

**RETURN TO CORPORATION
SECRETARY ARCHIVES FILE**

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS
OFFICE OF THE INSPECTOR GENERAL OVERSIGHT COMMITTEE MEETING
JULY 13, 1992
2:55 p.m.

Drake University Law School
The Neal and Bea Smith Law Center
2400 University Avenue
The Law Library
Des Moines, Iowa 50311

OPEN SESSION

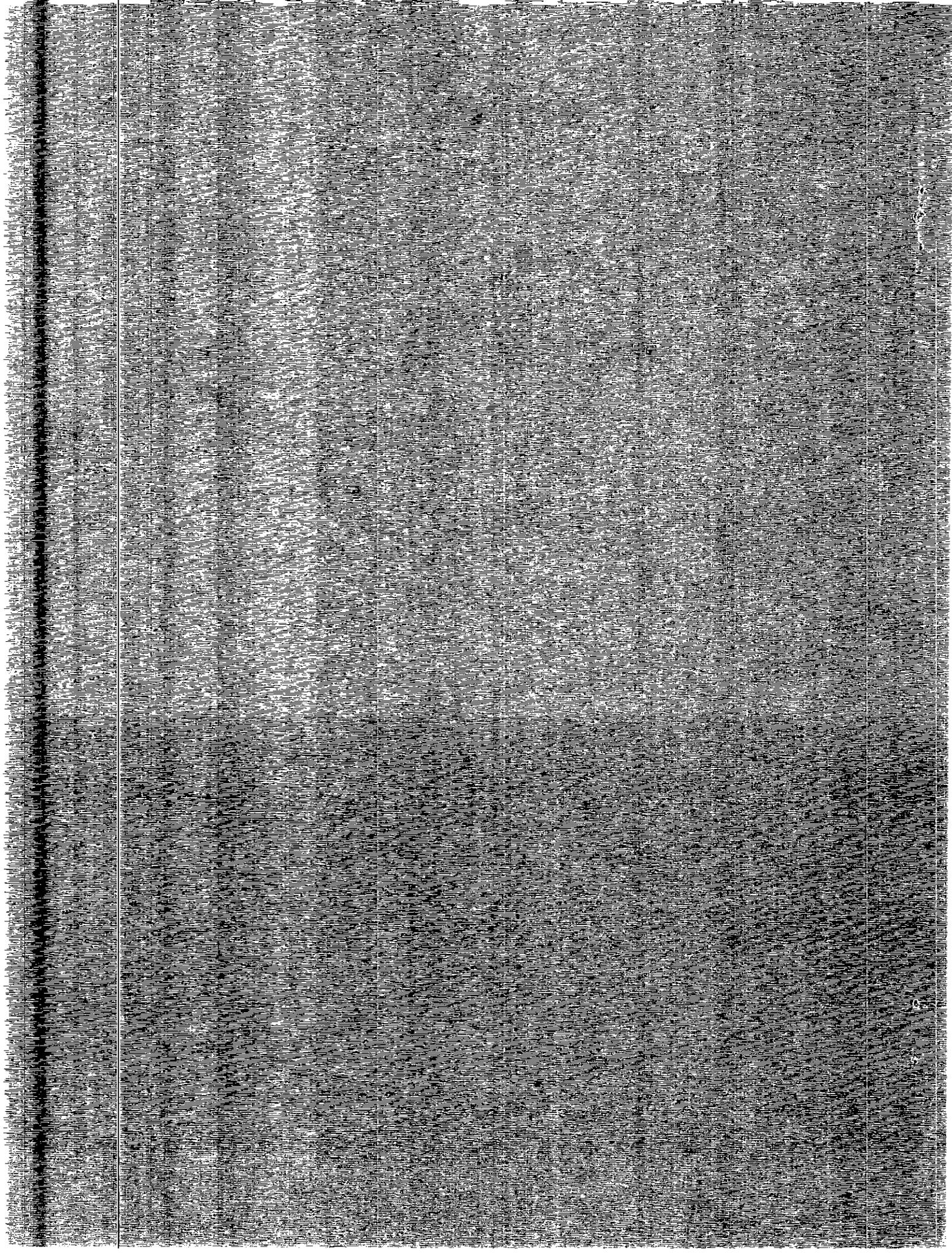
Board Members Present:

William L. Kirk, Jr., Chairman
Howard H. Dana, Jr.
J. Blakeley Hall
Jo Betts Love
Thomas D. Rath
Norman D. Shumway
George W. Wittgraf
Jeanine E. Wolbeck

Staff Present:

John P. O'Hara, President
Patricia Batie, Secretary
Edouard Quatrevaux, Inspector General
David Richardson, Comptroller and Treasurer
Victor Fortunato, General Counsel

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WASHINGTON, D.C. 20006
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P R O C E E D I N G S

(2:55 p.m.)

CHAIRMAN KIRK: I'd like to call the meeting to order. We're going to try to make up for the time that I lost with my own comments during the A & A meeting.

M O T I O N

CHAIRMAN KIRK: Do I hear a motion to approve the agenda?

MR. HALL: So move.

MS. LOVE: Second.

CHAIRMAN KIRK: Moved and seconded. To approve the agenda. All in favor say aye.

(Chorus of ayes.)

M O T I O N

CHAIRMAN KIRK: Entertain the motion to approve the minutes of the minutes of the meeting of May 17, 1992.

MS. LOVE: So move.

MR. HALL: Second.

CHAIRMAN KIRK: It's been moved by Jo Betts, seconded by Blakeley Hall that the minutes be accepted. Any discussion?

(No response.)

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1 CHAIRMAN KIRK: All in favor say aye.

2 (Chorus of ayes.)

3 CHAIRMAN KIRK: Minutes are so approved.

4 Item No. 3 is the consideration of the Office of
5 the Inspector General's proposed guidelines for the
6 Corporation's annual financial audit. Mr. Inspector General,
7 I'm not sure you had an opportunity to sum up your views on
8 this.

9 PRESENTATION OF EDOUARD QUATREVAUX

10 MR. QUATREVAUX: Thank you, Mr. Chairman. With
11 regard to the corporate financial statement audit, I believe
12 you all hold guidelines that, with the exception, as pointed
13 out earlier, with the exception of the highlighted area which
14 deals with the audit standards to be applied. There is
15 agreement with all parties that we play a role in this. The
16 remaining issue is that of audit standards.

17 My recommendation is that the Government Audit
18 Standards be applied. The rationale for that recommendation
19 is that I think it affords you, the directors of the
20 Corporation, greater protection with regard to your
21 responsibility as directors. It think it provides for a
22 better audit and it does so a minimal additional expense.

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1 CHAIRMAN KIRK: Chairman Wittgraf, was there a
2 consensus on how this was going to be handled? I'm sure that
3 we could perhaps get a motion and a second in this committee,
4 but is there a thought that this should be put off until the
5 following meeting?

6 MR. WITTGRAF: Not necessarily. I am not sure
7 where we are logistically. Did I understand, Mr. Dana, that
8 somebody was revising the draft guidelines with the addition
9 for the change on the third page?

10 MR. DANA: It's my hope that that will be
11 accomplished by tomorrow. And it was my expectation that the
12 guidelines would be presented with that hole which either
13 could be filled by GAS or GAGAS and/or that additional
14 language for which we couldn't get a second in our meeting.

15 MR. WITTGRAF: I think that's a partial answer, Mr.
16 Kirk. I guess the other question would be if you would want,
17 Mr. Dana, further consideration of that, by the Board as a
18 whole, to be deferred to August in light of your absence from
19 the meeting tomorrow.

20 MR. DANA: I would like that. My feeling is that
21 if there are other members of the Board who would -- I don't
22 want to put the Board unnecessarily through that. It is my

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1 hope that I could be in a position to express my concerns in
2 person. But I had committed to the IG that I would bring
3 this matter forward at this meeting.

4 I suppose that I guess it would be my preference to
5 be here. For those of you who do not know, I have had a
6 death in the family and need to be back in Maine tomorrow at
7 2:00, so I'm leaving at 6:00 a.m. in the morning.

8 CHAIRMAN KIRK: Well, there's nothing I'd like
9 better than to vote on it without you here, but --

10 (Laughter.)

11 CHAIRMAN KIRK: I think that my recommendation, Mr.
12 Quatrevaux, would be that it looks like it's going to be
13 GAGAS, one way or the other. We can give the word to the
14 auditor that they start with the GAGAS audit and however it
15 is mechanically done we can take care of at the San Francisco
16 meeting. Would that be acceptable?

17 MR. QUATREVAUX: For your information, we are not
18 planning to leap into this thing immediately. This cycle,
19 this audit, this year's audit, when we get involved we want
20 some up-front planning involved in it. So we had anticipated
21 that this year would be a year of primarily observation and
22 limited participation from our office.

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1 But we have some communications with both the
2 comptroller and with Grant Thornton to advise in the
3 likelihood of this standard being applied. But I wanted to
4 relate to you that we were not sitting here waiting to leap
5 right in.

6 CHAIRMAN KIRK: I don't want to cause any problems
7 by this delay, but I would like to accede to the request of
8 Mr. Dana. And if he wants to be here, I'm sure I'll need the
9 some other time.

10 MR. QUATREVAUX: Will do.

11 MR. WITTGRAF: Mr. Chairman, you may still want to
12 adopt a resolution as a committee which would then simply to
13 go the August agenda rather than this agenda this month.

14 M O T I O N

15 CHAIRMAN KIRK: That will shorten up mine. To put
16 it on the floor, I will move that we adopt the GAGAS, the
17 Government Auditing Standards for the Corporation with no
18 indication of why or from where we're gaining the authority
19 but just that that's our desire is to have a GAGAS audit.

20 MR. WITTGRAF: With that in wording, that would be
21 substituted in the resolution that was approved earlier by
22 the Audit and Appropriations Committee?

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1 CHAIRMAN KIRK: Yes, sir. Is there a second?

2 MR. HALL: I'll second the motion.

3 CHAIRMAN KIRK: So moved and seconded that the
4 previously presented resolution be adopted as it was amended
5 this morning and, further, with the insertion of the
6 Generally Accepted Government Auditing Standards in the
7 highlighted portions. Is there any discussion?

8 MR. DANA: Mr. Chairman, I think I understood
9 that -- maybe correct me -- am I correct that it is your
10 thought that you would not seek GAGAS this year but wait
11 until next year?

12 MR. QUATREVAUX: More than likely. We've put our
13 planning more or less on hold while this issue is being --

14 MR. DANA: I would just observe, Mr. Chairman, that
15 if this were to pass, we would be creating a bylaw that we
16 would be violating if we didn't go forward. Do you follow my
17 concern?

18 CHAIRMAN KIRK: Yes, sir. But I think that would
19 be if it were left up to Mr. Quatrevaux, he said that he
20 would not be doing it. I think that what we're saying is for
21 this year we go ahead and do it.

22 MR. DANA: No, I didn't think that was what his --

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1 CHAIRMAN KIRK: That's my motion.

2 MR. QUATREVAUX: Our most senior auditor recommends
3 that we go ahead and ask them to perform the audit under
4 GAGAS for this year.

5 CHAIRMAN KIRK: Further discussion?

6 (No response.)

7 CHAIRMAN KIRK: Hearing none, all those in favor of
8 the motion that a GAGAS audit be performed this year -- this
9 resolution, of course, will be submitted to the Board at the
10 August meeting -- all in favor say aye.

11 (Chorus of ayes.)

12 CHAIRMAN KIRK: Opposed?

13 (No response.)

14 CHAIRMAN KIRK: The motion carries.

15 Mr. Quatrevaux, the fourth item on the agenda is
16 consideration of the Office of the Inspector General's
17 investigative reporting process.

18 PRESENTATION OF EDOUARD QUATREVAUX

19 MR. QUATREVAUX: That's correct. Specifically,
20 there was a request for consideration of interim written
21 investigative reports. We've considered this and we really
22 believe that it's got several disadvantages. It is, of

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1 course, contrary to normal investigators' standards, and the
2 ebb and flow of investigations is such that it really doesn't
3 lend itself very well to that format.

4 We are prepared to consider a Board request for an
5 interim status report on any investigation that is in
6 progress, but we would prefer to do that on a case-by-case
7 basis as opposed to a standard report.

8 Our concerns primarily deal with sensitivity and
9 confidentiality during the course of an ongoing
10 investigation. I think you would appreciate that. Also
11 multiple copies of written reports increases the risk of
12 inadvertent disclosures. And disclosure, at best, could
13 hinder an investigation; at worst, it could damage an
14 individual's reputation, the Corporations investigation, and
15 possibly provoke a lawsuit.

16 I think that the current process that we have here
17 of verbally informing the Board strikes a very good balance
18 between the need to keep the head informed and at the same
19 time protecting the integrity of the investigative process.

20 CHAIRMAN KIRK: Thank you. Any questions or
21 comments?

22 (No response.)

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M O T I O N

CHAIRMAN KIRK: Hearing none, I'm going to move into Closed Session. Do I hear a motion that we adjourn the Open Session and move into Closed Session?

MS. WOLBECK: So moved.

MR. HALL: Second.

CHAIRMAN KIRK: Moved by Ms. Wolbeck, seconded by Mr. Hall. All in favor say aye.

(Chorus of ayes.)

CHAIRMAN KIRK: We will now move into closed session.

(Whereupon, at 3:12 p.m. the meeting was adjourned to Executive Session.)

* * * * *

P R O C E E D I N G S

(3:22 p.m.)

CHAIRMAN KIRK: I call the meeting to order. Before I adjourn, I want to thank the Office of General Counsel, Mr. Quatrevaux, Mr. Richardson, Amanda Mears for what I think was the spirit of working together and coming to some resolutions on the issue with regard to the audit. And

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1 even though we've argued over one minor portion, everybody
2 came a long way and moved toward a resolution. And I was
3 very pleased with it and I think it expressed the good
4 attitude of our Corporation and the people working in it.
5 And I personally want to thank all of you.

6 MR. DANA: I would second that. I think that we
7 have, unfortunately, plenty to fight about up here, and it's
8 nice when our staffs can work together and resolve it.

9 M O T I O N

10 CHAIRMAN KIRK: I entertain a motion to adjourn.

11 MR. WITTGRAF: I so move.

12 MS. WOLBECK: Second.

13 CHAIRMAN KIRK: Moved by Mr. Wittgraf, seconded by
14 Ms. Wolbeck. All in favor say aye.

15 (Chorus of ayes.)

16 CHAIRMAN KIRK: Opposed?

17 (No response.)

18 CHAIRMAN KIRK: The ayes have it. We're adjourned.

19 (Whereupon, at 3:23 p.m. the Open Session was
20 adjourned.)

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