

LEGAL SERVICES CORPORATION BOARD OF DIRECTORS

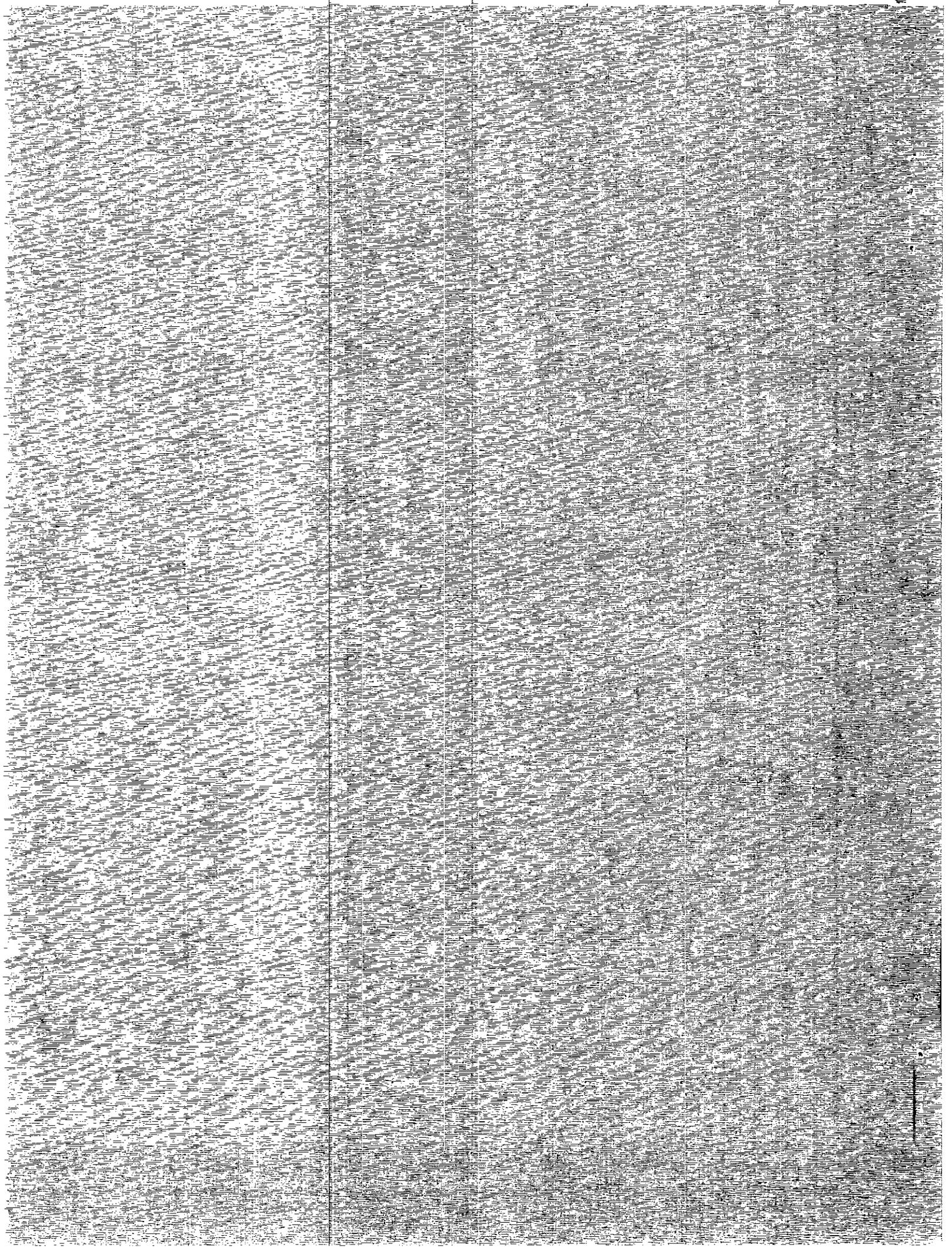
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

March 23, 1993

11:26 a.m.

The Legal Services Corporation
750 First Street, N.E.
The Board Room, 11th Floor
Washington, D.C. 20002

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



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BOARD MEMBERS PRESENT:

Basile J. Uddo, Chairman
William L. Kirk, Jr.
Jo Betts Love
Norman Shumway
George W. Wittgraf, Board Chairman
Jeanine E. Wolbeck

STAFF PRESENT:

John P. O'Hara, President
Emilia DiSanto, Acting Vice President
Patricia D. Batie, Corporate Secretary
David L. Richardson, Treasurer and Comptroller

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P R O C E E D I N G S

(11:26 a.m.)

CHAIRMAN UDDO: I'm going to call the meeting to order so we can get started. We're a little bit behind schedule. But the agenda is not that lengthy, so we should be able to get through it.

This is a meeting of the Audit and Appropriations Committee of the Board of the Legal Services Corporation. And present members of the committee are: Ms. Jeanine Wolbeck and Mr. Bud Kirk. Mr. Rath is a member of the committee and isn't here yet. And Mr. Dana was the other member of the committee, and as you know, he has recently resigned from the Board. So we do have a quorum, and we will continue on.

The first matter to be considered is an approval of the agenda. And I would entertain a motion to approve the agenda.

M O T I O N

MS. WOLBECK: So moved.

CHAIRMAN UDDO: It has been moved by Ms. Wolbeck.

Is there a second?

MR. KIRK: I'll second.

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1 CHAIRMAN UDDO: Good thing. Seconded by Mr. Kirk.

2 All those in favor of the approval of the agenda,

3 signify by saying aye.

4 (Chorus of ayes.)

5 CHAIRMAN UDDO: Opposed, nay.

6 (No response.)

7 CHAIRMAN UDDO: The ayes have it. The agenda is

8 approved.

9 The second matter is approval of the minutes of the
10 January 28th meeting, which was the last meeting here in
11 Washington, D.C. And I entertain a motion to approve the
12 minutes of that meeting.

13 M O T I O N

14 MS. WOLBECK: So moved.

15 CHAIRMAN UDDO: Moved by Ms. Wolbeck.

16 Is there a second?

17 MR. KIRK: Second.

18 CHAIRMAN UDDO: Second by Mr. Kirk.

19 All those in favor of the approval of the minutes,

20 signify by saying aye.

21 (Chorus of ayes.)

22 CHAIRMAN UDDO: Opposed, nay.

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1 (No response.)

2 CHAIRMAN UDDO: The ayes have it. The minutes are
3 approved.

4 The third matter on the agenda is the consideration
5 of the Corporation's Fiscal Year 1992 Financial Audit. And
6 we have a representative of Grant-Thornton to present that, I
7 believe.

8 The record should also note that we have, in
9 addition to the committee members that I indicated present,
10 Mr. Shumway; our Chairman, Mr. Wittgraf, who is sitting
11 behind Ms. Pullen's name plate, so I don't want anyone to be
12 confused about who he is; Ms. Love; and the Corporation
13 president, Mr. O'Hara, are also all present.

14 MR. KIRK: I'll share with you a question I've
15 wanted to ask you during the meeting, and that is why number
16 11 on the main agenda has me giving a report of the Audit and
17 Appropriations Committee?

18 CHAIRMAN UDDO: I don't know the answer to that,
19 Bud, but I'm happy to have you do it.

20 MR. KIRK: I'm happy, too.

21 CHAIRMAN UDDO: Is that a no confidence vote?

22 MR. KIRK: Yeah, I don't know.

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1 CHAIRMAN UDDO: A hint?

2 MR. KIRK: I don't know.

3 CHAIRMAN UDDO: Mr. Richardson, if you would
4 identify yourself and introduce our guest, please.

5 MR. RICHARDSON: For the record, my name is David
6 Richardson. I'm the treasurer and comptroller of the
7 Corporation.

8 Today I have with me the managing partner of our
9 audit firm, Grant-Thornton, Ms. Christl Kasler. And she is
10 here to walk through the audit with you if you have any
11 particular questions, and she'll have the presentation for
12 you.

13 CHAIRMAN UDDO: Thank you.

14 Ms. Kasler, are there any comments that you want to
15 make in advance of any questions that members of the
16 committee or the Board might have?

17 PRESENTATION OF CHRISTL KASLER, MANAGING PARTNER,
18 GRANT-THORNTON, RE CORPORATION'S FISCAL YEAR 1992 AUDIT

19 MS. KASLER: I will be very happy to go along with
20 your agenda. If you don't have any, I was going to make a
21 broad-based presentation of the financial statements and one
22 and sole management letter comment that we have. Also, there

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1 is an official communication between the auditor and the
2 Board required, and I was going to touch on that --

3 CHAIRMAN UDDO: That's fine.

4 MS. KASLER: -- and otherwise leave it to your
5 questions and comments to fill out the agenda.

6 CHAIRMAN UDDO: You just proceed as you had
7 planned. That would be fine.

8 MS. KASLER: All right. I take it you have the
9 audit and financial statements in front of you. And on page
10 3 you'll find our opinion, which is actually the only page
11 that is ours. Everything else is really yours, the Legal
12 Services Corporation's. And our opinion is an unqualified
13 opinion, as it has been in the prior years.

14 On page 4, you will find the balance sheet of the
15 Corporation, and that is, of course, all history by now --
16 maybe even long-ago history. But it's all as of
17 September 30, 1992.

18 If you go halfway down the page, you will see that
19 your total assets have increased by slightly over \$5 million.
20 That is largely driven by the increased funding in 1992 over
21 1991. Your '91 funding was roughly \$328 million. Your
22 funding in 1992 was roughly \$350 million.

1 If you divide \$350 million by 12, you have one
2 month's funding. Then multiply it by 2, you know what you
3 owe your various grantee agencies. Since about two months of
4 funding is owed to them as of the end of your fiscal year, it
5 would be good to have that money in the bank. In fact, that
6 number is about \$58 or \$59 million.

7 And if you look on your balance sheet, the first
8 line item says "Cash," and it's \$64 million, and that's the
9 money in the bank. Most of that is in Treasury -- with the
10 Department of Treasury, in an account that you have there,
11 which is good.

12 The year before, a much larger portion was with
13 your commercial bank. This year the cash in your commercial
14 bank at the end of the year was about \$1 million, which I
15 think is a good arrangement, to have as little money as
16 possible in your commercial bank.

17 The next line item down, \$573,000, is accounts
18 receivable -- probably somewhat of an unusual item for you.
19 This is a receivable from your landlord in connection with
20 moving into this building and the build-out allowance that
21 your landlord has given you that you have not used up
22 actually for decorating your offices. And that will paid or

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1 has, in fact, been paid to you by now, I would think, in
2 cash.

3 Down -- the second half of the balance sheet, as I
4 mentioned, your grants and contracts payable has increased
5 substantially, as has your funding. So with that increase in
6 funding, there is the two months payable to your grantees, so
7 that automatically increases the liability.

8 We go all the way down to the bottom of your
9 balance sheet. We see that you have fund balance total, the
10 various components of this, about \$2.2 million. Not much to
11 write home about. \$2.2 million in fund balance for a
12 \$350 million organization is not a great deal. True, that if
13 you were not to get federal appropriations, you probably
14 wouldn't give money to your subgrantees, so that would
15 resolve some of the problem.

16 But even if we were to just look at your
17 administrative costs, which are in the area of \$10-
18 \$11 million, only about 20 percent of that is in your fund
19 balance. So you don't have a lot of breathing room in terms
20 of making changes. So I just wanted to point that out. In
21 terms of not-for-profit organizations, that's a meager fund
22 balance.

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1 Any questions on the balance sheet?

2 CHAIRMAN UDDO: Any questions from members of the
3 committee?

4 (No response.)

5 CHAIRMAN UDDO: Members of the Board?

6 MS. KIRK: I have a couple. Have you participated
7 in the conversations about changing our method of accounting
8 for, I think, next year -- is that we're going to be doing it
9 -- under GAGAAS?

10 MR. RICHARDSON: Yes. What we're speaking of is
11 our audit, and I think she has that information on it, yes.

12 MS. KASLER: I reviewed the working -- no, I have
13 not participated in any discussions. I have, in reviewing
14 the working papers that our staff has produced, found when we
15 read the minutes of the Board, that that's what you're
16 intending to do for 1993.

17 So, in fact, as normally you would ask me
18 questions, I have only one question of you at the end, if I
19 -- if that has not been resolved by the time we get to the
20 end of this meeting. But I am aware of the fact that you're
21 planning to have that done.

22 MR. KIRK: Okay. Should I wait until we get to the

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1 end of the meeting for you to ask your question?

2 MS. KASLER: Whichever is your pleasure.

3 MR. KIRK: What is your question?

4 MS. KASLER: My question is why you decided that?
5 What it is your expectations are what the purpose of having
6 an audit in compliance with generally -- with government
7 auditing standards performed? Since I have not been in part
8 of the discussions, I am just curious and would like to
9 understand that.

10 MR. KIRK: Well, I think that perhaps it would be
11 better for you to meet with the inspector general and our
12 comptroller, because they were intimately involved in the
13 discussions and negotiations. But I can tell you that our
14 view was that GAGAAS is generally required for other
15 government agencies. It seems to be a larger circle than
16 GAAS -- is that right, GAAS? Yeah.

17 MS. KASLER: Mm-hmm.

18 MR. KIRK: And that --

19 MS. KASLER: Spelled with two As.

20 MR. UDDO: Yeah, what horrible names, GAAS and
21 GAGAAS.

22 MR. KIRK: I'm not going to comment on that.

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1 And that it might give us a little more insight and
2 control. But I think if you have some observations about it
3 after discussing it with the two people, we would like to
4 hear it.

5 Another question I have for you is, have you or has
6 Grant-Thornton experience in dealing with GAGAAS audits?

7 MS. KASLER: Extensive, yes. Since -- here in
8 Washington we have a very large not-for-profit practice, and
9 quite a number of our not-for-profit clients have federal
10 funding, have federal awards. And various government
11 agencies, as I'm sure you know, have adopted OMB Circular
12 A133 starting in 1990 and going forward from there.

13 And we have performed those audits in compliance
14 with OMB Circular A133, which contemplates an audit in
15 compliance with government auditing standards -- in fact,
16 goes -- OMB Circular A133 goes beyond the requirements, just
17 in the yellow book.

18 So we have -- in fact, we have written specific
19 audit modules. Our staff has had a number of training
20 courses they have to require, continuing education that's
21 required in the yellow book, and so forth. Yes, indeed, we
22 feel very confident that we will be able to perform that

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1 audit.

2 MR. KIRK: All right. My next question is whether
3 our setup in dealing with you, in giving you information --
4 and with Mr. Richardson -- is a typical setup that you have
5 with other not-for-profit corporations?

6 MS. KASLER: I see nothing unusual. Can you
7 elaborate on the question?

8 MR. KIRK: Well, I'm wondering if you're satisfied
9 with Mr. Richardson's being your -- the source of the
10 information generally that you give and that feeds through
11 him? Is that typically the way it's done?

12 MS. KASLER: Yes.

13 MR. KIRK: In other areas, do you have more contact
14 with the committee and the Board members, or anything like
15 that?

16 MS. KASLER: No. It's actually quite par for the
17 course, I would say, for just about any audit that is being
18 done, either on the commercial sector or which -- not private
19 -- not-for-profit organizations belong to, really, the
20 commercial sector -- or the government sector, where we
21 perform the audit with the primary responsibility being to
22 the Board of Directors, the auditors' responsibility being to

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1 report to the Board.

2 However, in order to accomplish an audit or
3 complete an audit successfully, one has to work with
4 management. And in the case of Legal Services Corporation,
5 that has worked -- in my judgment, has worked very well.

6 MR. KIRK: Yes. I have one final thing, and then
7 I'll be quiet. I am a big fan of Mr. Richardson's and have
8 been since the very first meeting that I've come to.

9 But I wonder if the closeness of your working
10 relationship with Mr. Richardson might inhibit sometime if
11 you thought that he or someone in his position -- maybe I can
12 use it generically -- weren't probably doing what they should
13 do and would inhibit your access to the Board and the A&A
14 Committee in telling of us problems?

15 MS. KASLER: Well, I can say unequivocally I would
16 immediately come to the Board with any problems that we would
17 encounter in the audit. In fact, as part of our reporting to
18 you, there is the so-called SAS 61 letter, which really has
19 only one page in it.

20 There are required communications between the
21 auditor and the audit committee, with the Board, as --
22 depending on how -- how the situation functions -- and there

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1 are nine distinct yardsticks, I guess, that we have to apply
2 to an organization and then report back to the Board
3 directly.

4 And this letter -- it just so happens, I think, it
5 might have gone through David Richardson's hands, but it's a
6 letter directly addressed to you, and it has nothing in it,
7 other than explaining what an audit does and what an audit
8 is. But there were no instances that we felt that we had to
9 report to you on.

10 I mean, just to give you an example, if, for
11 instance, the production of the information necessary to
12 complete the audit would have been extraordinarily slow, or
13 if we had found a lot of differences between the general
14 ledger numbers, the way they should have been, and the way
15 they really were, all those matters would have to be reported
16 to you. And since none of them are reported, the absence of
17 those comments, I guess, speaks for the fact that we have
18 felt there was nothing to report to you.

19 MR. KIRK: Then, that verifies my expectation. I
20 do have one more. And that is in the -- your final comment
21 on the insured funds --

22 MS. KASLER: In the management letter?

1 MR. KIRK: Yes.

2 MS. KASLER: Yes, the --

3 CHAIRMAN UDDO: Did you want to discuss that
4 separately? I think that you were planning on addressing
5 that?

6 MS. KASLER: We can talk about that now, yeah.

7 MR. KIRK: I'm sorry.

8 CHAIRMAN UDDO: I think she was going to --

9 MR. KIRK: I withdraw the question.

10 CHAIRMAN UDDO: Why don't you just go ahead and
11 address that if you're finished with your other presentation.

12 MS. KASLER: All right.

13 CHAIRMAN UDDO: And we can get Mr. Kirk's question
14 on that after.

15 MS. KASLER: Okay. Going back then to the
16 statement of support, revenues, and expenditures on page 5 of
17 the audit report of the financial statements shows your
18 funding in '92 was at the level of \$350 million, compared to
19 \$328 million the year before.

20 It also shows that total expenses have increased,
21 in fact, more dramatically than your funding. And
22 particularly, your management administrative costs have

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1 increased. Large portions of that increase have to do with
2 your move to this building.

3 You now -- I don't know exactly where you stand now
4 with your old office lease, but you were looking for
5 subtenants when we finished the audit, the audit field work.
6 You had not found such subtenants, so you found yourself
7 paying rent twice, and so that has increased the
8 administrative costs for the year substantially.

9 Other than that, there is relatively little to
10 point out in the financial statements, except that in one of
11 the footnotes that talks about commitments and
12 contingencies -- it is on page 10, note G -- the fourth
13 paragraph actually refers to the fact that you do have office
14 leases, and one you -- one office space you intend to
15 sublease? But at the end of the fieldwork, you had not found
16 tenants yet, I guess alerting the reader to the financial
17 statements that you have that commitment.

18 Other than this particular disclosure, the
19 financial statements' disclosures are very much the same --
20 with the changed numbers, of course -- as they were the year
21 before.

22 So there is nothing really that I need to bring to

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1 your attention or feel I should bring to your attention, but
2 I'd be very happy to entertain your questions.

3 CHAIRMAN UDDO: I think if there are any other
4 questions, you can propose them now. And if not, we'll ask
5 Ms. Kasler to speak about management advisory comment, if you
6 would.

7 MS. KASLER: Okay. There is this single one that
8 we presented, and you might remember that there were actually
9 comments last year. One comment was on the uninsured cash
10 balances, and the other one was on putting money in
11 interest-bearing accounts. You have taken care of the second
12 comment entirely, and your commercial bank now pays interest
13 on the balances.

14 The other comment hasn't gone away entirely. There
15 was still \$1 million, about, in Riggs National Bank at the
16 end of the year. And clearly, \$900,000 of those are
17 uninsured. I know that the Board has given directives, and I
18 know that management has taken steps to totally secure those
19 balances in commercial accounts but isn't quite there yet,
20 and so we thought we'll mention it again, encouraging you
21 to -- well, encouraging management to complete the process.

22 CHAIRMAN UDDO: Mr. Kirk, did you have a question

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1 about that?

2 MR. KIRK: That's all. Thanks.

3 CHAIRMAN UDDO: David, maybe it would be
4 appropriate for you to give us an update on the
5 implementation of that policy?

6 MR. RICHARDSON: Okay. Of course, what was stated
7 last year was that there was no investment policy and then
8 that there were funds that were uninsured.

9 The Board, back in July, did -- after, I think, we
10 had two meetings and reviewing investment policy, did adopt
11 an investment policy. That's the one comment that went away
12 from last year.

13 We have met with a number of banks in town and
14 outside of the area, to give you -- to basically to remedy
15 the other situation, to get a situation where the money is
16 insured. We have talked with the attorney that Grant-
17 Thornton had recommended to us.

18 To get some ideas, we have drafted what we call a
19 master note for the investment of the funds. What we are
20 doing though is we're having a hard time finding a bank
21 presently that would use that type of agreement, that would
22 protect the funds in our name.

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1 We are currently using Riggs. They have, in the
2 last week, come up with a second proposal, that we are now
3 reviewing.

4 But just to give you an idea of what we have done,
5 certainly from our meetings -- they are public comment, we've
6 discussed it openly -- one of grantees in Boston sent State
7 Street out of Boston down to speak with us in regards to the
8 situation there. They could possibly remedy it, but they
9 would need further investigation.

10 We've also talked to Mellon Bank out of Pittsburgh.
11 We've talked to Citibank out of a New York office, Atlanta
12 office, and here in Washington. We've, as I said, dealt with
13 Riggs. We've actually worked with three different divisions
14 at Riggs.

15 So far none of these particular banks have been
16 able to accommodate our needs. What they would do is they
17 would invest the money in their name overnight, so if a bank
18 was -- if the RTC walked in, closed the bank, we would have
19 to stand in line as any creditor. That's actually the
20 situation that we have now.

21 We have found one bank in the last three weeks who
22 is now running some numbers, and that's Bank of Virginia or

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1 First Virginia Bank here in town, that would set the money
2 up, much like we have at another bank where we run our grants
3 -- our grant accounts through.

4 And that is that when the money is transferred into
5 the checking account, we would set a target balance, whether
6 it be \$50,000, \$60,000 -- and if we would deposit operating
7 money for a three-week period, which we normally do,
8 approximately \$600,000 to \$700,000, the money would be swept
9 into a trust department, and we would actually get a trust
10 receipt.

11 This is the better way of securing our money. And
12 at this point, if we would go with this particular bank, and
13 the bank would be seized, we could take that trust receipt,
14 which they would mail to us, to any financial institution and
15 redeem it for a fee. So we would not have the exposure
16 there.

17 Just to give you a little background, that we are
18 continuing to work on it, it had been something that had been
19 very labor-intensive and meeting with a number of these
20 people, because each time you say -- well, I've been very
21 open and up-front with them.

22 For instance, Riggs we've dealt with for 15 years.

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1 And I told them that "You're not able to accommodate our
2 needs. We will be moving banks as soon as we can locate
3 one." Then I have the vice president of operations call up
4 and say, "I have another vehicle that you can look at."
5 So we would take the time to look at that, but we are moving
6 forward.

7 We hope in the next 60 days to be able to report to
8 you that we have come up with a bank that would secure the
9 funds in all situations.

10 There is one though -- and even talking with the
11 attorney -- that the money is put into the account, usually
12 at 9 o'clock. The sweep mechanism operates at the balance at
13 11 o'clock, then it's swept into the Trust Department. There
14 is the two-hour window that we're exposed.

15 However, there's -- anybody's knowledge that I've
16 talked to, most banks are going to close at end of the day.
17 But just to make you aware that we will not be totally secure
18 in any situation, at least from what attorneys have told me
19 and what the different banks that we're discussing.

20 CHAIRMAN UDDO: Any questions with respect to that?

21 (No response.)

22 CHAIRMAN UDDO: Pat, why don't we keep this as an

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1 agenda item for the next several meetings, just to get
2 periodic reports on it until it's resolved.

3 Any other questions for Ms. Kasler and
4 Mr. Richardson on the audit?

5 (No response.)

6 CHAIRMAN UDDO: Thank you.

7 MS. KASLER: Thank you.

8 CHAIRMAN UDDO: Do you have some comments, Dick?

9 PRESENTATION BY DAVID L. RICHARDSON,

10 RENTAL OF 400 VIRGINIA AVENUE

11 MR. RICHARDSON: Let me add one thing. Ms. Kasler
12 had mentioned the other building. The rental of 400 Virginia
13 Avenue is not on this agenda, but let me give you a report.

14 CHAIRMAN UDDO: We were going to ask about it.

15 (Laughter)

16 MR. RICHARDSON: I'm sure you were.

17 In the last month, we've had a number of
18 representatives from GSA. The gentleman that we were working
19 with has transferred to another job. In that time, we've now
20 had -- in the last month, we've had four different
21 representatives from GSA.

22 As a result, last week I did call a bureau chief

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1 that we initially talked to just to get some follow-up to try
2 to get something nailed down, because we've been told all
3 along that HUD would be taking an additional 12,000 square
4 feet of space, and they would be looking to additional
5 agencies that would be coming in. And they have actually had
6 FTC, FAA, IRS, and many others, EPA, walk through the space
7 that were interested.

8 Unfortunately, with the downsizing of government,
9 the gentleman reported to me that it did not look like, at
10 this point, they would be taking on the additional space. We
11 were told this last Thursday afternoon.

12 There is a possibility, I am told, that HUD would
13 continue to want the space, but the problem is, is with the
14 downsizing of the government, they have had in excess of
15 300,000 square feet turned back into the GSA from agencies
16 who are downsizing. He has offered to continue to work with
17 us. However, he does not give a great deal of hope that they
18 would take over the complete leasing.

19 Because of the different calls going back and
20 forth, missing our account rep over there, I had been in
21 touch with Charles E. Smith. They have already gone into the
22 market more aggressively. We actually have a proposal that

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1 is on the table that they have submitted to Raytheon, who is
2 a NASA contractor who is interested in 26,000 square feet of
3 our concourse level. We have not heard additional word on
4 that. They asked for the proposal, so it's something that
5 they're entertaining.

6 BDM, if you recall, had signed a short-term lease
7 for the executive office level at 400 Virginia Avenue. We
8 are preparing an additional amendment to that, because they
9 have now expressed that they would like to stay through
10 June 30th. And we will be moving on that, and we should have
11 that hopefully finalized by close of business tomorrow.

12 Outside of that, there is -- not only have I
13 contacted Charles E. Smith, who was our broker of record, I
14 have called additional brokers in town that have had people
15 go through to make them aware that, you know, we are much
16 more aggressively going to be seeking tenants and not the GSA
17 tenants at this point, so that we can move forward and
18 hopefully resolve this particular issue.

19 CHAIRMAN UDDO: Any questions from the committee?

20 (No response.)

21 CHAIRMAN UDDO: Members of the Board?

22 (No response.)

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1 CHAIRMAN UDDO: Thank you.

2 Thank you, Ms. Kasler.

3 The next agenda item requires your presence. Do
4 you want a few minutes?

5 MR. RICHARDSON: Just a second.

6 CONSIDERATION AND REVIEW OF EXPENSES FOR THE FOUR-MONTH
7 PERIOD ENDING JANUARY 31, 1993

8 CHAIRMAN UDDO: The next agenda item, number 4, is
9 the consideration and review of expenses for the period
10 ending January 31, 1993.

11 And the prepared committee Board book did not have
12 a copy of this in it; right, Mr. Richardson?

13 MR. RICHARDSON: No, it did not.

14 CHAIRMAN UDDO: Okay. So there is a memorandum
15 dated March 17, 1993, which contains the Corporation's
16 consolidated operating budget expenses and other funds
17 available for the four-month period ending January 31, 1993.

18 And copies of this were available on the table out
19 front?

20 MR. RICHARDSON: Yes, sir, they were. And we did
21 fax it to each Board member yesterday.

22 CHAIRMAN UDDO: Yeah, I had already left, so I

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1 missed it. But everyone in the audience who wants a copy has
2 a copy?

3 MR. RICHARDSON: They should.

4 CHAIRMAN UDDO: Okay. Then, Mr. Richardson, do you
5 want to take us through this?

6 MR. RICHARDSON: Yes. Of course, this year our
7 total budget is \$361,909,000. Of that, the delivery of legal
8 assistance money going to our grantees, the total budget is
9 \$328,130,000. It's rounded -- in rounded figures. We have
10 contracts expended today, \$303,273,000. So --

11 CHAIRMAN UDDO: Excuse me, David, are you on one of
12 your attachments here? I mean, this is --

13 MR. RICHARDSON: Yes, the very first one, first
14 page. And I'm looking at column 4, Total FY '93 Budget.

15 CHAIRMAN UDDO: Okay.

16 MR. RICHARDSON: And I'm rounding, instead of --

17 CHAIRMAN UDDO: Okay.

18 MR. RICHARDSON: -- going to the full dollar.

19 So basically we have \$24,857,000 remaining in this
20 year. Of that, includes that program development money; the
21 money that's been set aside traditionally for timekeeping,
22 the \$300,000; and we have the law school clinics and

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1 recruitment, which is the \$1,254,000 which the Board has
2 authorized us to seek transfer authority on, which we have
3 done.

4 I'll call your --

5 CHAIRMAN UDDO: Which you sought authority, but not
6 obtained it, right?

7 MR. RICHARDSON: That's correct.

8 Just to back up, under Roman numeral I-A in 4, your
9 special emergency funds, while this shows that there is
10 \$73,000 remaining, in the last few weeks we have, to my
11 understanding, committed that money to programs to aid
12 emergency relief in the Hawaiian Islands. the additional
13 money there, the \$24,790 for the Court of Veterans Appeals,

14 If you'll recall, there was a grant last year for
15 \$950,000. There has been awards of that money and money
16 spent, of course, setting that program up, so the additional
17 \$18,000 is the money -- or almost \$19,000 is for the
18 administration of that grant through the remainder of this
19 year.

20 And it's my understanding that it has actually been
21 extended a year, because we were a little late in working
22 with the field programs, and the different -- I shouldn't say

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1 "field programs" -- the different people in the community who
2 provide services to the veterans process.

3 Moving on to page 2 of 4, the supportive delivery
4 of legal assistance, the total budget was \$20,981,000. We
5 have expended to date \$16,705,000, leaving us the \$4,275,000.
6 And again, those are committed to our particular programs.
7 There are a few contingencies that we've previously
8 identified for you, but they're very small.

9 We'll go to page 3 of 4.

10 If any of you have any questions at any time, I'll
11 be glad to stop and address those.

12 The management and administration, of course, has
13 been a budget that has received a lot of attention, because
14 it is extremely tight. We have reduced down our spending
15 quite substantially. Our total budget this year for all the
16 corporate grant and grant administration was basically
17 \$12,800,000.

18 However, there's \$10,902,000 that actually go to
19 the support of the headquarters office. And to date, we have
20 spend \$3,282,000, so we are under our targets. However, we
21 have some expenses routinely in the summer, increased
22 spending. We have workers' compensation claims that comes in

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1 once a year, and that's the federal workers' compensation.
2 So again, while it might look like we're under totally, there
3 is a still a caution here because of the expenses that come
4 in later in the year.

5 If you'd like at this point to maybe turn back to
6 attachment C, our total spending, as I said, is \$3,282,000,
7 rounded. Attachment C will identify in what areas that money
8 has been spent.

9 For instance, the consulting in the Board account
10 -- and that would include your attendance fees, it would also
11 include the attorney's fees for the attorney who does consult
12 with the Board on occasion. And that's \$30,665.

13 The travel and transportation. That's your travel
14 and the court reporter's to the out-of-town Board meetings.

15 Occupancy costs. Those are the rental fees for the
16 conference rooms when we go on site, and there was some --
17 usually those costs are not that high, but, however, with the
18 annual conference, we did incur some additional costs there,
19 just to bring those to your attention.

20 As far as looking through the remainder of the
21 budget, everything has -- is being spent basically under
22 projection, with the exception of -- again, we'll go back to

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1 the operating expenses, and that is because -- in my
2 particular budget, in the Office of financial and
3 Administrative Services, and that's because we pay the annual
4 insurance premiums in November, December. So you'll see that
5 those will come in line as we go further throughout the year
6 as far as a percentage of the total budget.

7 Now, speaking as a percentage of total budget, we
8 should be, at the end of January, at 33-1/3 percent, and we
9 were actually at 30.10 percent of the budget.

10 Additional work -- we have met internally, of
11 course, with senior staff. We meet routinely to go over
12 issues within the Corporation. March is when our first
13 projection -- our six-month projection -- I have expenses
14 through March and then the additional six-month projection,
15 to show where we anticipate being at the end of the year.

16 And we have asked each of our directors to come
17 forward at that time with a plan as to how they would divide
18 the amount of reduction that the Board authorized for each
19 office. So each director is formulating that, and that
20 information should be available to you, probably at the May
21 Board meeting.

22 I'd be glad to answer any questions that you may

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1 have at this time.

2 CHAIRMAN UDDO: Questions from members of the
3 committee for Mr. Richardson?

4 (No response.)

5 CHAIRMAN UDDO: Members of the Board?

6 Mr. Wittgraf.

7 MR. WITTGRAF: Thank you, Mr. Chairman.

8 Mr. Richardson, the budget request and the
9 documentation that you and other members of the staff put
10 together for the House and Senate Appropriations
11 subcommittees refers to a projected \$300,000 carryover from
12 Fiscal '93 to Fiscal '94.

13 Do those dollars exist anyplace in particular in
14 the budget at this time, or are they projected and
15 speculative amounts on your part?

16 MR. RICHARDSON: They are speculative, but I will
17 direct your attention to page 4 of attachment A, 4-4. And I
18 should have done that during my presentation. We have
19 received to date grant recoveries of \$27,000, we have
20 received interest income of \$61,000? And then there's
21 miscellaneous income -- those are income for basically FOIAs,
22 sale of the Fact Book, and so forth of \$2,000. So there's

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1 \$90,000. Of the \$300,000 that we have projected, we have
2 already received \$90,000.

3 MR. WITTGRAF: Let me ask then, is it possible for
4 the Audit and Appropriations Committee and for the Board to
5 reprogram internally, as part of the Corporation's
6 consolidated operating budget, any of those monies at this
7 time?

8 MR. RICHARDSON: Yes, sir, it is. And we had a
9 significant amount of discussion about that in October and
10 December. And it was the wish of the A&A Committee at that
11 point not to use this year's money, in fear of basically not
12 receiving enough money for operation next year -- it would
13 help fund the next year's budget for management and
14 administration.

15 MR. WITTGRAF: So it's possible, but at the moment
16 your guidance from the Board and from its Audit and
17 Appropriations Committee has been that there needs to be a
18 little bit of a balance in the M&A checkbook?

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

20 MR. WITTGRAF: One more question --

21 MR. RICHARDSON: Sure.

22 MR. WITTGRAF: -- on a different matter,

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1 Mr. Chairman.

2 On page 3, Mr. Richardson, of attachment A, where
3 we have the meritorious grant awards and the \$10,000
4 carryover, would you describe that and also how that fits
5 into the big picture?

6 MR. RICHARDSON: Okay. This money has actually
7 been set aside for over two years. This money is set aside
8 for a program in South Carolina who had requested the money.
9 However, they have had some structural damage with their roof
10 and so forth with their roof during Hurricane Hugo. We are
11 awaiting a settlement from their insurance company, and at
12 that point there will be determined whether they'll get the
13 full grant or a portion of it.

14 MR. WITTGRAF: So that there's at least a moral if
15 not a legal obligation to a grantee, to a field program, for
16 that amount?

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

18 MR. WITTGRAF: Okay.

19 Thank you, Mr. Chairman.

20 CHAIRMAN UDDO: Thank you.

21 Any other -- Mr. Kirk.

22 MR. KIRK: Following up on the Chairman's question,

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1 did I understand the representative of Grant-Thornton to be
2 encouraging that we have a little padding in the checkbook as
3 we -- was that --

4 MR. RICHARDSON: Yes, she did.

5 CHAIRMAN UDDO: Thank you.

6 Mr. Hall.

7 The record should reflect that Mr. Hall joined us
8 since I last indicated who was here.

9 MR. HALL: Thank you, Mr. Chairman.

10 Following up on what George asked, the \$10,000, was
11 that an emergency grant, or was it for some type of program
12 that they wanted to do?

13 MR. RICHARDSON: No, it was an emergency grant
14 because of the hurricane.

15 CHAIRMAN UDDO: Why is it in meritorious grant
16 awards then?

17 MR. RICHARDSON: Actually, this money is not from
18 appropriation. This is money that was pulled out of
19 contingencies in 1991, and it was placed into -- basically,
20 meritorious and emergency were at that point combined, and
21 last year, instead of creating a second line for meritorious
22 and emergency when we reprogrammed the \$500,000, I had

1 combined them.

2 CHAIRMAN UDDO: Okay.

3 Any other questions for Mr. Richardson?

4 (No response.)

5 CHAIRMAN UDDO: Okay. That completes our published
6 agenda, but I'm going to use the prerogative of the Chair to
7 add a new business topic.

8 MR. WITTGRAF: As long as you don't take action, I
9 think you're all right.

10 CHAIRMAN UDDO: No. I know better than that.

11 NEW BUSINESS TOPIC:

12 USE OF PROGRAM DEVELOPMENT TIMEKEEPING MONEY

13 I'm just going to -- because in reviewing the
14 budget, there's some portion of it that I think we ought to
15 address in a more detailed way, and that's the consistent
16 appearance of the \$300,000 in program development which has
17 been traditionally earmarked for timekeeping purposes and
18 recognizing that it's long past the time that something
19 should be done with that money.

20 I'm going to direct the staff -- and if anyone has
21 any objection or comments, I'll give you a chance to make
22 them -- to develop an RFP with respect to the use of that

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1 timekeeping money for some kind of baseline timekeeping
2 project so that we might begin to develop a way of using that
3 money in the next several months and not to continue to carry
4 it over endlessly the way we have.

5 So I think it's appropriate that it come from this
6 committee, because it involves a line in our budget, but also
7 I'm going to recommend that the staffers who work with the
8 Delivery Committee -- and who is the chairman of the Delivery
9 Committee, Mr. Hall -- that that might be a matter of
10 interest to the Delivery Committee, also, and we would work
11 together to develop, perhaps by the San Diego meeting, some
12 RFP that would allow us to begin to develop some proposals
13 for the use of that timekeeping money for some kind of
14 timekeeping undertaking by the field.

15 MR. HALL: That would be fine, Mr. Chairman. And I
16 understand that in '88 or '89 this was begun, was it not?
17 Isn't there some type of look at this that was done in the
18 past? If there is, if we could have that --

19 MR. RICHARDSON: Okay. We actually did a proposal
20 at that point. It has been somewhat cleaned up. If you'll
21 recall, in San Antonio last year, there was a presentation of
22 a package to you, and we can have staff bring that forward.

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1 At that point, it was Ms. Sparks that had made the
2 presentation to you, and we could certainly review that and
3 get that to you.

4 MR. HALL: Okay. Thank you.

5 CHAIRMAN UDDO: Yes, I would like -- at least for
6 my committee, and I assume Mr. Hall would like to do the same
7 thing -- to get us up to speed on what has been done, where
8 we are, what proposals have been made thus far, and at least
9 a draft of an RFP that would reflect where we've come this
10 far in terms of what we would require in some sort of a
11 timekeeping proposal. And I would like to have that by the
12 San Diego meeting.

13 Any other questions, comments, objections,
14 harassments?

15 (No response.)

16 CHAIRMAN UDDO: No?

17 MR. SHUMWAY: Why do you look at Bud Kirk when you
18 ask --

19 CHAIRMAN UDDO: Well, he told me I couldn't add new
20 business to my agenda. I thought he was going to object on
21 the record.

22 MR. KIRK: No, no, no. So you will know, I am

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1 strongly in favor of the timekeeping initiative. I think, if
2 there's anything that we have just really fallen down on it's
3 the follow-through on that, and I'm a strong supporter of it.
4 I just wanted to warn you what might happen.

5 CHAIRMAN UDDO: I knew if I'd tried hard enough I'd
6 get him to say something.

7 That completes our agenda, even as amended by the
8 Chair. I would entertain a motion to adjourn.

9 M O T I O N

10 MS. WOLBECK: So moved.

11 CHAIRMAN UDDO: Moved by --

12 MR. KIRK: Second.

13 CHAIRMAN UDDO: Moved and second.

14 No objection.

15 (No response.)

16 CHAIRMAN UDDO: Meeting is adjourned.

17 (Whereupon, at 12:15 p.m., the meeting of the Audit
18 and Appropriations Committee was adjourned.)

19 * * * * *

