

LEGAL SERVICES CORPORATION  
BOARD OF DIRECTORS  
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

March 8, 1992

2:03 p.m.

The Washington Marriott Hotel  
1221 22nd Street, N.W.  
The Dupont Room  
Washington, D.C. 20037

Board Members Present:

Howard H. Dana, Chairman  
J. Blakeley Hall  
Basile J. Uddo (by telephone)  
George W. Wittgraf  
Jeanine E. Wolbeck

Staff Present:

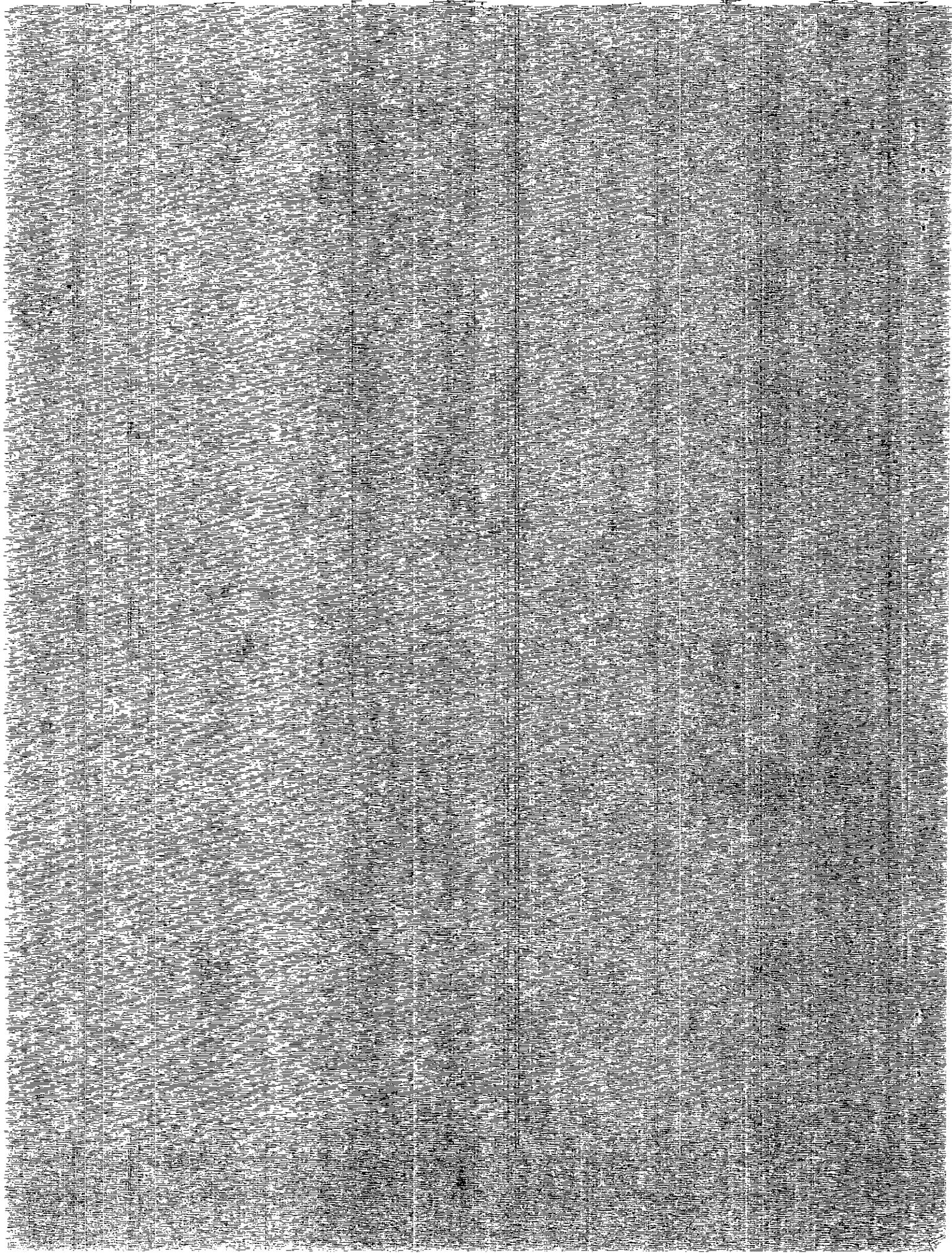
John P. O'Hara, President  
Emelia DiSanto, Vice President  
Patricia Batie, Secretary  
David L. Richardson, Treasurer/Comptroller  
Victor Fortuno, General Counsel  
Edouard Quatrevaux, Inspector General  
Charlie Moses

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WASHINGTON, D.C. 20006

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## Motions:

3, 4, 40, 44, 53

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

1  
2 CHAIRMAN DANA: It is now 2:00. I would call this  
3 meeting to order. This is a meeting of the Audit and  
4 Appropriations Committee. The entire committee is present  
5 either in person, as Jeanine Wolbeck and I are, or by phone,  
6 as Basile Uddo is, I hope. Can Basile's voice be heard by  
7 the audience reasonably well? The answer is yes, Basile.

8 Joining us is Jo Betts Love and Blakely Hall and an  
9 audience of several thousand concerned citizens. Actually,  
10 Basile, there are maybe 10, including the IG, and much of the  
11 senior staff, and the usual suspects, including our outside  
12 auditor.

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

13  
14 CHAIRMAN DANA: The first item on the agenda would  
15 be to approve the agenda. One item of the agenda got on  
16 there by mistake and that is item 9. That report, I believe,  
17 has left. In any event, it's in final form. So with the  
18 deletion of that item, would someone like to move the  
19 acceptance of the agenda?

## M O T I O N

20  
21 MS. WOLBECK: So moved.

22 MR. UDDO: Second.

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1 CHAIRMAN DANA: It's been moved and seconded. Any  
2 discussion?

3 (No response.)

4 CHAIRMAN DANA: All those in favor say aye.

5 (A chorus of ayes.)

6 CHAIRMAN DANA: It's a vote unanimously passed.

7 APPROVAL OF 2/16/92 MINUTES

8 CHAIRMAN DANA: The first item of the approved  
9 agenda is the approval of the minutes of the last meeting.  
10 Are there any additions or corrections?

11 MR. UDDO: Not that I'm aware of.

12 CHAIRMAN DANA: Hearing none, is there a motion?

13 M O T I O N

14 MS. WOLBECK: So moved.

15 CHAIRMAN DANA: It's been moved.

16 MR. UDDO: Second.

17 CHAIRMAN DANA: It's been moved and seconded to  
18 approve the minutes of February 16, 1992. All those in favor  
19 say aye.

20 (A chorus of ayes.)

21 CHAIRMAN DANA: Opposed?

22 (No response.)

1 CHAIRMAN DANA: It's a vote.

2 CHAIRMAN DANA: The next item is consideration of  
3 budget and expenses through January 1992. That is not  
4 present, I believe, in the green book that is at the back of  
5 the room, but I believe it is here at the table, a memorandum  
6 from David Richardson through the president to the Board,  
7 dated March 6, with accompanying attachments.

8 Mr. Richardson, could you give us the significant  
9 points of this report?

10 CONSIDERATION OF BUDGET AND EXPENSES THROUGH JANUARY 1992

11 MR. RICHARDSON: All right, sir. Again, for the  
12 record, my name is David Richardson. I am the  
13 treasurer/comptroller of the Corporation. What I'll do is  
14 highlight what we term as the main areas of funding, for  
15 instance, Roman number 1, delivery of legal assistance, and  
16 then go from there. If you want any other detail, do feel  
17 free to stop me and we'll discuss any line that you have a  
18 question about.

19 In regards to the delivery of legal assistance,  
20 Roman number 1, the 1992 budget is \$323,374,972. We have  
21 contracted to date with our grantees in the amount of  
22 \$291,772,632, with the remaining balance of \$31,569,340.

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1           By way of additional explanation, we have continued  
2 with the U.S. Court of Veteran Appeals. We're in the process  
3 of working out solicitations. We have continued with  
4 meetings with them, and that's moving along according to  
5 schedule. You'll have an additional report about that I  
6 think tomorrow during the president's report as far as an  
7 update as to where that stands.

8           Under Roman number 2, the support for the delivery  
9 of legal assistance, the 1992 budget, it's \$20,984,330.  
10 Through January, we have contracts in the amount of  
11 \$16,123,240. The remaining funds, \$4,861,090.

12           Within the corporate management and administration,  
13 which is page 3 of this document, we have a budget of  
14 \$12,493,850. That does include the Board initiatives, the  
15 special contingency funds and the meritorious grant. None of  
16 those funds have been spent.

17           However, in regards to the management and  
18 administration line, the headquarters budget, a subsection of  
19 that which is labeled Roman number 3A, our budget is  
20 \$11,409,850. We have spent, through January, \$3,489,803.  
21 That leaves us a balance of \$7,920,047.

22           Attachments B and C will support how much has been

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1 spent through management and administration. Attachment B  
2 gives the budget, expenses by the budget category. So it  
3 tells you not only how much the budget is, for instance, for  
4 personnel compensation, it shows how much has been spent and  
5 the percentage of the budget to date.

6 Attachment C breaks the expenses down by office,  
7 again within budget category. The only other item, the grant  
8 recoveries in 1992, amount to \$101,318. The interest on our  
9 checking accounts is \$93,019. Then the miscellaneous income  
10 is \$453 to date.

11 To sum it up, we have a budget, of course, of  
12 \$356,820,152. The remaining funds to date is \$45,629,267.

13 CHAIRMAN DANA: Are there questions of Mr.  
14 Richardson?

15 MR. UDDO: I have a question.

16 CHAIRMAN DANA: Basile?

17 MR. UDDO: Why are none of the law school clinics  
18 funds expended?

19 MR. RICHARDSON: Mr. Uddo, that process,  
20 solicitation process, I'm not sure if it has even gone  
21 forward as yet. Normally, those grants are made in July or  
22 August for the next year.

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1 MR. UDDO: So this is for the grant process that  
2 hasn't started yet?

3 MR. RICHARDSON: That is correct, sir.

4 MR. MOSES: Excuse me, for the record, my name is  
5 Charlie Moses. Mr. Uddo, the law school solicitation process  
6 has started. In fact, all applications are due at the  
7 Corporation at the end of this week. We anticipate that  
8 those grants will be made by April, by the end of April.  
9 That would be granting out the entire line item.

10 MR. UDDO: Okay.

11 CHAIRMAN DANA: Charlie, before you leave, the  
12 basic premises is correct that this money is for the next  
13 school year.

14 MR. MOSES: That is correct.

15 MR. UDDO: You expect to award the whole amount?

16 MR. MOSES: That's correct, sir.

17 CHAIRMAN DANA: The record should reflect that the  
18 chairman of all chairman has arrived and is here with us,  
19 Basile. Welcome, Mr. Chairman.

20 MR. WITTGRAF: Thank you, Mr. Chairman. Mr. Uddo,  
21 looking forward to see what your colleagues do on Tuesday.

22 CHAIRMAN DANA: There is, we have discovered, one

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1 problem about telephone conferences.

2 David, I have a question concerning the size of the  
3 unexpended funds relating to field programs. Why is that so  
4 large?

5 MR. MOSES: There are programs that are on month-  
6 to-month funding. The balance that you see there for the  
7 most part makes up those programs which are funded monthly.

8 CHAIRMAN DANA: I've raised this issue before. I'm  
9 aware that the authorization language under which we are  
10 operating "provides that the Corporation shall ensure that  
11 all grants and contracts made in this calendar year to all  
12 grantees receiving funds under the normal section relating  
13 hereto shall be made for a period of at least 12 months  
14 beginning on the first of the year, so as to ensure that the  
15 total annual funding for each current grantee or contractor  
16 is no less than the amount provided pursuant to the Act."

17 Do we have an opinion of counsel that our practice  
18 of awarding month to month and three-month grants,  
19 notwithstanding this direction from Congress, is legal?

20 MR. MOSES: I think Mr. Fortuno will join me, who  
21 is our general counsel.

22 MR. FORTUNO: Yes. I believe that the question

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1 came up approximately three years ago, and it was studied and  
2 determined that no, it doesn't violate the congressional  
3 mandate. The amount of money that they get will remain the  
4 same. They'll get -- well, let me just leave it at my  
5 understanding was yes, it was looked at, and an opinion was  
6 issued. I don't recall whether Mr. Shea did so orally or in  
7 writing, but it doesn't violate the language in the  
8 appropriations act.

9 CHAIRMAN DANA: The language seems fairly flat-  
10 footed to me.

11 MR. FORTUNO: I believe it has been the same  
12 language for the past three years.

13 CHAIRMAN DANA: It's possible. Do you think it  
14 would be appropriate to revisit that and give us a -- it  
15 seems to me I have seen an opinion. Have we rendered an  
16 advice on that issue recently?

17 MR. FORTUNO: There have been opinions on short  
18 funding. The opinions specifically addressing the language  
19 about which you're concerned is a little older than what you  
20 may have seen. It may be about three years old. I just  
21 don't recall whether that was reduced to writing. I remember  
22 it being discussed at the time.

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1           Tim Shea was the general counsel of the  
2 Corporation, I think, and spent some time thinking about it.  
3 I don't recall whether a written opinion was issued, but I do  
4 recall that it was considered at some length, and that the  
5 conclusion was the Corporation did have that flexibility.

6           CHAIRMAN DANA: The opinion I've seen talks about  
7 the need for this management tool to coerce or induce, a  
8 better word, compliance with our rules and regulations. But  
9 I'm still concerned about the language. Rather than relying  
10 on a three-year old perhaps oral opinion of a well respected  
11 and revered predecessor of yours, I would ask that you give  
12 us some guidance or give us an opinion that what we are doing  
13 is okay.

14           MR. FORTUNO: Certainly. We'd be happy to take a  
15 look at it.

16           CHAIRMAN DANA: Mr. Richardson, the fact of  
17 month-to-month and short funding, does that account for  
18 almost all of the remaining funds in this area?

19           MR. RICHARDSON: That is correct, with the  
20 exception of the money we identified in December and January.  
21 Again, the amount of contingencies that are reserves, the  
22 monies that are set aside in each fund, which is nominal in

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1 most cases.

2 CHAIRMAN DANA: Any questions from the members of  
3 the committee or the Board, the president, or any questions  
4 from members of the audience?

5 (No response.)

6 CHAIRMAN DANA: Hearing none, this is in the nature  
7 of a report and requires no action on our part.

8 The next item on the agenda is consideration of the  
9 report by Grant/Thornton on the Corporation's 1991 financial  
10 audit and management report.

11 MR. RICHARDSON: Mr. Dana, I have today the  
12 managing partner of our audit with Grant/Thornton, Ms.  
13 Crystal Kasler. She will have a presentation for you and  
14 then we will answer any questions that you may have.

15 CHAIRMAN DANA: Welcome.

16 CHAIRMAN DANA: THE REPORT BY GRANT/THORNTON ON THE  
17 CORPORATIONS 1991 FINANCIAL AUDIT AND MANAGEMENT REPORT

18 MS. KASLER: Thank you for having me. I trust that  
19 you have seen the audited financial statements. Save for one  
20 entry for depreciation and one entry for purchases of  
21 equipment, we have not made any audit entries. Therefore,  
22 the financial information that you are seeing in the audited

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1 financial statements very closely resembles your in-house  
2 financial statements. Just the format is different.

3 CHAIRMAN DANA: So, Mr. Richardson's job is secure  
4 you think for another year?

5 MS. KASLER: Well, that is for you to decide but we  
6 made very few audit entries. When we met last, I proposed  
7 that you adopt SOP-7810 as to more appropriate guidance for  
8 your external financial reporting, and you did so adopt that  
9 standard. At the time, the audit was not complete and we  
10 thought the only affect this change would have would be the  
11 inclusion of a statement of cash flows rather than the  
12 inclusion of a statement of functional expenses.

13 Alas, things turned out to be a bit more  
14 complicated, and I want to point out to you the one change,  
15 the one other change that actually came from the adoption of  
16 that statement. If you do have financial statements in front  
17 of you, I would ask you that you kindly turn to page 4. In  
18 the lower third, the top of the lower third of the financial  
19 statements, there is a line item called deferred revenue  
20 restricted. It is about \$3.4 million.

21 That, as you can see in 1991, is a new category on  
22 your balance sheet that has not existed on your financial

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1 statements. Previously, those \$3.4 million were included in  
2 a line item called designated fund balance.

3 Now why this change? The SOP demands that we take  
4 a slightly different look at the earnings process. It asks  
5 whether there are any strings attached to the funds that you  
6 receive. If there are strings attached, then the next  
7 question is who has attached the strings.

8 The strings could be attached by the Board or they  
9 could be attached by outsiders, outsiders such as donors or  
10 federal appropriations committees. If strings have been  
11 attached by outsiders, then revenues are considered to be  
12 restricted for a particular purpose.

13 Revenue only can be recognized to the extent that  
14 expenses have been incurred for the purpose for which these  
15 funds were initially intended. This line of thinking means  
16 for the Corporation that we have to take a closer look at  
17 those funds that have been appropriated for particular  
18 purposes and grantees that now are not in compliance with the  
19 Corporation's rules and are not eligible to receive these  
20 funds.

21 With the result that only if and when these  
22 grantees are eligible to receive these funds, revenue would

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1 be recognized in your financial statements. Either the  
2 Federal Appropriations Committee or the grantees really hold  
3 the key to the fate of these funds. They have to be shown as  
4 deferred revenue. That's really the reason and that's why  
5 there are now \$3.4 million sitting as deferred revenues on  
6 your balance sheet.

7 CHAIRMAN DANA: Excuse me, could you try that one  
8 more time?

9 MS. KASLER: There is this dollar amount, it's \$3.4  
10 million, that has been appropriated through your normal  
11 appropriations process.

12 CHAIRMAN DANA: It's what we call committed  
13 carryover?

14 MS. KASLER: Yes.

15 CHAIRMAN DANA: Thank you. I understand committed  
16 carryover.

17 MS. KASLER: Sorry. I'm dealing with, I guess,  
18 accounting terminology. That committed carryover, in strict  
19 accounting theory, needs to be shown as deferred revenue.  
20 That change has been occasioned by this document, SOP-7810.  
21 That was something that we did not know at the time we last  
22 met. So I wanted to point this out to you.

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1           On page 5, the statement of support revenues and  
2 expenses, this changeover manifests itself as a line item  
3 called cumulative affect of a change in accounting principal.  
4 Changing from one audit guide to the other is considered to  
5 be a change in accounting principal.

6           The cumulative affect, that means the entire  
7 accumulated difference of how things would have been had this  
8 new document been in effect all the time, has to be shown on  
9 the income statement in the fashion it is shown here. Those  
10 committed carryover funds of \$3.4 million are shown here.

11           At the very bottom of your income statement is a  
12 line item that will only appear this year, as this is the  
13 year of change, and it puts both years, the net revenue, if  
14 you will, of both years on the same footing. It shows that  
15 1991 had excess expenses of \$477,000.

16           On the same basis, had this new procedure been in  
17 effect last year, 1990's excess revenues would have been \$461  
18 rather than the \$2.2 million, which are shown further up and  
19 which were shown last year. This is just to give you a  
20 comparative basis and to see what affect the change had on  
21 your financial statements.

22           CHAIRMAN DANA: May I interpret that to indicate

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1 that in 1990 there was a net increase in reserves, and in  
2 1991 there was a net decrease in reserves?

3 MS. KASLER: That depends on how you define  
4 reserves.

5 CHAIRMAN DANA: I was afraid you were going to say  
6 that.

7 MS. KASLER: I assume you define reserves as your  
8 undesignated and designated fund balance, which is that  
9 amount of money, I guess, open to the Board's discretion as  
10 to how it will be used in the future. If that is your  
11 definition of reserves, the answer to your question is yes.

12 CHAIRMAN DANA: Thank you.

13 MS. KASLER: On page 8, just for you to take a  
14 quick look at footnote A(9), the very bottom of page 8, it  
15 says adoption of statement of position 7810 and it just goes  
16 forward explaining the fact that you have adopted that  
17 change. That will be a disclosure one time this year, the  
18 year of change, and then will go away next year.

19 If you will turn to page 6, here is the one change  
20 that we all did expect. The long and the short of this  
21 particular page is that net cash has increased by \$1.8  
22 million in 1991. You would have to sort of go down to again

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1 about two-thirds of the page to the line item net cash  
2 provided by operating activities.

3 Where this money comes from, really, is the  
4 increased appropriations between the two years. 1990's  
5 appropriations were about \$316 million in rough numbers;  
6 1991's were \$328 million. The increase in your cash balance  
7 is as occasioned by the fact that you now also owe about \$2  
8 million more to your grantees.

9 That comes about because your funding is on a  
10 calendar year basis. You pay in January, prepay January  
11 basically the December allotment. So, on September 30 remain  
12 the October and November payments due to your grantees.  
13 That's two months. That's 16 percent of your total funding,  
14 and that increase in \$1.8 million neatly is 16 percent of  
15 your total funding. So, that works out, fortunately.

16 CHAIRMAN DANA: Question. We don't have that cash  
17 or do we?

18 MS. KASLER: Indeed you do. Yes, you do. If you  
19 were to look on your balance sheet, on page 4 at the very  
20 top, it shows that you have cash of \$58 million. You had  
21 that in 1991, and in 1990 you had \$56 million. Now you had  
22 that in the bank. You also owed \$51 million in 1991 and \$49

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1 or almost \$50 million in 1990 to your grantees that you had  
2 already committed to pay to them.

3 CHAIRMAN DANA: Well, am I correct that under note  
4 B it indicates that only \$40 million is in the U.S. Treasury  
5 and that the balance is presumably elsewhere?

6 MS. KASLER: Yes. You have funds in commercial  
7 banks.

8 CHAIRMAN DANA: This year, unlike last year, we  
9 have had at the end of the year \$18 million in commercial  
10 banks?

11 MR. RICHARDSON: If I may address that, normally we  
12 fund our grants, for instance October 1st, and we were  
13 depositing our letter of credit on October 1st. During the  
14 year, we had two occasions where it took us over a week to  
15 get our letter of credit in the bank. What I've started  
16 doing is depositing it on the last day of the month so that  
17 when we mail the checks, the money is already in the checking  
18 account.

19 CHAIRMAN DANA: So, if the bank were to fail on  
20 October 1 before the checks cleared, what result?

21 MR. RICHARDSON: We have set up a mechanism that  
22 when the check, the letter of credit is honored, the money

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1 goes into our account. The bank has a target balance of  
2 \$65,000. The rest of that money is swept into the Treasury  
3 Department of the bank that is now -- we're writing the  
4 checks on. That money is secured by U.S.-backed T-bills.  
5 We're setting that up in all of our banks to protect our  
6 money.

7 If we deposit it on October 1st, you've got the  
8 same effect until the checks start clearing. So we have done  
9 this in response to the continued bank failures. As you're  
10 aware, two of the banks that failed in this area last year,  
11 we have money deposited in those accounts.

12 CHAIRMAN DANA: I was not aware of that.

13 MR. RICHARDSON: The National Bank of Washington,  
14 which failed, it was taken over by Riggs. United National  
15 Bank was taken over by Signet. We had a very close working  
16 relationship with both banks. We had been operating in them  
17 for over 15 years, ever since the Corporation started. We  
18 actually had people, not to give a position but high ranking  
19 people, who were helping us to assure that our money would  
20 not be caught. We actually had a gentleman in one of the  
21 banks counsel me not to put the money in the bank.

22 So in searching around and going to banks, we have

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1 set up a mechanism now where we have protected the majority  
2 of our money. You do see a note in the financial statements  
3 that there was \$4 million that was not secured. We do not  
4 have that now. All of our money is secured with the  
5 exception of one bank, which I have information on my desk to  
6 set it up the same way, where they have a target balance and  
7 the rest of it is swept into the Treasury account. U.S.-  
8 backed treasury notes are purchased; therefore, our money  
9 will be 100 percent covered in the event of a failure.

10 CHAIRMAN DANA: Why is that?

11 MR. RICHARDSON: Why is that?

12 CHAIRMAN DANA: Why would the fact that the monies  
13 are swept into an account and invested in government  
14 securities, why would that necessarily, in the event of a  
15 failure, guarantee that we would get those monies?

16 MR. RICHARDSON: The Treasury Department is a  
17 separate arm of the bank, if you would, a separate  
18 corporation. So when the bank fails, the trust department  
19 does not.

20 CHAIRMAN DANA: I see. When you're using the word  
21 Treasury Department, you mean trust department of the bank?

22 MR. RICHARDSON: The trust department of the bank;

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1 yes, sir.

2 CHAIRMAN DANA: I see.

3 MR. RICHARDSON: There's two things. Treasury:  
4 when we pull our money out of treasury via the letter of  
5 credit it goes to the bank into the checking account. When  
6 it recognizes that -- for instance, Signet Bank has a \$65,000  
7 target balance. At five minutes until 2:00, they sweep all  
8 the money over and above \$65,000 into their trust department  
9 and then invests the money in T-bills.

10 CHAIRMAN DANA: That clears it up. I think you may  
11 have misspoken earlier when you referred to I think you  
12 called it the Treasury. So when you said on the record  
13 Treasury, you meant trust fund.

14 MR. RICHARDSON: I may have, okay.

15 CHAIRMAN DANA: You may continue.

16 MS. KASLER: This may actually be a very  
17 appropriate time to just mention that on page 12 in the  
18 financial statements, note H talks about the uninsured cash  
19 balances and discloses the fact that on September 30, 1991,  
20 roughly \$4.3 million were in a number of commercial bank  
21 accounts in Washington, D.C., not insured, in excess of the  
22 FDIC insurance money.

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1           This is a very complicated situation, not just for  
2 Legal Services Corporation but for all the organizations,  
3 particularly when you have big ebbs and flows in your money  
4 and how to exactly protect it, that in the event of a bank  
5 failure nothing happens. I might just maybe suggest that  
6 you, as a committee, delegate to an attorney to look at that  
7 situation.

8           These things are subject to very fine legalistic  
9 interpretation. Whether you ought to have written  
10 representation by the bank as to exactly how they are  
11 protecting you or whatever you'd like to do, I very much  
12 would encourage you to pursue this line of thinking and  
13 questioning, and make sure that you have done, as a Board,  
14 everything you can to protect the Corporation.  
15 Unfortunately, banking has changed its nature and has added  
16 on more worries to your deliberation.

17           CHAIRMAN DANA: Thank you. I think that's very  
18 good advice. I'm not sure what the appropriate way to  
19 proceed might be, but I know it is reasonably arcane that the  
20 area involving what is an account and whether multiple  
21 accounts can be aggregated -- it's not a branch of the law  
22 that comes to you necessarily on any of those days that you

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1 spend in class.

2 It might well be worthwhile for us to consider  
3 obtaining an opinion of initially our general counsel, but if  
4 he's not satisfied that he is up on the arcane aspects of  
5 this, perhaps our accountants could give us the name of  
6 someone who is. I think it would be worthwhile to make sure  
7 that since we're going to have as much as \$18 million sitting  
8 in one or more banks at any given time, I think we have an  
9 obligation to make sure it is not lost for want of some belt-  
10 and-suspenders effort.

11 MS. KASLER: What David is describing is something  
12 that I have heard many of our clients do. Still, I would  
13 suggest that maybe an attorney look at the arrangement. It  
14 sounds like the right arrangement to have, but it's a matter  
15 of how many minutes go between when the money is in the  
16 account and when the bank settles its affairs with the  
17 federal reserve banks and so forth.

18 So it's something that's quite outside our  
19 immediate accountant's experience. Generally, certain  
20 attorneys, as you suggest, have the knowledge and can review  
21 your arrangements and give you some comfort.

22 CHAIRMAN DANA: I thank you. I think that's very

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1 good counsel. I'd like to make sure that it stays on our  
2 agenda so that we address that.

3 MR. RICHARDSON: Yes, we will follow through.

4 CHAIRMAN DANA: Everybody's listening. Secondly,  
5 are you through?

6 MS. KASLER: I was only going to point out one more  
7 item on the financial statements and that's on page 10, note  
8 F, grants and contracts. It lists down your own categories  
9 that you use internally to show the amount of money expended  
10 during the years for these particular programs. That's a  
11 short synopsis, I guess, and instead of the statement of  
12 functional expenses, which you had previously shown. This is  
13 a footnote that you had not seen in your financial statements  
14 previously.

15 Those were really only the things I wanted to point  
16 out to you, so more highlighting the changes to your  
17 financial statements than to give you a detailed review. If  
18 you do have any questions, though, I'd be happy to answer  
19 them.

20 CHAIRMAN DANA: Members of the committee or Board,  
21 any questions?

22 (No response.)

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1           CHAIRMAN DANA: I noticed in the second report, the  
2 advisory comments, you mentioned that, at least as of year  
3 end, we were maintaining a balance of approximately \$3.6  
4 million in non-interest bearing accounts. As someone who  
5 is concerned about interest in trust accounts and otherwise,  
6 that seems like a high number. Is that normal for the  
7 Corporation?

8           MR. RICHARDSON: If I may address that, sir, we  
9 have in the past used as many as six banks in our grant-  
10 making process. The money, this \$3.6 million, was in an  
11 account that we have been working with to set up an interest  
12 bearing account. That has not been completed; therefore, we  
13 are not using that bank as of this time.

14           So all of the money that we're writing checks for  
15 grants are in interest bearing accounts as a result of their  
16 not being able to formulate a plan to move our money into  
17 interest bearing certificates or T-bills.

18           CHAIRMAN DANA: I'm aware that there are some  
19 arrangements where, in effect, the bank, if you write checks  
20 and you develop a negative balance, the bank has the capacity  
21 to bill you back up to zero by grabbing the funds out of the  
22 interest bearing account, as contrasted with the notion of

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1 where you see the checks are about to arrive, you go get the  
2 money first and you build up the account to pay the checks  
3 down?

4 That's a Maine lawyer's perception of the two ways  
5 to do it. I think the former way is preferable, where you  
6 have an arrangement where you go from zero to negative back  
7 to zero so that the checking account balance is never  
8 positive. You may have to actually pay a fee for that, but  
9 you leave your funds in the trust department in the interest  
10 bearing account as long as possible.

11 MS. KASLER: May I suggest something here as well?  
12 That you consider either as part of your committee's charter  
13 or establishing a subcommittee that actually looks at your  
14 investment policy, and that you develop, from the Board's  
15 point of view, an investment policy, not what on a day-to-day  
16 basis needs to be done, but an overall guideline as to how  
17 your funds ought to be handled so that you take some of this  
18 burden away from your staff.

19 Then the staff would follow these guidelines when  
20 they make decisions. So you stay with that and that's  
21 actually something that in the face of changes in the banking  
22 industry and in an investment industry, that's something that

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1 I think you may from time to time take a look at and see  
2 whether your investment policies still fit the marketplace  
3 out there.

4 So you might, if I may suggest, put that on your  
5 agenda as well to look at and help your staff a little bit  
6 with giving them guidelines.

7 CHAIRMAN DANA: Staff, take note. That sounds like  
8 maybe a draft of what our "investment policy" is. It might  
9 be a good place to start.

10 MR. RICHARDSON: If I may comment, I have actually  
11 had the bank call me and say I can give you a one percent  
12 greater interest if you will, for instance, invest your money  
13 in IBM certificates. I say no. I go to the U.S. Treasury  
14 bills. It is more conservative. It does not get as much  
15 interest as some of the others, but yet it is backed by the  
16 government.

17 Lots of times Nolan Company, IBM-Chrysler, they  
18 will have this type of investment vehicle and I do not use it  
19 just simply because I want the security of the U.S. Treasury.  
20 We can certainly look at that.

21 CHAIRMAN DANA: Well, I think the suggestion is a  
22 good one. I think your commendable prudence and probably

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1 where this Board will end up, but it wouldn't hurt to take  
2 you off the hook by reviewing it and blessing it, if that's  
3 our considered judgment. Then they fire us and you keep your  
4 job.

5 Are there any questions? Blakeley?

6 MR. HALL: Just one. David, on the \$4.3 million  
7 that was uninsured, can we find 43 different banks to put  
8 that money in?

9 MR. RICHARDSON: Forty-three different banks?

10 MR. HALL: I've never had \$43 million, so I don't  
11 know how you go about doing that.

12 MR. RICHARDSON: Not in this area.

13 CHAIRMAN DANA: Not any more.

14 MR. RICHARDSON: Not any more, that's right.

15 MR. HALL: \$4.3, I'm sorry.

16 MR. RICHARDSON: That could certainly be done, but  
17 it would certainly be an administrative headache to do.

18 MR. HALL: What did you do?

19 MR. RICHARDSON: What have we done?

20 MR. HALL: You mentioned six banks.

21 MR. RICHARDSON: Right.

22 MR. HALL: You put it in six banks?

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1 MR. RICHARDSON: At one point we were using six  
2 banks for our grant-making process. We are down to one right  
3 now.

4 MR. HALL: How did you get this money insured?

5 MR. RICHARDSON: Through what we were talking  
6 about. We have a target balance. When I deposit, for  
7 instance, the \$18 million, that's the amount of the checks  
8 that we're writing each month into the grant making. So I  
9 deposit the letter of credit. The bank puts it into the  
10 checking account. Sixty-five thousand dollars is the balance  
11 maintained, with the rest of it going into the trust  
12 department to be invested in Treasury notes or T-bills.

13 MS. KASLER: With the resulting effect that the \$18  
14 million really are not the banks assets. Therefore, if  
15 something were to happen to the bank, these assets would not  
16 be subject to the creditors of the bank, at least  
17 theoretically. But that's really for the attorney to look at  
18 and make sure that's actually what happens.

19 CHAIRMAN DANA: Thank you very much. I think your  
20 report is very helpful. Your comments have been equally  
21 helpful. Thank you.

22 MS. KASLER: Thank you.

1           CHAIRMAN DANA: I don't believe that this is an  
2 action item. We've received the report. I think we will  
3 make sure that it's available and distributed to the full  
4 Board. It's not necessary for us to take any action on it.

5           Item 5, consideration of the inspector general's  
6 comments on the audit and appropriations committee's  
7 operating guidelines. I think that -- why don't we take up  
8 items 5 and 6 at the same time?

9           CONSIDERATION OF THE INSPECTOR GENERAL'S COMMENTS ON THE  
10 AUDIT AND APPROPRIATIONS COMMITTEE'S OPERATING GUIDELINES

11   - and -

12           CONSIDERATION OF PUBLIC AND STAFF COMMENTS ON THE AUDIT AND  
13 APPROPRIATIONS COMMITTEE'S OPERATING GUIDELINES

14   - and -

15           CONSIDERATION OF THE AUDIT AND APPROPRIATIONS COMMITTEE'S  
16 OPERATING GUIDELINES

17           CHAIRMAN DANA: I'll make a brief report that  
18 following concerns about the guidelines at the last meeting,  
19 we received several comments from the General Counsel's  
20 office, comments from the IG's office, comments from the  
21 staff, all constructive and virtually all adopted,  
22 incorporated into a draft which is not in the green book but

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1 is distributed at the back of the room. It bears the date  
2 March 6, 1992.

3 With the exception of the footnote at the bottom of  
4 the page, which is still not quite right, this is the  
5 recommendation that I think comes to the committee with the  
6 endorsement of management and staff and certainly the  
7 chairman of the committee. It is intended to provide this  
8 committee with sort of a list of its responsibilities, and  
9 it's intended to give management clear direction in carrying  
10 out the Board's adopted budget.

11 It might be helpful for the members of the Board  
12 who haven't lived with it the way you and I have, for you to  
13 briefly summarize it, although we did discuss it and adopt a  
14 prior version of this at the last meeting. Hopefully we will  
15 do so again for ultimate adoption by the Board tomorrow.

16 That's the mistake in the footnote. We want these  
17 guidelines to be adopted by the Board really on our  
18 recommendation as a committee, hopefully. But it's the Board  
19 that adopts guidelines for our operation not us.

20 MR. RICHARDSON: What I've done is I have the  
21 document that was approved last month. What I'll do is walk  
22 through the particular changes and try to recap some of the

1 items that we did discuss last month also. For instance, in  
2 paragraph 1, we're looking at the president making a  
3 recommendation to the committee for a consolidated operating  
4 budget in the time frame.

5 We have here that this should be done before the  
6 start of the year or as soon after the appropriation process  
7 as possible. This will give us a good target. It's a little  
8 more difficult when we deal with carryovers, such as we've  
9 been doing. But at least we can have a target and a  
10 consolidated budget in place that we can continue operations.

11 One of the things that the guidelines from last  
12 month was not clear on was the process of providing the  
13 backup documentation for Attachment B. So, therefore, we've  
14 changed the second paragraph of 1 where it's got the  
15 staff -- let me back up. I'm reading from the old one.

16 In the original one we had "in addition the staff  
17 will prepare a detailed worksheet for the committee's review  
18 of operating budget for management and administration,  
19 Attachment B." That did not contemplate the Board, the  
20 committee, receiving the budget book that we've been working  
21 with since December.

22 So, therefore, in making this change, we've come up

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1 with "in addition, detailed supporting worksheets of the  
2 recommended operating budget for management and  
3 administration, Attachment B, and a statement of the  
4 availability of funds for allocation, Attachment C, with the  
5 president's recommendation will be provided." That's more  
6 inclusive than what we had before, and it's more in line with  
7 what we've just gone through in the last four months.

8           The change in the footnote certainly is warranted.  
9 The committee is recommending these or a form of these  
10 guidelines to the full Board. We will change the footnote as  
11 it's passed and put revised by the Board on and the date,  
12 hopefully tomorrow. My intention, also again with this, is  
13 next month we will publish the full amount of the guidelines,  
14 or the next Audit and Appropriations Committee meeting, not  
15 for review but in a final format, perhaps as an attachment to  
16 the minutes. Then that way, they will be public and be  
17 completely distributed to the field.

18           Attachment 2 is nothing more than after the  
19 committee reviews the president's recommendation, then the  
20 committee will make a recommendation to the Board for  
21 adoption of a consolidated operating budget.

22           When we get into 3, we're looking how the staff,

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1 under the direction of the president, will conduct quarterly  
2 internal reviews and the process we'll go through. The main  
3 one, Attachment 1 in paragraph 3, is the recommendation for  
4 internal budgetary adjustments. Today we'll have one of  
5 those as an example as to how this will operated.

6 Normally, the internal budgetary adjustments will  
7 be done at the end of the second quarter, March 31st, which  
8 will then be presented, as paragraph 6 states, in May when we  
9 have an A&A Committee meeting. Then at the end of June,  
10 we'll also do our internal review. When we meet in August,  
11 according again to the guidelines and the dates set up, then  
12 our internal budgetary adjustments will be reviewed.

13 The president, under paragraph 4, has discretion to  
14 make internal budgetary adjustments.

15 CHAIRMAN DANA: Internal budgetary adjustments, by  
16 that you mean adjustments within a single line; by that you  
17 mean within a single office?

18 MR. RICHARDSON: Within a single office. The  
19 example that we'll have today and we'll follow is where, for  
20 instance, the president's office needed a transfer to  
21 temporary employee pay to accommodate a hiring in the last  
22 quarter. There was sufficient funds in the personnel

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1 compensation line with a small reduction in the benefits line  
2 to accommodate that hiring.

3 You can also have a case where, for instance, we  
4 hired a consultant to help with the publishing inside legal  
5 services. We actually hired two. There was a photographer  
6 that was hired that did some pictures, of course, and then we  
7 hired a computer consultant on a two-hour basis.

8 So, money was available or appears to be available  
9 in the travel and transportation. So there's a \$200,000  
10 adjustment between those lines. All of that is being done  
11 in the executive office. That would be an internal budgetary  
12 adjustment. There is one qualification of an internal  
13 budgetary adjustment. That is if the president curtails  
14 substantially an existing activity or if there's a new  
15 activity that would be contemplated, that would have to come  
16 before the committee.

17 CHAIRMAN DANA: And ultimately the Board.

18 MR. RICHARDSON: And ultimately the Board.

19 Paragraph 5 discusses a reallocation. You also  
20 have a reallocation before you today where the Office of  
21 Policy Development through our reorganization is being  
22 abolished. Those funds are being removed throughout the

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1 Corporation. Those functions will be transferred, for  
2 instance, to the president's office, the executive office.

3 The publishing of the annual report will go to the  
4 Office of Field Services. There's a couple other  
5 adjustments. You're aware, of course, the archives and  
6 central files which used to be under the administration  
7 umbrella is now being transferred back to that.

8 So, therefore, you've got money going from OPDC,  
9 the Office of Policy Development, to the executive office and  
10 to the Office of Field Services, with another transfer  
11 between the Office of Field Services and the Office of  
12 Financial Administrative Services.

13 This is the type of report -- again, you have an  
14 example of that, so we can muddle through the contemplation  
15 of passing these guidelines. This is the type of reporting  
16 that we see will be necessary. It will be for the Board to  
17 review.

18 In paragraph 6, we did make a change here to make  
19 it flow better, actually to make it make sense. Originally,  
20 we had "the Board shall conduct a major review," when, in  
21 actuality, it's the committee who will be making the review  
22 and then subsequent recommendations to the Board.

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1           There were a couple of other small adjustments in  
2 paragraph 6, the seventh line down. The actual sentence  
3 starts "a full review of the expenditures and internal  
4 budgetary adjustments and recommended COB allocations will be  
5 submitted to the committee at the conclusion of second and  
6 third quarters for its review and recommendation."

7 Originally, we had "action" there. The suggestion was to  
8 change that to recommendation.

9           The next line talks about "the report will be  
10 sufficiently detailed so as to allow the committee to review  
11 the president's decision and recommendation." We struck "the  
12 point to review and the basis for the president's  
13 recommendation" again to make it flow better. It does not  
14 change the meaning in any way.

15           Paragraph 7 discusses the unanticipated need arises  
16 for an immediate COB reallocation. This is, of course, the  
17 one last month that we were talking about that our general  
18 counsel spoke to possible sunshine violation. So we have  
19 inserted -- there's two changes here.

20           In the second line, it talks about the committee or  
21 Board. We've got "when no committee or Board meeting can be  
22 scheduled," so we changed the "or" to "and." We've also, to

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1 correct the sunshine deficiency, the third lines says "if  
2 approved by a majority of the committee in meeting." So,  
3 basically if a reallocation is needed, we will have to note,  
4 for instance, a telephone conference meeting or maybe bring  
5 people into Washington for a quick meeting so that we can  
6 address the emergency situation.

7 Eight is the special contingency funds. There was  
8 no change there. Of course, this year we have \$97,000, and  
9 that's available for the president at his discretion with a  
10 report to the committee.

11 Paragraph 9 is a new paragraph. This was inserted  
12 for the exception that was needed for the inspector general.  
13 It relates to his activities and the reporting mechanism that  
14 he needs to go through to make an internal budgetary  
15 adjustment to his line. One last change, the original  
16 documentation had "the staff will furnish monthly reports."  
17 Of course, that's done by my office so we've just changed it  
18 to "the comptroller will furnish monthly reports."

19 The tables and the attachments are the same as they  
20 were in last month's Board book. We've just reproduced them  
21 in case somebody did not have a full package. At this time,  
22 I'll be glad to answer any questions you may have.

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1 CHAIRMAN DANA: Thank you. With apologies to the  
2 audience for this scintillating subject, are there any  
3 questions?

4 (No response.)

5 CHAIRMAN DANA: Well, I would just say that I think  
6 that I'm very appreciative of the efforts that David has  
7 made, the efforts that other members of the staff. The  
8 general counsel and the IG have all made constructive  
9 suggestions. I think we're getting there. If there are no  
10 questions, I would entertain a motion to approve these  
11 guidelines for recommendation to the full Board.

12 M O T I O N

13 MS. WOLBECK: I'll move.

14 CHAIRMAN DANA: It's been moved. Is there a  
15 second?

16 MR. UDDO: Second.

17 CHAIRMAN DANA: Second. Any further discussion?

18 (No response.)

19 CHAIRMAN DANA: Hearing none, all those in favor  
20 say aye.

21 (A chorus of ayes.)

22 CHAIRMAN DANA: Opposed?

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1 (No response.)

2 CHAIRMAN DANA: It's a vote and unanimous. We'll  
3 go through a much shorter version of that tomorrow for those  
4 of you who may be here.

5 Now, that takes care of items 5 and 6 on the agenda  
6 and 7.

7 CHAIRMAN DANA: Now, just as though those  
8 guidelines had been passed by the full Board, and in the  
9 hopes that they will be, do you have a recommendation and a  
10 report to us that shows us how these guidelines are supposed  
11 to work?

12 CONSIDERATION OF MANAGEMENT REQUEST TO MODIFY MANAGEMENT AND  
13 ADMINISTRATION FISCAL YEAR 1992 BUDGET WITHIN AND  
14 BETWEEN LINE ITEMS

15 MR. RICHARDSON: Yes, sir. There is actually two  
16 memos in regards to reallocation. It should be noted also  
17 it's reallocation and an internal budgetary adjustment  
18 because I've combined two different topics here into one.  
19 One is dated March 6, reallocation of fiscal year 1992,  
20 consolidated operating budget. It begins by discussing the  
21 management study that Mr. O'Hara undertook last year in his  
22 capacity as a consultant under the prior president. He has

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1 continued his review, and he's now implementing some of the  
2 changes that the report recommended. One of those included  
3 the reorganization or the abolishing of the Office of Policy  
4 Development and Communications.

5 The employees of that division have been  
6 transferred to a number of offices to include the executive  
7 office, the Office of Field Services, and there's one that  
8 coming to the Office of Financial Administrative Services.  
9 Additionally, the archives and central files, as reported to  
10 you earlier, is being combined along with the law library  
11 into the Office of Financial Administrative Services.

12 CHAIRMAN DANA: Excuse me for interrupting, but I  
13 think that this is available at the back of the room. I know  
14 the committee all has it. So, I'm perfectly happy to hear  
15 from you but maybe it might be more efficient if I asked if  
16 there were any questions by anyone in the committee or on the  
17 Board or in the audience concerning these two proposals; the  
18 first being, really, what you've described, and the second  
19 being the reauthorization within the executive office that  
20 you had previously described.

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

22 MR. McIVER: Mr. Dana, I just have one question,

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1 Harrison McIver. Is the March 6 reallocation of fiscal year  
2 1992 a change from the last meeting in which something like  
3 this was submitted to the public?

4 MR. RICHARDSON: It's the exact same.

5 CHAIRMAN DANA: It's exactly the same, although the  
6 reauthorization or the reshuffling of the executive office is  
7 new.

8 MR. RICHARDSON: No, sir.

9 CHAIRMAN DANA: That was in the memo too?

10 MR. RICHARDSON: It was not in the memo. Remember,  
11 the exact same lines, the outcome is the same. The reporting  
12 mechanism for the internal budgetary adjustment normally  
13 would not occur until May, so I had incorporated that into  
14 last month's document with the intention of reporting that  
15 change to the Board in May.

16 MR. McIVER: I'm a little confused.

17 CHAIRMAN DANA: I don't think there's any change  
18 from the last report.

19 Any other questions?

20 (No response.)

21 CHAIRMAN DANA: If not, I would entertain a motion  
22 to recommend the reallocation of our M&A budget as proposed

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1 in this memo, starting really with the second paragraph only.

2 M O T I O N

3 MS. WOLBECK: So moved.

4 CHAIRMAN DANA: It's been moved.

5 MR. UDDO: Second.

6 CHAIRMAN DANA: Seconded. Any discussion?

7 (No response.)

8 CHAIRMAN DANA: All those in favor say aye.

9 (A chorus of ayes.)

10 CHAIRMAN DANA: Opposed?

11 (No response.)

12 CHAIRMAN DANA: It's a vote.

13 It is not necessary under our guidelines to deal  
14 with the reallocation of monies within the executive office.  
15 So we'll take no action in that regard, except to say that  
16 the attachment to this memo reflects both actions; correct?

17 MR. RICHARDSON: That is correct, sir. So, the  
18 attachment to this memo, if you are interested, becomes our  
19 budget if it is adopted by the full Board tomorrow as opposed  
20 to the one we adopted two or three months ago. Again, I  
21 thank Mr. Richardson and his staff for making this possible.

22 The last item on the agenda --

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1 MR. RICHARDSON: Excuse me, sir, should I take up  
2 the additional reallocation that we discussed in regards to  
3 the build-out?

4 CHAIRMAN DANA: Yes, thank you.

5 MR. RICHARDSON: When we signed the lease for the  
6 new property at 750 First Street, the new headquarters of the  
7 Corporation, included in that lease document was a \$35  
8 allowance for build-out provision, moving expense, any new  
9 furniture, anything associated with the move that we  
10 contemplated.

11 The bidding process has been completed for the  
12 build-out. As we anticipated, there are additional funds  
13 that can be used for furniture and equipment. You have  
14 analysis, again dated March 6, which is a review of the cost  
15 of construction. At the bottom, I'll direct your attention  
16 there, the landlord's contribution, which is the next to the  
17 last line, is the \$35 times the square feet in the building  
18 which amounts to a build-out allowance of \$2,163,946.

19 Through the bidding process, Barber Construction,  
20 who is handling the project for Trammel Crowe, our new  
21 landlords, in conjunction with the American Psychological  
22 Association, because it is a partnership between Trammel

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1 Crowe and the American Psychological Association, the  
2 construction cost is \$1,320,430.

3 In addition to that, we have some costs that we  
4 will be contracting for or have contracted for and will come  
5 out of the build-out, but it does leave us with some  
6 additional money. For instance, the architect fee is  
7 approximately \$154,000. The telephone and data wiring is  
8 \$40,669. Security installation of the premises is \$35,450.  
9 This leaves a credit available to the Corporation of  
10 \$613,397.

11 The funds here, and I'll redirect your attention  
12 back to the paragraph, the third paragraph, that starts with  
13 AT&T, there is some additional costs that are not included  
14 here that will have to be subtracted from the \$613,000, the  
15 moving of the telephone switch, moving the Corporation as far  
16 as the furniture and equipment.

17 Also, the process that we're here for today is to  
18 look how much money we would have available or the Board  
19 would make available to us for the purchasing of new  
20 equipment and furniture. Just to give you an idea, I don't  
21 have it in writing, I've talked to -- we've had this  
22 week -- as many of the staff can tell you, in our meeting we

1 had a moving company knock on the door and walk in and count  
2 the number of furniture and chairs and everything that has to  
3 be moved.

4 We are getting quotes. I've actually had  
5 someone -- they basically state don't hold me to this, but I  
6 think I can move you for \$18 to \$20,000. Then I have another  
7 gentleman who says he can move us for \$30,000. Thirty is the  
8 highest at this point, and I don't look for it to be any  
9 higher than that, possibly lower.

10 The same thing in the telephone switch. We've got  
11 the telephone and data wiring. I had a gentleman off the  
12 cuff say oh, yes, I can move it for \$7,000, but he hasn't  
13 done that in writing yet. I had another one say he can move  
14 it for \$12,500. The reason mention that is that is just to  
15 give you an idea that from the \$613,000, we need to probably  
16 set aside \$50,000 for those two items. That will leave us  
17 approximately \$565,000 that we can use for renovating it  
18 and/or the purchase of furniture and equipment.

19 The reason I bring this to your attention, of  
20 course, is that if we can orchestrate getting rid of some of  
21 the broken furniture we've got, updating some of our  
22 equipment, it will lend itself to lowering the moving costs,

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1 but of course it would also mean spending some of the  
2 building allowance, the rent abatement that we had originally  
3 talked about before the furniture and equipment.

4 The reason I'm here today again is to ask for a  
5 dollar amount to be set aside so that we can update some of  
6 our equipment.

7 CHAIRMAN DANA: I know this matter is coming to the  
8 full Board. I would just observe that I have toured our  
9 offices, and they are pretty awful. I think that much of the  
10 equipment, much of the furniture appears to be older than the  
11 program. We're celebrating our 26th year. But it is really  
12 terrible.

13 I say that, I think, without fear of contradiction,  
14 with the possible exception of the president's office. It's  
15 through no fault of his own. I think it has been fixed up  
16 over time. The rest of the facility is pretty sad. So, as  
17 one director, I would be supportive of a wholesale  
18 refurbishing of desks and chairs and cabinets. I understand  
19 they have cabinets that you can't even lock.

20 Probably if MAC were to do an audit of our offices,  
21 that we'd get written down for all kinds of things. Do you  
22 have a recommendation for the Board or for us? Do you have a

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1 quote? Is Ken Boehm hard at work to come up with the new  
2 style of the interior, et cetera, or are we looking for a  
3 budget first?

4 MR. RICHARDSON: We're looking for a budget first.  
5 Let me give you an idea. For instance, in going through and  
6 looking at desks, you can buy desks for \$700. However, if  
7 you buy 50 desks, you're going to get some economy. So we  
8 need some type of budget to work with before we can do that.

9 There is one item, and I know that Mr. O'Hara has  
10 looked at it, and it with regards to our press operations.  
11 The printing office is sorely in need of a press. The one  
12 that we have is 15 years old. It was purchased when the  
13 Corporation was brand new. The press operation copies on one  
14 side. That, in itself, along with the collator, is going to  
15 be \$90 to \$100,000.

16 However, we could do that on what we would term, at  
17 least, a purchase program on a three-year plan and through  
18 the general services. That would spread the payments over a  
19 three-year period.

20 CHAIRMAN DANA: Speaking for myself only, I would  
21 hope that management should come forth with a recommendation  
22 and go out for bids and find out -- we're not going to get an

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1 opportunity again for probably another 25 or 26 years to take  
2 a look, wholesale look at the environment that we're  
3 operating in. We have secured, through staff's able efforts,  
4 a lease that provides more space for less cost.

5 With a sharp pencil, we have kept our renovations  
6 down so that there is money available. I think while it  
7 certainly shouldn't be wasted under any circumstances, and  
8 where we don't spend it for this, we could certainly use it  
9 for innovative grants, et cetera, et cetera. I would be  
10 supportive of a large piece of that money, if not all of it,  
11 going to doing the job right.

12 MR. WITTGRAF: Mr. Chairman, are you talking about  
13 an amount beyond the 613 credit?

14 CHAIRMAN DANA: No.

15 MR. WITTGRAF: This is within the context of the  
16 \$613,000?

17 CHAIRMAN DANA: Yes. Although there is an  
18 additional sum, which I was hoping not to use, but again, we  
19 don't have any quotes. We really don't know what the cost of  
20 doing -- I don't think it's seemly to get A-plus furniture.  
21 But certainly B-plus would be great. But I don't have no  
22 idea what that is, what that cost would be, whether we're

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1 talking \$200,000 or \$500,000 or \$700,000.

2 There is another sum of money and that is the rent  
3 rebate from the sale, hopefully sometime soon, of our  
4 existing space. Still no definitive word on that  
5 undertaking, I take it.

6 MR. HALL: Mr. Chairman? Are we telling David to  
7 find us something? He has up to \$613,000 to work with, if  
8 he has to have that much. Is that what you want him to come  
9 back with?

10 CHAIRMAN DANA: My view is that we're in no  
11 position to give him a budget unless we know what doing a  
12 B-plus job throughout the whole offices would cost. If doing  
13 a -- and I'm using B-plus in the context of not mahogany  
14 inlaid like the lobby of our new building.

15 That's what I would call higher than B-plus, but  
16 something less than that, doing it right throughout the whole  
17 facility, what that would cost. If it's going to cost \$2.5  
18 million, we're obviously going to have to deal with some  
19 lesser level, but I have no basis for knowing that.

20 Does anybody know what the order of magnitude is?

21 MR. HALL: As to the amount of money? What I was  
22 looking at, again looking at the catalogue, talking with our

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1 dealers, we can get desks for, like, \$650 to \$700, chairs,  
2 again B-plus, not very extravagant, we're looking at \$350 to  
3 maybe \$400. So basically \$1,000 for an office with a desk  
4 and chair. That's \$100,000 for 100 offices.

5 CHAIRMAN DANA: And that's not enough. What I  
6 would do is I would go out and get -- how you handle it is  
7 really up to you, but sometimes if you have options that each  
8 person gets a chance to exercise, and everybody's got a  
9 budget, and we do it within that amount, then they get to  
10 pick what they want in their office. These options don't  
11 come along very often. Why have all the fun yourself?

12 So it does seem to me that if you're talking in the  
13 neighborhood of half of this amount, you're talking at a  
14 reasonable level. Frankly, if you come back and say it  
15 should be more than that, I would think at least I would be  
16 supportive of that.

17 MR. RICHARDSON: Actually, sir, that's what I'm  
18 looking for. It's a little hard to go out on a bid basis not  
19 knowing exactly how much you're going to be able to -- how  
20 many pieces you want to purchase. If I go to a manufacturer,  
21 and we've identified some that will deal with us directly, it  
22 will maybe cut the wholesale actually out of the process.

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1           If we could have, say, a target of 250 to look at  
2 refurbishing the offices, we'll work toward that. But if  
3 it's less, fine. If it's a little more, we come back to you.  
4 That's the type of direction I'm seeking from you at this  
5 point.

6           CHAIRMAN DANA: Ladies and gentlemen, how do you  
7 feel about this? Do you agree with me that if they are going  
8 into new space, we ought to, without being extravagant, we  
9 ought to put it in reasonably good condition?

10           MS. WOLBECK: Mr. Chairman, I agree. I agree it's  
11 the time to do it but conservatively.

12           CHAIRMAN DANA: B-plus is conservative, B, B-plus,  
13 right in that area.

14           MR. UDDO: Howard?

15           CHAIRMAN DANA: Yes, Basile.

16                           M O T I O N

17           MR. UDDO: It sounds to me like what David wants is  
18 some kind of a ballpark target figure. I think your  
19 suggestion of half of the money that we've got available is a  
20 reasonable ballpark to let him work with.

21           CHAIRMAN DANA: Is that in the form of a motion?

22           MR. UDDO: Yes.

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1           CHAIRMAN DANA: We're not getting a second either.  
2 Some of us would like to know what doing a B, B-plus job  
3 throughout the whole building is going to cost. We would  
4 support that.

5           MR. UDDO: Isn't that what David is saying, though?

6           CHAIRMAN DANA: But he wants a number which then,  
7 I'm afraid, becomes the -- I'm afraid it will become the  
8 ceiling and they'll start cutting back on things.

9           Yes, Blakeley?

10          MR. HALL: Again, could you tell him that he can go  
11 up to \$613, if it takes it, to get the B-plus? With David, I  
12 don't think it will become a ceiling. I think you'll find  
13 that he'll attempt to be as low as possible. Isn't that what  
14 you want, Dave?

15          MR. RICHARDSON: Yes, sir.

16          MR. HALL: That's what he wants.

17          MR. RICHARDSON: We're going to look at to spend  
18 the money -- and these people behind me will tell you that  
19 I'm pretty frugal when it comes to spending the money.

20          CHAIRMAN DANA: The president just indicated that  
21 he's going to be involved, which means there are two  
22 skinflints involved. I'm the liberal on this Board, so I

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1 feel we ought to approach this thing and do it right and not  
2 have the really caliber of facilities that we have now.

3 MR. HALL: I was going to comment I don't think  
4 David would pour money down any rat holes.

5 CHAIRMAN DANA: Oh, for sure.

6 MR. RICHARDSON: There's a couple other things.  
7 Unfortunately, we haven't had a chance to address everything  
8 with management, Mr. O'Hara and the other directors. But  
9 certainly, like I said, the new press is one thing that I  
10 think we really do need to consider. We need to upgrade some  
11 of our computer facilities.

12 Right now we have -- our computers are not linked  
13 at all. I have actually got staff looking at establishing  
14 what we call a local area network. That cost appears to be  
15 approaching \$50 to \$60,000. That way each of our computers  
16 can talk to each other.

17 CHAIRMAN DANA: And go down simultaneously with the  
18 same virus.

19 MR. RICHARDSON: No, not the way we're going to set  
20 it up. The other thing, of course, is the telephones.  
21 We've looked at a mechanism for an 800 number where somebody  
22 could call in and get information on Board meetings, get

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1 information on the Corporation, and to help the overall  
2 efficiency of the Corporation. That cost is about \$20,000.

3 So there's things that we're working on. Yes, when  
4 you add them all together, as Mr. Wittgraf or Mr. Hall said,  
5 we could spend \$560,000, but I don't look to do that. I  
6 really do look to spending in the most economical and  
7 efficient fashion available, remembering that next year we do  
8 have money built in for capital expenditures also. So even  
9 if we do lose some of the older stuff, we do have another pot  
10 of money we can work out from year to year.

11 MS. WOLBECK: Mr. Chairman?

12 CHAIRMAN DANA: Yes.

13 MS. WOLBECK: Couldn't he just put together what he  
14 proposes that he's going to need and let him come with that  
15 rather than try to come up with a figure now?

16 CHAIRMAN DANA: That's certainly my preference.

17 MR. RICHARDSON: The only thing that I'm looking at  
18 is timing. Of course, we're under 90 days in moving into the  
19 new facilities.

20 CHAIRMAN DANA: Well, all right. For purposes of a  
21 safe harbor, I will second Mr. Uddo's motion, which is  
22 \$300,000. So that there's a -- could I restate your motion,

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1 Basile?

2 MR. UDDO: Feel free.

3 CHAIRMAN DANA: To recommend to the full Board that  
4 it set aside an amount of \$300,000 that management should  
5 feel is a nonobjectionable amount to spend on the internal  
6 furniture and operation --

7 MR. UDDO: Refurbishing.

8 CHAIRMAN DANA: -- refurbishing of our new space  
9 without prejudice to returning to the Board at a later time  
10 should that not prove to be sufficient. Recognizing that we  
11 know that management will spend the money with great care,  
12 caution, and conservatism --

13 MR. UDDO: Is this a restatement of the motion or a  
14 speech, Howard?

15 CHAIRMAN DANA: Yes. That's it.

16 MR. UDDO: If anybody got that down, that's my  
17 motion.

18 CHAIRMAN DANA: And I will second it.

19 Is there any further discussion?

20 (No response.)

21 CHAIRMAN DANA: Hearing none, all those in favor  
22 say aye.

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1 (A chorus of ayes.)

2 CHAIRMAN DANA: Opposed?

3 (No response.)

4 CHAIRMAN DANA: It's a vote.

5 MR. UDDO: Howard?

6 CHAIRMAN DANA: Yes, Basile.

7 MR. UDDO: I did have one comment as an aside. I  
8 don't concur with your view that the offices should be  
9 individually furnished by the occupants with the budget.  
10 That really has two problems. One is I think it's going to  
11 defeat some of the economies of scale that Dave is talking  
12 about. Secondly, I really think it only works if subsequent  
13 office holders, people who may have those offices in the  
14 future, have a budget to redo it their way. Otherwise, I  
15 think things ought to be pretty much standard throughout the  
16 facility.

17 CHAIRMAN DANA: I agree with that, believe it or  
18 not. I was really thinking in terms of some fairly limited  
19 options. I think that not everybody -- I mean, some people  
20 might want to have a small table that two people can meet,  
21 sit around. Other people might want to have two easy chairs.

22 MR. UDDO: That's not a problem. I thought you

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1 meant everybody gets a \$1500 budget to furnish their office  
2 anyway you like.

3 CHAIRMAN DANA: No. I think that there probably  
4 ought to be a reasonably standard chair, easy chair, sofa,  
5 side table, credenza, desk, and those options. Then, within  
6 a budget, you get to pick which of those you want in your  
7 office. Would that meet your --

8 MR. UDDO: That's fine.

9 CHAIRMAN DANA: Thank you. Now, may we move to the  
10 last item on the agenda? Off the record just a moment.

11 (A brief recess was taken.)

12 CHAIRMAN DANA: Members of the committee, believe  
13 it or not, we have a suggested change in the recently  
14 approved and extensively revised guidelines. In paragraph 7,  
15 where it reads "in the event that an unanticipated need  
16 arises for an immediate COB reallocation at a time when no  
17 committee and Board meeting can be scheduled," the intention  
18 of that was and is to mean when you couldn't get both a  
19 committee meeting and a Board meeting.

20 But it's been suggested, and I think correctly,  
21 that it would be better if we deleted the words -- it would  
22 read better and be more accurate if we deleted the word

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1 "committee and." So it would read "in the event that an  
2 unanticipated need arises for an immediate COB reallocation  
3 at a time when no Board meeting can be scheduled," and then  
4 it continues on.

5 Since that was our intention, do I have the  
6 committee's consent to make that change?

7 MR. UDDO: That changes the last sentence; doesn't  
8 it?

9 CHAIRMAN DANA: No, because it says if approved  
10 by -- no, that's fine. Now it would read "in the event that  
11 an unanticipated need arises for an immediate COB  
12 reallocation at a time when no Board meeting can be  
13 scheduled, the staff, under the direction of the president,  
14 shall prepare and submit a detailed memorandum to each Board  
15 member.

16 "If approved by a majority of the committee in  
17 meeting," that is to say we get the committee together and  
18 have a meeting, the president will be authorized to proceed  
19 on the basis of that authorization," that is to say the  
20 committee's authorization, "until subsequent Board review."

21 MR. HALL: Okay.

22 CHAIRMAN DANA: The record should reflect that the

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1 committee is in agreement with that change and that's fine.

2 Now, what time is it? It's 22 minutes to 4:00.

3 The last item on the agenda is a consideration of options to  
4 ensure adequate funding for the Micronesian Legal Services  
5 Corporation.

6 MR. UDDO: Mr. Chairman, are you anticipating a  
7 vote on this?

8 CHAIRMAN DANA: I am not.

9 MR. UDDO: I am going to have to excuse myself. I  
10 can read what you get submitted. If you were taking a vote,  
11 I'd try to hand around a little longer, but I really do have  
12 to excuse myself.

13 CHAIRMAN DANA: We thank you for being available.

14 MR. UDDO: I hope to speak with you folks tomorrow.

15 CHAIRMAN DANA: Good luck in court. My compliments  
16 to the staff for this arrangement. It's terrific.

17 At the last meeting, the committee asked for a  
18 report from the -- actually asked for a recommendation from  
19 the staff as to how to deal with this dilemma we have in  
20 Micronesia where two parts of the Micronesian program that  
21 are separate independent countries do not have a U.S.-based  
22 census.

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1           We have received not one recommendation but eight,  
2 near as I can tell. I assume you have deliberated on these  
3 and have a proposal for us or not?

4           CONSIDERATION OF OPTIONS TO ENSURE ADEQUATE FUNDING FOR  
5           THE MICRONESIAN LEGAL SERVICES CORPORATION

6           MS. SMEAD: No, sir. We don't have a proposal for  
7 you directly. I did have the opportunity before, about 15 or  
8 20 minutes ago, of talking with Mr. Clint Banberger who is  
9 here, who has spoken with Micronesia Legal Services. They  
10 have recommended that we pursue items 4, 5, and 6. Those are  
11 the ones that rely on the censuses conducted by the Marshall  
12 Islands and by the Federated States of Micronesia.

13           What we would like to do, which Mr. Banberger  
14 suggested, is contact some demographers to get a better  
15 understanding of the reliability of that census data.

16           CHAIRMAN DANA: Is Mr. Banberger here, and would he  
17 like to come forward? As many of the people in the audience  
18 and the Board may know or may not know, Clint Banberger is a  
19 name that is legendary in legal services circles. He was a  
20 Board member or a president, or what was your title in the  
21 good old days?

22           MR. BANBERGER: Well, in the good older days, I was

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1 the director of the legal services program in 1965. In the  
2 good old days, I was the executive vice president. I was  
3 executive vice president of the Corporation in 1974-1979. I  
4 was the first director of the legal services program in the  
5 Office of Economic Opportunity in 1965 and 1966. Those were  
6 very old days.

7 CHAIRMAN DANA: It's nice to meet someone who is a  
8 giant in the history of this program.

9 MR. BANBERGER: I feel like the fellow who rode in  
10 the parade as the last Civil War veteran.

11 CHAIRMAN DANA: Welcome.

12 MR. BANBERGER: Let me say my connection with  
13 Micronesia is that when the program was first funded, I was  
14 not involved with legal services, and I was a director of the  
15 program to help them get started. There were two directors  
16 from the continent, the dean of the University of Mississippi  
17 Law School and myself.

18 Then when I became the executive vice president of  
19 the Corporation, of course I resigned from the Board. When I  
20 left the Corporation in 1982, I went back to the Board  
21 briefly. But by that time it seems to me that the value of a  
22 stateside member was whatever that person could do in

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1 relating to the Corporation and to the programs here.

2           It was not worth -- it cost about \$3,000 to fly out  
3 there for a two-day meeting. So I said I would not occupy a  
4 Board seat, but I would do whatever I could here for them.  
5 So I'm here, as Ellen called me before, a friend. I'm not  
6 retained as counsel or anything. I'm just here as a friend  
7 of the program.

8           We have had a chance to talk about these options.  
9 I've had a chance to have one brief conversation with Ron  
10 Kershenheiter about it. I am not a demographer and I'm not a  
11 statistician. So I think, though, that we could work with  
12 propositions 3, 4, and 5, and that we could get some expert  
13 objective advice that Ellen and I could both consult to -- 4,  
14 5, and 6. We could get some good advice about which will  
15 give us the best counts.

16           There is one other thing to explore and that is you  
17 will notice that the memorandum states that in 1993 the  
18 Federated States of Micronesia will have a census actually  
19 supported by funds from the United States government and,  
20 presumably then, under some supervision by the Bureau of  
21 Census. If we can find out when that's available, we may  
22 only need some language in the appropriation bill or language

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1 in the committee report that would just tide us over to 1993  
2 or 1994.

3 CHAIRMAN DANA: It would be very helpful if you had  
4 or could working with Ellen could generate some language. My  
5 fear is that Congress has a lot on its mind. If we have some  
6 language that we think will solve the problem in the interim  
7 and have a continuing capacity to be improved upon when those  
8 numbers come through, I think that's great.

9 MR. BANBERGER: Fine. We will certainly try and I  
10 think we should be able to. May I say that it is useful to  
11 know that while you're talking about two of the four states  
12 that now exist there, you're actually talking about three-  
13 quarters of the population.

14 The Marshall Islands area large island group to the  
15 east. The Federated States of Micronesia are a large island  
16 group of the Caroline Islands to the south. Those are the  
17 two that are not within the U.S. census count in 1990.  
18 Three-quarters of the people in Micronesia live there.

19 The other two, the commonwealth of the northern  
20 Mariana Islands is really just one large island and two  
21 smaller islands, Saipan and Tinian and Rota. Then the Palau  
22 is essentially one large island. So those are small

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1 entities. The other two, what we're talking about, the areas  
2 in question not covered by the U.S. census, are three-  
3 quarters of the population.

4 There has been a tremendous increase. We know from  
5 the Bureau of Census count that was done in the commonwealth  
6 of the northern Mariana Islands, that from 1980 to 1990 the  
7 population increased 160 percent. So there's been a  
8 tremendous growth of population in all the islands.

9 I'll say one other thing. It is an area that is as  
10 large as the continental United States. So it's a vast  
11 territory and lots of people. It's very important.

12 CHAIRMAN DANA: How many people?

13 MR. BANBERGER: Well, I think the last count was  
14 about 205,000. Is that right?

15 MS. SMEAD: This gives 130.

16 MR. BANBERGER: In total Micronesia, there are  
17 about between 200 and 205,000, by the best sort of counts  
18 that we can put together now. In the Federated States of  
19 Micronesia, the Republic of Marshall Islands, there are  
20 150,000 people.

21 CHAIRMAN DANA: Do these new countries use U.S.  
22 currency so that we can --

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1 MR. BANBERGER: Yes. I will say one other thing as  
2 a compliment to legal services and the Corporation. When we  
3 entered into this new relationship through this contract of  
4 free association, one of the programs that the people there  
5 insisted most upon was having the legal services program.

6 They had lived under various colonial dominations  
7 and they had lived under a League of Nations mandate. They  
8 lived under the U.N. Trust Commission mandate. They knew the  
9 value of having advocates to deal with the government. I  
10 think most of the business there is really sort of dealing  
11 with the bureaucracy as opposed to interpersonal  
12 difficulties. It's very valued by the people there.

13 CHAIRMAN DANA: I understood that there were 66  
14 federal programs in operation in those two areas. They said  
15 you can keep 65 of them but don't take legal services.

16 MR. BANBERGER: That's right.

17 CHAIRMAN DANA: Thank you very much, and don't wait  
18 another 10 years to make another appearance.

19 MR. BANBERGER: Thank you, thank you very much.

20 CHAIRMAN DANA: I guess we've advanced. You're  
21 going to work and come up with a proposal that we can advance  
22 to our friends on the Hill to help solve this problem for our

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1 grantee.

2 MS. SMEAD: Yes, sir.

3 CHAIRMAN DANA: Thank you very much.

4 Is there any further business to come before the  
5 meeting?

6 (No response.)

7 CHAIRMAN DANA: Hearing none, it's quarter to 4:00.  
8 The next meeting the general counsel won't let us start until  
9 4:00. Than you all. We're adjourned.

10 (Whereupon, at 3:45 p.m., the committee was  
11 adjourned.)

12 \* \* \* \* \*

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