman numeral two, we have some money
6 outside the 1994 appropriation that we're aware of already.
7 We do have a litigation settlement. That money is in house.
8 We have projected grant recoveries, interest income, of
9 \$400,000.

10 During tomorrow's meeting, I will pass out an
11 update as to where we stand in December with the expenses and
12 how much money we have collected to date, to give you a
13 better idea. We do feel comfortable with this number and
14 actually, it may be low.

15 As we go down to Roman numeral three with the
16 balance deficit reduction plan, we see the balance that we
17 spoke of, the \$2.666 million. We have to allocate an amount
18 of the 1994 appropriation, the balance of the rent payments
19 from 400, into this category. That's the reason you see the
20 subtraction up top.

21 So with the 848 and then the funds that have not
22 been allocated, the \$526,668, we're projecting total funds to

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1 reduce the deficit of \$1,374,000 with a projected deficit of
2 \$1,291,000. Now, next year, certainly we will have interest
3 income and grant recoveries again. There is a like amount
4 due on the rent at 400 Virginia Avenue. So we do not see a
5 problem at all in completely liquidating this deficit in two
6 years.

7 The funds in two, the funds that are not allocated,
8 while we have shown them allocated to the deficit reduction,
9 those are in the Board's discretion. If there is a project
10 or an area that you feel that we need to tap some money to
11 fund, this is one area. There is also others that we will
12 discuss later on.

13 That is sort of a quick overview of the budget. If
14 you'd like, let's turn back. I've got two other attachments,
15 actually three, that are here. Attachment B is a very quick
16 summary of what I have just given you, with the total budget
17 being reported of \$401,300,000.

18 Attachment C has the breakdown of management and
19 administration.

20 MR. EAKELEY: As I understand it, management is
21 proposing a two-year liquidation of the deficit.

22 MR. RICHARDSON: That's correct, sir.

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1 MR. EAKELEY: Which the Board has to approve,
2 obviously. Is Attachment C, page 1 of 3, is that year one of
3 the proposed two-year liquidation strategy or is that
4 reflective of that?

5 MR. RICHARDSON: Yes, sir, it is.

6 CHAIR MERCADO: Well, it's actually page 3 of 3,
7 isn't it?

8 MR. RICHARDSON: Page 3 of 3, Attachment C. What
9 we have here is a brief summary of how we get to the budget
10 total, excuse me, for management and administration. Again,
11 with the \$10,928,000 for M&A, \$149,696 is your designated and
12 undesignated funds totaled, then the reduction for the rent
13 at 400 Virginia, giving us a total budget of \$10,229,696.

14 It's broken out in the following areas: With the
15 Board originally showing approximately a \$350,000 budget, we
16 did reduce that based on the meeting calendar that you
17 approved at the last meeting.

18 MR. EAKELEY: Could I make a small suggestion that
19 will help us get that way, if it's appropriate?

20 MR. RICHARDSON: Mm-hmm.

21 MR. EAKELEY: I think the Board should be looking
22 for as many ways as we can to contribute to the deficit

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1 reduction. I don't mean this to be a trivial first step but
2 I'm wondering how much it cost when we circulate transcripts
3 of all committee meetings and all Board meetings to all Board
4 members, especially when we do it by Federal Express.

5 My suggestion would be, one way that the Board can
6 contribute is to reduce the demand for paper coming from the
7 Corporation. My proposal would be that minutes of
8 transcripts of meetings be available to people who would like
9 them but that we not make 11 copies for 11 Board members of
10 everything. It's a small step, but I think it's one of the
11 things that we might do to start managing our own house a
12 little bit better, if that's appropriate.

13 CHAIR MERCADO: Well, this would be with the
14 understanding that those transcripts would be available and
15 transcribed already so that the secretary, when requested by
16 any member on a particular meeting of a particular item,
17 could then pull that out and provide it to the committee or
18 to the Board member that needs information on it. We'll let
19 you be the archive.

20 MR. EAKELEY: That's her job, one of her
21 responsibilities.

22 MS. BATTLE: Maybe at least available to the

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1 committee chair. I find myself going back to the transcripts
2 to make sure that I've got everything.

3 MR. EAKELEY: Well, I think any Board member who
4 would like just a standing request to have copies of each or
5 specified transcripts ought to just do it. I just question
6 everybody getting everything. It may be overkill.

7 MR. FORGER: I was suggesting also, Mr. Chairman,
8 that we have a one day a week furlough on paper, moratorium
9 on paper.

10 CHAIR MERCADO: So the budget for the Board of
11 Directors went from 350 to 287 on the reduction. I was
12 trying to figure out whether it would be better to sort of
13 look at the more specific outline on your -- well, it doesn't
14 have a number. It's the next page.

15 MR. RICHARDSON: It's dated January 26th, yes.

16 CHAIR MERCADO: It's sort of easier to look at
17 because one of the particular areas that we looked at was the
18 Office of Program and Evaluations. My understanding is that
19 we pretty much left most of that funding in tack because we
20 don't know what provision for delivery of legal services will
21 do or actually what the new management will do as far as a
22 reorganization. So that's in the budget. Assuming, although

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1 the traveling and the consultant has been reduced by, what,
2 \$100 million or \$100,000?

3 MR. RICHARDSON: It was originally in the first
4 budget at 397. It's down to 2. I think it was 400 for
5 travel and transportation. It's down to the 276 level. I
6 might add at this point that the transition costs are
7 included in the respective areas where the transition team is
8 working. In the executive office, Ms. Shen-Jaffe and James
9 Head are budgeted there and they're budgeted as consultants.

10 CHAIR MERCADO: Now, as far as the actual number of
11 staff, as far as the item that's personnel compensation,
12 we're leaving that pretty much in tack, aren't we?

13 MR. RICHARDSON: Yes, we are. The only element of
14 that is we have put a two percent staff attrition rate in,
15 and we are projecting five furlough days. That is subject to
16 review. If people do leave or if we see other areas where we
17 can save money, where we can reduce the number of furlough
18 days that we're projecting, that's something we'll do in
19 looking throughout the year in working with the president and
20 new management.

21 CHAIR MERCADO: Okay. Let me just ask an overall
22 question just to make sure that I'm not assuming things. As

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1 far as personnel in all the categories, general counsel,
2 inspector general, the human resources, all the different
3 divisions, the staff positions pretty much stay as they are;
4 is that correct?

5 MR. RICHARDSON: That is correct.

6 CHAIR MERCADO: With the two percent attrition
7 rate?

8 MR. RICHARDSON: That's correct, with the exception
9 of the personnel that has already departed, the savings that
10 did occur with that we have incorporated here. That would
11 leave me with one area. Because we're not sure of how the
12 PEAR in the Office of Program Services Evaluation will come
13 out, we do not have a management person projected in there
14 from June forward. That is something that we'll have to
15 consider at a later point to see how those offices develop
16 during the transition.

17 That's one of the reasons that when I was looking
18 at referring you to Schedule C, you'll see the staff
19 attrition, but there's a contingency fund there to provide
20 for any unanticipated costs and this particular anticipated
21 cost that we may have.

22 Also, if we see that, for instance, we budget the

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1 287 for Board meetings, if we see that it's going to cost
2 more than that, then we can use that 200,000 to support those
3 unanticipated costs. In the Board's budget, just to make you
4 aware of it, I have anticipated five people, I think it is,
5 coming to the House and Senate hearings and a like amount
6 with the reauthorization hearing.

7 We've allowed for some Board-sponsored travel where
8 Board members would go to different conferences outside of a
9 Board meeting, a PAG conference or an ABA conference, or
10 NLADA, those type of things.

11 MR. EAKELEY: David, when you say our meeting
12 schedule is reduced, the Board expense item, how many staff
13 or how many people do you assume will be attending those
14 Board meetings as we meet around the country?

15 MR. RICHARDSON: At this point I have anticipated,
16 of course, each of the directors in the transition team and
17 officers of the Corporations. That is not in the Board
18 budget. That is in their particular budget.

19 MR. EAKELEY: That's in the management line?

20 MR. RICHARDSON: Yes.

21 MR. EAKELEY: Okay.

22 CHAIR MERCADO: Any other items that you

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1 particularly want to point out?

2 MR. RICHARDSON: Well, I might point out that this
3 is certainly not the most drastic of budgets that we could
4 produce. We talked with Mr. Tull in regards to the travel
5 and the consulting line in OPEAR, but because he did not have
6 a good handle on future needs, we chose not to reduce that.

7 We do have some ideas that have shared with him
8 that we could fund different initiatives that are on the way,
9 for instance the peer review criteria. There is \$70,000 of
10 contingency funds in the basic field line. Providing that we
11 are using basic field people, program directors or executive
12 directors or managing attorneys, we could fund their travel
13 out of that particular line to help with that initiative.

14 There's also money in the national support and
15 state support line. However, some of that is spoken for
16 because OLSBUC, the group, backup center group, has spoken
17 that they would like to do some technical assistance in
18 training for the field programs. I'm not sure if that
19 dialogue had started last September/October. I'm not sure if
20 it has continued to this point.

21 Talking with James early in the week, who is on the
22 transition team, he did suggest that there was still a hope

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1 of continuing in that endeavor to offer some technical
2 assistance and training through the national and state
3 support contingencies for the field programs.

4 MR. FORGER: Madam Chair, if I might interject that
5 we have viewed this period as being one principally involved
6 in assuring a transition of the program with less immediate
7 attention on fiscal matters and the implications of that
8 because we feel reasonably comfortable that within this what
9 I would call a conservative budget, we can meet our needs and
10 most likely reduce some of these expenditures.

11 What we did not want to do was make judgments
12 prematurely as to program and process in order to reflect
13 some additional savings, which I think will stem from
14 decisions that we make both administrative, personnel and
15 programmatic within the next few months.

16 This is sort of an outside figure, I think. I
17 suspect we will have some additional savings within this M&A
18 line.

19 MR. EAKELEY: But this is your recommendation,
20 though, to us for a, that we adopt a two-year deficit
21 elimination strategy and b, that we do it in this fashion?

22 MR. FORGER: Yes. I think, Mr. Chairman, to seek

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1 to eliminate the deficit in one year would be virtually
2 impossible to achieve with this size figure, although I
3 recognize that a significant portion of it is what we call a
4 paper deficit because that's on the accrual method of the
5 lease obligation here. So I don't view that as a real
6 deficit, although Virginia is a real deficit. We surely will
7 be able to liquidate that in 1994 and 1995, and we may make
8 some good strides in this year.

9 Your net figure, David, on Virginia is net of
10 subleasing.

11 MR. RICHARDSON: That is correct, sir.

12 MR. FORGER: We hope to be able to reduce that loss
13 itself, which is the principal item that causes us the
14 problem here. If we were finished with Virginia, the other
15 would really not be an economic loss. It is simply, in a
16 sense, a prepayment of rent that we would work off during the
17 course of the lease.

18 So, in sum, I just wanted to say that while we
19 could have initiated some other procedures here if it were
20 essential to reduce the budget by 100 or 150, we thought we
21 didn't want to take steps prematurely simply to achieve that,
22 since we're confident that within 1994-1995 the deficit will

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1 be eliminated.

2 CHAIR MERCADO: Well, one of the concerns I think
3 that we as a Board have, and especially as we get ready to go
4 up on the Hill for the appropriations in 1995 and the
5 reauthorization, is that while it may or may not be a system
6 of accounting, whether it's accrual or a cash base accounting
7 method, when we talk to our respective congressmen or women
8 there is a concern that as an agency or an entity, if we're
9 not taking care of business and they see or perceive this \$3
10 million deficit, there's a question about whether or not we
11 can handle anything greater.

12 We just need to be able to deal with them in a way
13 that is honest, but at the same time, I think in all
14 fairness, this Board had nothing to do with it. We want to
15 set the fiscal record straight and proceed forward in the way
16 that won't jeopardize any future programming on the
17 expenditures. Yes, Gerry?

18 MR. SINGSEN: For the record, I'm Gerry Singesen.
19 I'm working as a consultant to the Corporation during the
20 transition period. I have just a couple of very quick
21 points. To the degree that we succeed in renting additional
22 portions of Virginia Avenue, that will produce revenue which

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1 will be available to further reduce the deficit more quickly.
2 So, obviously, if we can, we will.

3 Second, in the management and administration
4 budget, you see the five-day furlough possibility still
5 raised and the two percent attrition which is an anticipation
6 of savings because of departures. I think it's important to
7 say that it's our hope when we review in a couple of months
8 our experience in the first half of the year that we'll be
9 able to eliminate that piece of this budget and that we won't
10 have to rely on taking it out of the hide of the staff here
11 as a way to make the budget balance. For the moment, we've
12 preserved that as an outside possibility.

13 But I think it should be understood that it's our
14 hope and anticipation that the review will show that we've
15 got sufficient budgetary control in place to accomplish the
16 two-year reduction without having to reduce the pay or time
17 of staff.

18 CHAIR MERCADO: If there isn't any further
19 discussion on this particular budget, I would entertain a
20 motion to asset management's proposed M&A budget, as well as
21 the general budget for COB 1994.

22 MR. RICHARDSON: Madam Chair, may I address that

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1 just for a moment?

2 CHAIR MERCADO: Sure.

3 MR. RICHARDSON: The book that you have before you
4 and these attachments do recognize the cost of occupancy, the
5 insurances of the Corporation, directors and officers,
6 commercial, CGL and all of that, through the line item
7 budgets.

8 I do have another sheet that consolidates those
9 back into administration. In preparing this budget, I found
10 an awkwardness in showing that we would pay one rent check
11 and break it up into 15 different pieces for the different
12 cost centers.

13 I think it would be better for us to pass a budget
14 with that information consolidated back into the management
15 and administrative line. However, I can give you a report,
16 quarterly, monthly, however you'd like, with a separate
17 breakout so that you can see some of those costs such as the
18 rent and the insurance being allocated to the different
19 offices.

20 It would help our office a great deal in preparing
21 for audit to leave it in the administrative line. That would
22 be one recommendation that I would make at this point. It

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1 does not change the bottom line.

2 MR. EAKELEY: Where would you put it?

3 MR. RICHARDSON: Administration.

4 CHAIR MERCADO: Administration, Office of
5 Comptroller and Administration.

6 MR. EAKELEY: Okay.

7 MR. FORGER: That's where it had always been,
8 David, as I recall.

9 MR. RICHARDSON: That is correct.

10 MR. EAKELEY: But you've got 28 there for OPEAR and
11 7500 for Board of Directors.

12 MR. RICHARDSON: The OPEAR --

13 MR. EAKELEY: Oh, that's the Oakland office?

14 MR. RICHARDSON: That is correct, sir.

15 MR. EAKELEY: And 7500 for Board of Directors?

16 MR. RICHARDSON: That's when you go out of town, if
17 we have occupancy costs for Board meetings.

18 MR. EAKELEY: Okay, and the same thing for the IG?

19 MR. RICHARDSON: I can't speak to the purpose of
20 that.

21 MR. EAKELEY: We pick up the IG's rent, though, for
22 this space?

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1 MR. RICHARDSON: That is correct. Like I said, I
2 can produce a report to you to give you a better idea of what
3 it is costing you for the IG and any office within the
4 Corporation based on a square footage of the space that they
5 had or have occupied. But in the period of transition, in
6 the period of consolidating offices, and for the sake of
7 audit clarity, it would be better to charge it to one office
8 and show one budget for the headquarters.

9 CHAIR MERCADO: As long as we had some method as a
10 Board to look at what the actual cost of running the
11 particular division is.

12 MR. RICHARDSON: We can certainly do that.

13 CHAIR MERCADO: I think that was the whole purpose
14 when we're looking at this, what the proportionate share of
15 the expenses are as to the different divisions. I think in
16 particular when you've got separate floors for separate
17 entities on our occupancy costs, it probably about equals
18 to -- because the budgets are really different.

19 MR. RICHARDSON: Right. I can certainly give you
20 that information. For instance, we did not have the time to
21 go back and break out telephone calls. We can do that.
22 Supplies costs, we can do that also. So we can give you a

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1 greater level of detail and a more accurate number as to what
2 an office is costing, whether it be monthly or whether it be
3 quarterly, so that you'll have that better information to
4 guide your decisions.

5 MR. FORGER: You're simply saying, David, it would
6 facilitate your accounting requirements if you reverted to
7 the old system of allocating all of that occupancy cost under
8 one line, but you could provide us as often as we wanted with
9 a display allocating all those costs among the various
10 components of the Corporation?

11 MR. RICHARDSON: That's correct, sir.

12 M O T I O N

13 MR. EAKELEY: I would then move that we adopt for
14 the FY 1994 management and administration portion of our
15 budget, the FY 1994 management and administration budget
16 adjusted as just handed out by Mr. Richardson showing the
17 rental costs or occupancy costs under one line for office of
18 comptroller and administration.

19 CHAIR MERCADO: With the balance of the COB.

20 MR. EAKELEY: Right.

21 MR. RICHARDSON: And it is dated January 27th.

22 CHAIR MERCADO: All those in favor?

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1 MR. EAKELEY: Aye.

2 CHAIR MERCADO: Opposed?

3 (No response.)

4 CHAIR MERCADO: Abstentions?

5 (No response.)

6 CHAIR MERCADO: Motion carries.

7 MR. SINGSEN: Madam Chair?

8 CHAIR MERCADO: Yes.

9 MR. SINGSEN: Just a clarification. I heard you
10 say "with the balance of the COB" which would include an
11 adoption of the full COB for 1994.

12 CHAIR MERCADO: Yes.

13 MR. SINGSEN: Is that how the motion is understood?

14 CHAIR MERCADO: The motion, and I had stated a
15 little bit earlier, is for us to include the COB for 1994 as
16 presented, at which point Mr. Richardson gave us the January
17 27th document for auditing purposes as far as the occupancy
18 costs are concerned.

19 MR. EAKELEY: Changed the presentation.

20 CHAIR MERCADO: So it's everything of Attachment A,
21 B, and C with the change in the January 27th M&A adjusted
22 budget. Does that make sense? Okay. We have a budget

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1 approved. I feel like we've accomplished something.

2 Now we'll look at 1995 consolidated operating
3 budget. Mr. Richardson and Singsen will also address us on
4 that point.

5 CONSIDER AND ACT ON STAFF RECOMMENDATIONS ON FISCAL
6 YEAR 1995 CONSOLIDATED OPERATION BUDGET FOR THE CORPORATION

7 MR. RICHARDSON: We have presented to you today the
8 table that was attached to the middle letter, and it does
9 show the 848,359 that was adopted by the Board at an earlier
10 meeting. On the back of that, we have broken out the
11 management and administration line again. This is purely
12 informational at this point.

13 This is what we would anticipate showing in the
14 budget preparation that goes to Congress. It will have to be
15 adjusted for the one item that we just discussed, and that is
16 fully an amount in the neighborhood of approximately \$850,000
17 out of the comptroller administration's budget and showing it
18 as liquidating the deficit.

19 This is a \$15 million proposal for management and
20 administration. It is based upon the proposal that we
21 reviewed at the last Audit and Appropriations Committee
22 meeting. That budget totalled basically \$14 million. To

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1 increase it to this point, after that meeting I received no
2 comments as to how the Board anticipated the budget looking
3 at that point.

4 So what I ended up doing was looking at the Office
5 of Congressional Affairs. Where I had originally put four
6 people in that particular office, I doubled it to eight.
7 Then we associated expenses to go with that. Also, within
8 the Office of Evaluation and Analysis, the original
9 consulting budget was \$250,000. I increased that to
10 \$500,000, anticipating a peer review concept and needing
11 funds to fund that.

12 There was a small amount of money in program
13 services consulting and travel. I increased that particular
14 line so that we would have money for a technical assistance
15 area within management and administration. Within my
16 particular office, Ms. Mercado, you had mentioned the need
17 possibly for a budget officer and I have included that along
18 with a junior accountant.

19 That's the major changes to this particular budget,
20 increasing it to 14,850, leaving again 150,000 for an
21 unanticipated expenses that management or Board may have.
22 This particular document would be, as I said, basically

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1 stated in the budget document.

2 We will have opportunity through this fiscal year
3 in reviewing this with the transition team and how the
4 structure of the Corporation ends up being established and
5 being able to move forward, that this document and this
6 budget can be changed very readily and will be.

7 At this point, I don't feel that we need an action
8 on that. It's simply that this is the totals we will use in
9 the management and administration presentation for the 1995
10 budget.

11 MS. BATTLE: You've got on the other side under
12 management and administration 17 as opposed to 15 million.
13 Why is that?

14 MR. RICHARDSON: There is an additional \$2 million
15 in management and administration for Board initiatives.

16 MS. BATTLE: Okay.

17 CHAIR MERCADO: One of the things that I was
18 curious about is that one of the areas of concern I think
19 with the Board is to sort of have a marketing strategy, if
20 you will, of legal services and the kinds of programs that it
21 does throughout the country. We need to have an aggressive
22 public affairs office or person or division or something that

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1 works in conjunction with the bar and with community leaders,
2 client communities.

3 I'm curious as to where in this budget that falls.
4 I think we only have like one person that did a newsletter
5 once every four months or something. I think we need
6 something a little more aggressive than that.

7 MR. RICHARDSON: Right. Under your Office of
8 Congressional Affairs, the way that that is broken out at
9 this point is a director, a legislative assistant, a public
10 affairs officer, and a director. As I said, I doubled that
11 anticipating what you had basically stated at the last
12 meeting, that you did want a more aggressive approach there.

13 The Office of Congressional Affairs is just a name
14 that I have used. It could be policy and program
15 development. It could be communications. Since we haven't
16 had that type of discussion, it's just a name that was used
17 in the office previously established for that type of
18 activities. So I've just named it that. It can be changed
19 very readily.

20 MR. EAKELEY: I think it would be a little awkward
21 for somebody who didn't understand what we were about to see
22 that we're saying we're going to have eight people to a full

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1 court press on the Congress and ask the Congress to fund
2 that. I think the intention is communications,
3 communications and communications, largely with the
4 government not just the Congress, but also with field
5 programs and also with, hopefully, a whole variety of old and
6 new constituents. Maybe if we call it something --

7 CHAIR MERCADO: I like public affairs.

8 MS. BATTLE: That would probably work because then
9 you could include members of the public as well as government
10 as well as Congress.

11 MR. SINGSEN: In the past, there were actually two
12 divisions at one point in the Corporation's history, one
13 public affairs and the other government relations, which was
14 basically a response arm.

15 MR. EAKELEY: Maybe we can break that out as a
16 subcomponent, but I'd like the suggestion of public affairs.
17 If Maria Louisa is also comfortable with that, I think that
18 would be a better rubric for this.

19 CHAIR MERCADO: I see general counsel disagreeing
20 with that. Do you have a point, Renee?

21 MS. SZYBALA: Yes, I do. I just think that
22 Congress is really used to the fact that all around

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1 government and every agency there is a congressional affairs
2 and a public affairs office, public affairs meeting
3 government and dealing with the press. It may confuse the
4 Hill when it's public affairs that wants to deal with them.

5 Maybe you can combine both titles in one head, but
6 public affairs and media affairs is the way it translates. I
7 don't think they would be at all surprised to see a full
8 court press of funded offices to deal with them because every
9 agency has one.

10 MR. EAKELEY: Except we're one of the few that --
11 at least not us, but our grantees have prohibitions against
12 grassroots lobbying and the like.

13 MS. SZYBALA: That's true. Congress is more of an
14 overseer for LSC than it is for all of the agencies in the
15 executive branch. That is, it is in close relationship, more
16 immediately less hierarchy in the way. Public affairs is
17 fine. It's just I think that experience would say that's a
18 medium as well as requests from the public from the outside.

19 MR. EAKELEY: We still have an office of
20 congressional affairs within this. I don't think we have to
21 reach that now. Going from zero to \$440,000 in one year and
22 calling it all congressional affairs just bothered me.

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1 MS. SZYBALA: That wasn't the real comment. I was
2 just thinking about it.

3 MR. EAKELEY: No, it's a helpful observation.

4 CHAIR MERCADO: A lot of it also is dealing with
5 perception.

6 MS. SZYBALA: Right, I appreciate that.

7 CHAIR MERCADO: Again, because there is specific
8 prohibition to lobbying, that for someone who's not willing
9 to dig a little deeper, they're going to say my gosh, I mean,
10 you've got \$444,000 budget to lobby us, basically. That, in
11 effect, is not what the whole intent or purpose of that
12 office is because it doesn't come because of all these other
13 units. So what is a universal name that we can have and have
14 divisions under that that can deal with it.

15 MS. SZYBALA: Maybe communications just means less
16 in terms of experience out there. Then, whatever divisions
17 it has in it or whatever functions are assigned to it is what
18 it is. But I don't think Office of Communications has any
19 particular meaning that I know of in the executive branch.

20 MR. FORGER: Madam Chair, the staff would be very
21 pleased to have delegated to it this matter of nomenclature.

22 MR. EAKELEY: While we're on nomenclature, can I

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1 just ask another question on nomenclature and rubrics? Who
2 does get this? Is this what goes or has gone already to the
3 Congress? Well, it hasn't gone to the Congress, but will it
4 at some point find its way to OMB if it's not there already?

5 MR. RICHARDSON: Not in that format, no, sir. What
6 we will do is where you see a total, the total will go.

7 MR. EAKELEY: Okay.

8 MR. RICHARDSON: And then what we will do is we
9 have basic corporate structure and there we would name an
10 office. We wouldn't say that it would be staffed by eight
11 people or it has this much budget. It would state basically
12 if we go to Office of Communications, then we would describe
13 the heads, a director, a legislative arm, a public affairs
14 arm.

15 MR. EAKELEY: Well, I wasn't really focusing on
16 that as much as the first line of Board of Directors. To
17 what extent are we locking ourselves in because others will
18 see this to a Board of Directors line of 300,000 when, in
19 fact, we do anticipate deploying all of the directors much
20 more vigorously if we can in these different areas in the
21 future.

22 CHAIR MERCADO: Yes, because if you look, in fact,

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1 we went down in consulting from the 1994 budget, went up a
2 little bit on the travel, I think 15,000 on the travel. If,
3 in effect, this Board is going to be dealing with
4 reauthorization and an increase of budget, I don't see how we
5 can do it under that budget.

6 MR. SINGSEN: Let me speak to that for one moment
7 because this is in the context that we need to keep in mind
8 of a budget request that is seeking \$848 million.

9 MR. EAKELEY: That's one of my concerns. This is
10 848. If we get cut down from that, we'll find -- if the
11 items go, then a reduction will or could result in an amount
12 reduced from what's here, which itself is inadequate. If
13 it's just for starting point discussion purposes, that's one
14 thing. But if others start to see this and then we start to
15 get cut and committed, then there's no flexibility there for
16 the Board.

17 MR. SINGSEN: I think that every number here is
18 going to be totally flexible in our discussion. We won't get
19 locked in at this stage. We will be providing Congress in
20 the budget request with one table which shows the totals on
21 the right hand side of the page and another table that shows
22 the totals for the divisions. I think we'll be showing

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1 permanent positions in one of the tables as well.

2 But we will then be submitting at their request
3 responses to the question what would we be allocating to what
4 functions at other levels. None of the numbers in the
5 initial request would lock us in. We do need the time, as we
6 do on some other categories in the budget request, to further
7 develop our positions on what it is we want to do at other
8 levels. So there are other changes that will be happening
9 as well.

10 CHAIR MERCADO: But, Mr. Singsen, I think part of
11 what we're looking at, if, in effect, our budget from fiscal
12 1994 to fiscal 1995 for the Board of Directors is maybe a
13 difference of about I think 10 or 14,000 thousand dollars,
14 when budget personnel, whether on the Hill or OMB, are
15 looking at this, if they're looking to reduce --

16 I mean, if they're reducing PEAR or general counsel
17 or whatever, is it immediate to say we're going to reduce you
18 for the 300,000 or the 250,000? I mean, part of it is just a
19 perception and a mindset. If you're increasing some of these
20 as much as -- gosh, let me see. I was trying to see of what
21 the percentage was.

22 Just to give you an example, Office of Program

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1 Services is going from 982 to 2 million. I mean, that's
2 almost a double. I mean, you cannot equate going up \$14,000
3 to going up, you know, a million and some plus in the other,
4 a double budget audit.

5 MR. EAKELEY: Actually, we're going down 46,000
6 because we started at 350 and we knocked that down about 10
7 minutes ago to 279. Now they're proposing to take -- of the
8 448 million increase, they're proposing that the Board get
9 25,000.

10 MR. FORGER: Madam Chair, if I may underscore the
11 point that was made with respect to the degree of detail that
12 is required at this point, I think we're not impaled on this
13 and we have the room to move it around. With respect to 848,
14 as you will see, there is allocated to support for delivery
15 of legal assistance 68 million compared to 22 million in
16 1994.

17 That has not yet been fully fleshed out because a
18 lot will depend upon how much will be going to support
19 centers, national, state, training, and the like. So there
20 is a lot in these figures that has yet to be fully fleshed
21 out.

22 MR. EAKELEY: What bothers us is the direction

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1 projected is less than charity for the role of the Board in
2 this organization. There's nothing for -- I can't remember
3 what we had for Board initiatives, but I think that each of
4 these lines, especially the consulting line, the
5 communications line, printing and reproduction and other
6 operating expenses lines for the Board just suggests that
7 there's very little role anticipated for the Board. I think
8 that's not what the Board -- I'm quite confident that this
9 Board does not intend to be passive, inactive, or invisible.

10 MR. FORGER: Well, then I think we can either
11 reallocate within the M&A figure that we have or add more to
12 M&A and make sure that we get the level of comfort that the
13 Board seeks in being as active as it wishes to be. I think,
14 David, we can either reallocate within or add more to the M&A
15 line.

16 MR. RICHARDSON: Certainly we do have that
17 flexibility. I'm sitting here working with some figures as
18 we look. I could increase it \$100,000 very easily or more
19 just by as what I had said. I had anticipated, for instance,
20 a \$200,000 increase for technical assistance, or \$250,000. I
21 could move \$50,000 of that to the Board travel. That's no
22 problem.

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1 As far as the consulting, the same thing. There
2 was very little consulting in the program services. I
3 increased it 200,000. I could easily subtract 50 and put it
4 over into the Board, anticipate additional Board travel
5 and --

6 MR. EAKELEY: If you think about what we will
7 confront in the next fiscal year, we're going to look at the
8 entire structure of the delivery system. We're going to look
9 at various facets of technical assistance. Monitoring and
10 evaluation will continue for four years to be something that
11 we will be taxing ourselves with, improving.

12 I think the Board needs the capacity to step back
13 and think for itself, as it were, and also the capacity to
14 reach out and interact with the public and with the
15 government in ways that will deploy us as well as the
16 Corporation in the field programs as part of the overall team
17 for legal services and equal justice.

18 I think that ought to be reflected in the budget.
19 I think it ought to be reflected in the Board lines. This is
20 not a money grab or a power grab, but I do think that the
21 budget should show some support for this very strong, very
22 competent Board of Directors.

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1 MR. FORGER: I would suggest we double that line.
2 If you'd feel comfortable with that --

3 MS. BATTLE: I was about to say because I know that
4 from our standpoint of view with reauthorization, that I
5 envision very actively getting the Board members involved in
6 meetings on Capitol Hill, meetings with groups to really
7 advocate for that.

8 MR. EAKELEY: Doubling? I certainly would be
9 comfortable with that.

10 MR. FORGER: David, why don't we simply double that
11 to 608 and reallocate within? I think we very readily could
12 move some of those without affecting the total M&A.

13 MR. RICHARDSON: That's fine. I can do that.

14 MR. FORGER: I'd take it from the inspector general
15 if he didn't mind.

16 MR. RICHARDSON: Actually, I should bring up at
17 this point, and maybe Ed would like to come and address his
18 budget, in the original budget, the inspector general had I
19 think it was like a \$1.4 million budget. He has come in at a
20 reduced budget. There was five new positions in that budget
21 that are not being filled at this point. So his budget has
22 decreased to me \$1,085,000.

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1 CHAIR MERCADO: Mr. Quatrevaux?

2 MR. QUATREVAUX: I think all I need to say is that
3 we delivered a budget as promised. We reviewed the situation
4 and deleted from the request anything associated with
5 additional positions, expansion. We also had a request from
6 Mr. Smegal, who is not present, for a breakdown on the
7 \$75,000 cost estimate associated with a project to improve
8 delivery service through technology. We did provide a cost
9 breakdown on that.

10 That's really all I have to say other than -- and
11 I'm not sure that you want to consider it now or even this
12 year -- but in the past, there was the issue of whether it
13 was best to put the OIG budget -- include it as part of an
14 aggregated number for the M&A or to break it out separately.

15 I thought I heard some of the Board members favor
16 the latter, the notion being that this was a mandated
17 function by Congress and not funded. But, as I say, that is
18 for you to consider and I just wanted to remind you that that
19 is an option.

20 MR. EAKELEY: On that subject, have you in the past
21 or do you intend in this coming year to advocate for a
22 separate line item with the Congress?

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1 MR. QUATREVAUX: Directly to the Congress? No, I
2 do not.

3 MR. EAKELEY: Indirectly?

4 MR. QUATREVAUX: No, no, Mr. Chairman.

5 MR. EAKELEY: So it's a consensus from the
6 Corporation, including your office?

7 CHAIR MERCADO: But isn't there a group, though, of
8 IGs that wanted to have separate funding levels?

9 MR. QUATREVAUX: That's right. We thought that GAO
10 would ultimately recommend that as part of their audit. They
11 did not. Actually, the language is very murky in that area,
12 but there was no such recommendation. We made those
13 recommendations before in the context of being solicited for
14 comments, in one case by the Senate Governmental Affairs
15 Committee and in other cases by GAO.

16 MR. EAKELEY: My position, for what it's worth, is
17 that we ought to keep it the way it is and that there should
18 not be a separate line because the Board is the responsible
19 entity with respect to the Inspector General Act. It needs
20 to be able to make resource allocations with respect to some
21 very finite resources. Losing control over part of those
22 resources makes it more difficult to do its job, I think.

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1 MR. QUATREVAUX: I'm pretty sure I indicated when
2 that topic came up that there were a number of views on that
3 topic. That's all I have with regard to the 1995, unless you
4 have questions of me.

5 CHAIR MERCADO: No. Thank you, Mr. Quatrevaux.

6 MR. QUATREVAUX: Thank you, Madam Chair.

7 CHAIR MERCADO: Yes, Mr. Singesen?

8 MR. SINGSEN: With regard to the 1995 budget and
9 budget request, perhaps it would be appropriate to make a
10 very brief report on the status of the draft and plans for
11 its completion and submission. Each of you, I hope, although
12 my hope I think is dashed in one regard, received from us a
13 copy of a draft budget request with a request that you in
14 turn review it and give back your comments to us, to me. I'm
15 working on the drafting the end of this week. If anybody
16 didn't get it --

17 MR. EAKELEY: No.

18 MR. SINGSEN: We have them here. I don't know why
19 you didn't get them. They went out last week. I apologize
20 for them not arriving. It was in the middle of an ice storm
21 that it went out. Maybe that's why you haven't gotten them.
22 That means probably that you're not going to give me back

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1 your comments by tomorrow.

2 CHAIR MERCADO: That's true.

3 MR. SINGSEN: So may I encourage you plain reading
4 comments. Maybe you could send them or call them into me on
5 Monday or Tuesday at the latest so that I can incorporate
6 them into a final draft. Copies have also been distributed
7 to CLASP, NLADA, PAG. I've already received comments -- and
8 to the senior staff and transition team here, of course.

9 I have been receiving some comments. I have got a
10 comment, for example, from someone in the inspector general's
11 office with some good suggestions. I have a lengthy comment
12 from Alan Houseman and a comment from Linda Perle, Andy
13 Steinberg who is here, I know, and working away at making it
14 the way it should be.

15 MR. EAKELEY: Does that mean after the job I did on
16 this last draft on the letter to Leon Panetta? Sorry, Andy.

17 MR. SINGSEN: I am certainly anticipating that
18 there is going to be plenty of ways to make it better and am
19 looking forward to your guidance on that. The process will
20 be that I will prepare a final version. It will include a
21 set of tables that aren't in the draft you have now because
22 they include the decisions about the loss from 1993 on

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1 Virginia Avenue being reflected, and final 1993 numbers at
2 the beginning part of each table, the 1994 numbers that we've
3 now adopted for our COB, as well as the 1995 budget that
4 we're requesting.

5 At that point, Mr. Forger would submit that out, I
6 think, to Mr. Eakeley, the chairman of the Board, and Ms.
7 Mercado, as chairman of Audit and Appropriations, for a final
8 review before Mr. Forger, as president, makes it final and
9 submits it to Congress.

10 We've sought the opinions and directions of staff
11 on the Hill regarding the time of submission. The
12 president's budget is due February 7th. Each committee has
13 said that they'd like us to submit this as soon as possible
14 after February 7th. So, of course we're going to shoot for
15 delivering it on or possibly a day before February 7th. But
16 both committees on the House and the Senate have said that by
17 February 15th would be great.

18 So as a practical matter, and particularly since
19 you haven't had drafts to comment on, I anticipate that the
20 package will be finished and will come back to both the chair
21 of the committee and the chair of the Board at the end of
22 next week for a final look through. I think that's the

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1 process report.

2 MR. EAKELEY: Except that I think that it goes
3 ultimately from the chair of the Board of Directors to the
4 Congress.

5 MR. SINGSEN: Why don't we check what the
6 historical practice has been. Alex, I assume --

7 MR. EAKELEY: Or it can be a joint submission.

8 MR. FORGER: I would think it would be the chair
9 unless there's some statutory legislative historical reason.

10 MR. EAKELEY: I don't think so. We're the body
11 appointed by the president and confirmed by the Senate, but I
12 don't -- that's the way we did it with Leon Panetta, too.

13 MR. SINGSEN: Mr. Richardson says it's been done
14 both ways.

15 MR. EAKELEY: I can believe that.

16 CHAIR MERCADO: I guess the procedural question
17 from our point of view is whether this committee can
18 recommend to the full Board the FY 1995 budget pending
19 whatever reallocations in the different areas will be or
20 whether what we are receiving from you is merely for
21 information purposes only.

22 MR. RICHARDSON: That's correct, and that's the

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1 reason when I stated this, this document is basically in
2 transition as we do speak. Certainly there's changes. As
3 the transition team and new management comes in and sees
4 initiatives that they want to undertake, personnel that they
5 would need, all of this is subject to change. So we are not
6 sealed in stone by presenting these totals in any way to
7 Congress.

8 CHAIR MERCADO: Do you need us to --

9 MR. RICHARDSON: There's no --

10 CHAIR MERCADO: We're just going to do the forms,
11 okay. Are there any other comments on this fiscal 1995
12 budget from any members of the audience that might be out
13 there and may want to comment on it?

14 MR. RICHARDSON: Just to let you know, during the
15 day I will get you a revised budget to show revised figures
16 and with an increase in the Board of Directors with the
17 adjustments made. That's not a problem.

18 CHAIR MERCADO: Okay.

19 MR. RICHARDSON: Also I'll get you copies of the
20 draft so that you'll have an opportunity to look at that,
21 maybe a little bedtime reading tonight.

22 CHAIR MERCADO: Thank you.

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1 MR. EAKELEY: One of the things we don't have
2 enough of.

3 CHAIR MERCADO: Are there any other comments from
4 the Board members, members of the public?

5 (No response.)

6 MR. SINGSEN: There's one more report matter which
7 isn't on the public agenda. If we're done with the 1995
8 request, if there aren't public comments, we could move to
9 that.

10 CHAIR MERCADO: Go ahead.

11 MR. SINGSEN: You have in front of you another copy
12 of something that you have received before which is the
13 budget time table that describes the committee role with
14 regard to the three budgets at any time. For example, right
15 now you've been dealing with -- we've actually just concluded
16 the process on the 1993 budget. We are operating in the 1994
17 budget. We've got the 1995 budget request almost ready to go
18 out. We're going to start dealing this year with the 1996
19 budget request and the questions about where we're headed.

20 My purpose in raising this at this time is simply
21 to point the committee to the question of a possible March
22 meeting and thinking about its agenda and what it needs to

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1 consider. So if you have this budget time table, let me
2 point a couple of things out and that's all my intention is
3 now.

4 This, as you notice, starts in October of 1993 and
5 was prepared when it was, in fact, that time. Right now
6 we're in January of 1994 and it describes the 1994 and 1995
7 activities that we're in the middle of. In February, the
8 budget request goes in, the staff completes a review of the
9 first quarter expenditures, and submits a report to the
10 committee.

11 Now if you'll turn over to the second page, you'll
12 see that in March of 1994 there are no specific activities
13 projected. I want to suggest to you activities in each of
14 the three columns.

15 In the first column, I would propose that if you
16 meet in March that you review the budget modification
17 guidelines which are your rules for how the staff should
18 report to you and be reviewed by you on expenditures as the
19 year goes along.

20 These rules have been adopted by prior Boards in
21 various forms, and I think that your committee should spend a
22 little time becoming familiar with its role in reviewing

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1 changes in the budget as the year goes along and deciding if
2 those rules reflect how you wish to manage the staff, oversee
3 the staff's budget operations during the current year.

4 We will have for you at that point a set of reports
5 certainly on the first quarter, possibly on four months, and
6 can use them as examples of the the kinds of reports and
7 questions that would come to the committee for review. As to
8 fiscal year 1995, obviously we'll be preparing in the staff
9 and working with you to prepare you, particularly Chairman
10 Eakeley, I believe, to go up on the Hill and testify.

11 Many of the questions will be financial in nature,
12 and they will need to be in the briefing books materials to
13 respond to those questions. As we've noted earlier, some of
14 the questions about 1995 are less than fully developed. The
15 Provisions Committee has to work on, I think, a lot of
16 questions, the staff of the Corporation in the areas of
17 monitoring and program services and evaluation. They have
18 many questions that they're working on.

19 So there will be information from that committee
20 and from the staff regarding the uses of funds in 1995. I
21 think there will be questions that this committee may have to
22 consider with regard to giving guidance to the staff about

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1 some of the elements of the 1995 budget request. We'll have
2 to get closer to find out just which those questions turn out
3 to be.

4 For 1996, the process that's predicted in the
5 schedule is that you can possibly begin holding hearings or
6 meetings to consider the 1996 request and plans as early as
7 May. But since we've not done this before, it's my
8 suggestion to you that on your agenda would be planning for
9 how you want to develop your 1996 request.

10 Included particularly some attention to the
11 question what kinds of data you'll find useful that the staff
12 might be able to develop or that the Provisions Committee
13 might be asked to consider providing in getting ready for a
14 discussion of 1996.

15 So while March of 1994 in the original schedule
16 looks quiet, I actually think there will be a need for a
17 number of discussions and preparations.

18 CHAIR MERCADO: Well, one of the things, too, is
19 that it assumes in February that the committee is meeting.
20 Right now we don't have a meeting scheduled in February.

21 MR. SINGSEN: I don't think that's a call for a
22 meeting. This schedule predicts a meeting in January and a

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1 next meeting in May.

2 CHAIR MERCADO: I see, okay. That's right, with
3 the hearings, okay.

4 MR. SINGSEN: There's one small additional matter I
5 should just call to your attention. We'll put it into the
6 schedule when it's next published. OMB's budget examiner,
7 Mr. Silas, indicates that they hope we will submit a budget
8 mark to OMB. Ideally, he would like to have it in August of
9 1994. This is for the 1996 request.

10 As a practical matter, we've suggested to him that
11 it may be September. The deadline is actually the beginning
12 of October. That needs to be noted in there that there's a
13 submission to OMB, certainly by September.

14 CHAIR MERCADO: Well, hopefully with the Provisions
15 Committee meeting that will occur tomorrow, we'll get a
16 better sense of some of those issues that we'll have to look
17 at to increase the budget. We'll be visiting with staff and
18 any members of the public or PAG that feels that they need to
19 address us on any of those particular items in the March
20 meeting. Please contact me or Pat Batie so that we can get
21 prepared for that because we do have quite a lot of work to
22 do. Thank you, Mr. Singesen.

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