

LEGAL SERVICES CORPORATION

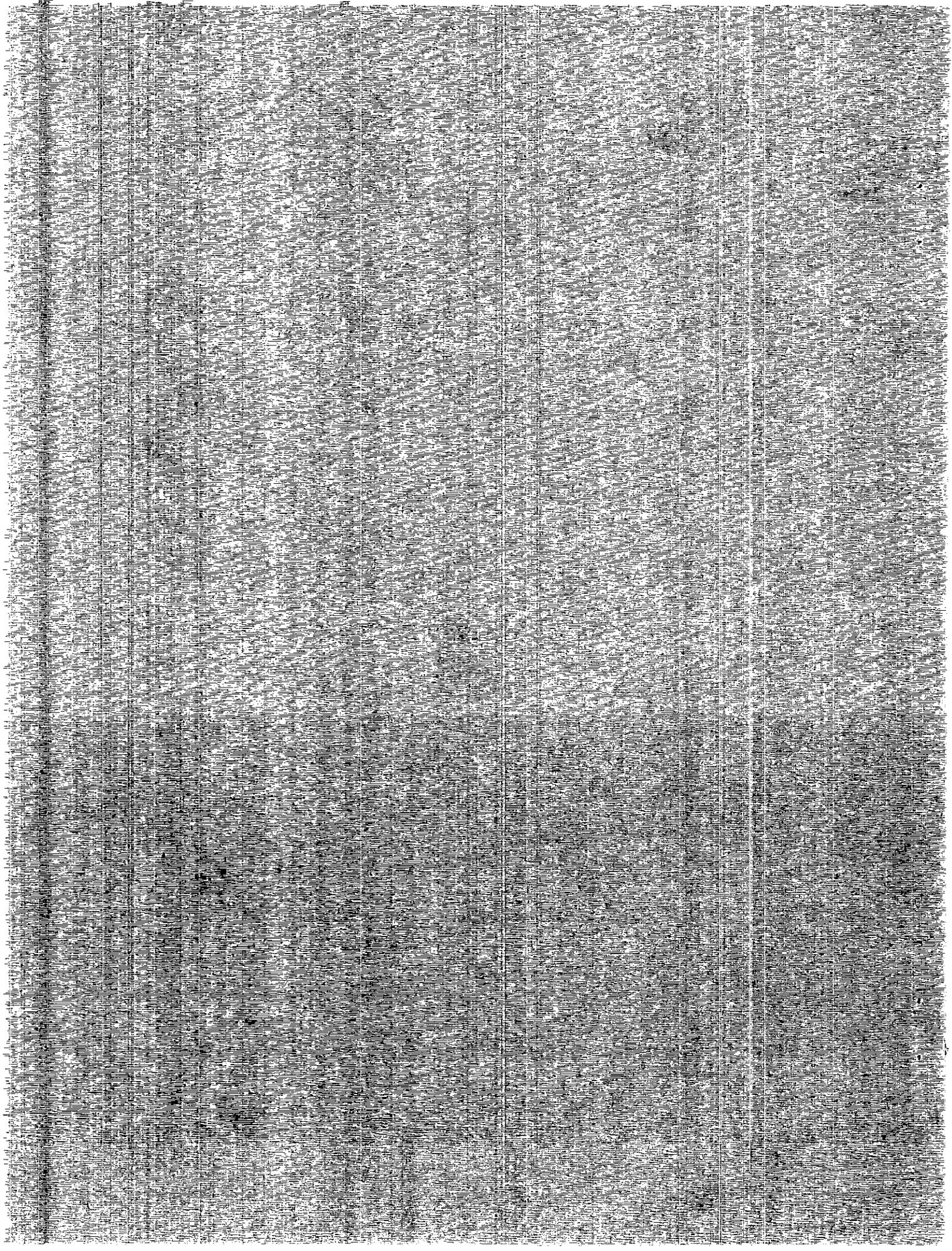
BOARD OF DIRECTORS
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

September 14, 1992

10:15 a.m.

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

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:

Howard H. Dana, Jr., Chairman
J. Blakeley Hall
Jo Betts Love
Basile Uddo
Jeanine Wolbeck

STAFF PRESENT:

John P. O'Hara, President
Patricia D. Batie, Secretary
David Richardson, Comptroller and Treasurer
Ellen Smead, Director of OFS
Susan Sparks, MAC
Victor Fortuno, General Counsel
Edouard Quatrevaux, Inspector General

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C O N T E N T S

	PAGE
Presentation of Howard H. Dana, Jr., Chairman	4
Discussion of Management and Administration Budget, David Richardson, Comptroller/Treasurer	7
Discussion of General Counsel Budget, Victor Fortuno, General Counsel	36
Discussion of Inspector General Budget, Edouard Quatrevaux, Inspector General	42
Discussion of Office of Human Resources Budget, David Richardson	51
Discussion of Finance and Administration Budget, David Richardson	64
Discussion of MAC Budget, Susans Sparks, MAC	69
Discussion of Field Services Budget, David Richardson	78

MOTIONS: 6, 7, 103

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P R O C E E D I N G S

(10:15 a.m.)

CHAIRMAN DANA: Welcome, everyone. This is September 14, 1992. I am happy to say that this is the home of the Legal Services Corporation, right here at 750 First Street, Washington, D.C., Northeast.

My name is Howard Dana. I'm joined by the other members of the Audit and Appropriations Committee, Jeanine Wolbeck and Basile Uddo -- welcome -- and other fellow Board members Blakeley Hall and Jo Betts Love. We are also joined by the president and senior staff and some very distinguished members of the public, two I think.

The purpose of this meeting is to deal in an anticipatory way with the Corporation's operating budget for the fiscal year commencing next month. And it is our intention to spend whatever time is necessary to understand the budget and understand the consequences of the fiscal reality that we are in so that we are in a position to promptly respond to any initiatives that come from management to deal with the budget.

I want to start off by saying that, for these purposes, we are a committee of five, and I want everybody to

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1 ask questions. And so don't -- just barge right in, and if
2 you don't understand something, ask a question. And for that
3 matter, if there's any member of senior staff or the public
4 that has a question to ask, they should also just barge right
5 in. We are not going to take any votes probably today. We
6 are here to understand and to learn. And the facilitator for
7 that is the comptroller-treasurer and chief muckety-muck,
8 David Richardson.

9 David, if you would come, I think that what I would
10 say at the outset is that the Committee and Board members
11 have a book which summarizes -- I'll ask David to describe
12 it. Some of the information in here, I believe, is
13 reasonably confidential, is that correct?

14 MR. RICHARDSON: That is correct, sir.

15 CHAIRMAN DANA: In that it talks about individual
16 salaries. And I would ask Board members to keep that
17 information confidential.

18 David, maybe the first thing that would -- the most
19 helpful thing would be to lead us through the book that you
20 have provided to us and/or the handout that you have just
21 given us. And, please, I want everybody to ask questions.

22 MR. HALL: Mr. Chairman, I have a question.

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1 CHAIRMAN DANA: Yes, sir.

2 MR. HALL: David, are those extra books?

3 MR. RICHARDSON: Yes, sir.

4 CHAIRMAN DANA: It may be helpful to make sure that
5 other people don't have the same problems I had with my book.
6 If you turn to the very last section for OFS, there should be
7 three sections: one for Grants and Budget Division, one for
8 Central, and one for Program Support and Technical
9 Assistance. Does everybody have that, or do they have three
10 of the other?

11 I am reminded that I have neglected to ask for a
12 vote to approve the agenda. Is there a motion to approve the
13 agenda?

14 M O T I O N

15 MR. UDDO: So moved.

16 CHAIRMAN DANA: Second?

17 MS. WOLBECK: Second.

18 CHAIRMAN DANA: Any discussion?

19 (No response.)

20 CHAIRMAN DANA: All those in favor say aye.

21 (Chorus of ayes.)

22 CHAIRMAN DANA: Is there also a motion to approve

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1 the minutes of our last meeting?

2 M O T I O N

3 MR. UDDO: So moved.

4 MS. WOLBECK: Second.

5 CHAIRMAN DANA: Any discussion, additions or
6 corrections?

7 (No response.)

8 CHAIRMAN DANA: Hearing none, all those in favor
9 say aye.

10 (Chorus of ayes.)

11 CHAIRMAN DANA: It's a vote.

12 We are on the final agenda item, and -- David.

13 DISCUSSION OF MANAGEMENT AND ADMINISTRATION BUDGET

14 MR. RICHARDSON: Okay. Provided to you very late
15 last week was the budget that is proposed by Management and
16 Administration. The budget -- we did find something this
17 morning. We need to add \$60,000 to the budget. So on the
18 summary page, where you have got a budget of \$12,000 --
19 \$500,561, we need to add \$60,000. And that will be added to
20 the Monitoring Audit and Compliance Budget.

21 Each of the categories that you see in the
22 summary -- what we have is the summary of the total budgets

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1 and then the information that supports each of those figures
2 in the budget categories attached to it, from the Board of
3 Directors, Executive Office, and so forth, as we go through.
4 We try to project the activities of the year, those
5 involving, of course, with their grant-making are monitoring
6 the salaries, any proposed increases, and any new initiatives
7 that we may encounter. This year there are no new
8 initiatives proposed in this budget because of the limited
9 resources that we have available to us.

10 Last year's appropriation -- let me back up a
11 little bit with that. We had an appropriation last year of
12 \$9,774,000. Added to that was an amount of carryover -- and
13 I'm speaking only of Management and Administration -- that
14 raised the Management and Administration budget line to
15 \$11,484,000.

16 The carryover funds that were available last year
17 to increase it that amount, which is approximately
18 \$1.7 million, are not available this year. So what we have
19 had to do is to look at how we could structure our budget to
20 include some outside funds that we could bring our budget
21 within what we need to operate this year.

22 CHAIRMAN DANA: David, may I interrupt you? Did I

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1 understand you to say that last year's carryover at this time
2 was \$1.7 million?

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

4 CHAIRMAN DANA: And this year it is approximately
5 \$700,000?

6 MR. RICHARDSON: \$750,000, yes, sir.

7 CHAIRMAN DANA: Okay.

8 MR. RICHARDSON: So what we've had to do is look
9 about how we could reduce some operations, because we knew we
10 had increased costs coming. And we have done that in this
11 particular budget, and one of the major increases in costs,
12 of course, is the 400 Virginia Avenue property, which we have
13 only been able to sublet a portion of.

14 We're still working with the General Services
15 Administration, Charles E. Smith. And they have some clients
16 that are looking at this space and so is the General Services
17 Administration, so we're trying to push forward and get that
18 leased as quick as possible. However, because it is not
19 leased at this time, we are showing duplicate rent -- that
20 is, rent for 400 Virginia Avenue and rent here at 750 First
21 Street.

22 CHAIRMAN DANA: Now, that is -- I am correct, am I

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1 not, that that is an accountant's view?

2 MR. RICHARDSON: That is correct.

3 CHAIRMAN DANA: But we are not paying rent here and
4 will not be paying rent until approximately June 1st?

5 MR. RICHARDSON: That is correct, sir.

6 CHAIRMAN DANA: So is it fair to say that 800 and
7 -- is the number \$860,000, approximately -- of the rent costs
8 in the occupancy line is a non-cash item?

9 MR. RICHARDSON: That is correct, sir.

10 CHAIRMAN DANA: In all other respects, this budget
11 is a cash-in/cash-out?

12 MR. RICHARDSON: That is correct.

13 CHAIRMAN DANA: Okay. So, for our purposes, we
14 should bear in mind that \$860,000 of these expenses we are
15 not going to spend this year?

16 MR. RICHARDSON: That is correct, sir.

17 CHAIRMAN DANA: Okay. And that also implies, am I
18 correct, that we do not lease out any more space at
19 400 Virginia Avenue?

20 MR. RICHARDSON: That is correct, sir.

21 CHAIRMAN DANA: Am I also correct that we have
22 leased out 20 percent of it now to the GSA?

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1 MR. RICHARDSON: That is correct, sir.

2 CHAIRMAN DANA: And the 80 percent we have -- the
3 GSA is a potential customer, and we have some non-GSA people
4 looking at it?

5 MR. RICHARDSON: That is correct. We do have a
6 memorandum of understanding with the General Services
7 Administration to take an assignment on the full property.
8 However, they asked for six to seven months to complete an
9 appraisal and to find GSA tenants to move into the space.

10 In our memorandum of understanding, where we
11 allowed HUD to move into the space, there is a paragraph that
12 would be available to us, if somebody came into the space and
13 wanted to move in immediately, that we could do that without
14 jeopardizing the remaining space that GSA may require.

15 CHAIRMAN DANA: So is GSA -- do they have a legally
16 binding commitment to take the space at the end of six months
17 if we haven't leased it to somebody else?

18 MR. RICHARDSON: We do not. It's basically much
19 like we did with 750 First Street. Here it's sort of a
20 letter of intent, a letter to negotiate.

21 CHAIRMAN DANA: But if that were to come about --
22 Lord, Lord -- we would not have double rent on into the

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1 future, past when we start paying rent here?

2 MR. RICHARDSON: Hopefully, yes, sir.

3 CHAIRMAN DANA: Okay. Fine.

4 MR. RICHARDSON: Okay. How would you like to
5 proceed? Would you like to go through budget by budget, sort
6 of comparing it to last year, or --

7 CHAIRMAN DANA: I think it would be -- I think that
8 would be helpful, first, to go through the budget on a per-
9 department by per-department basis.

10 MR. RICHARDSON: Okay.

11 CHAIRMAN DANA: And, again, just interrupt, people.

12 MR. RICHARDSON: Okay. Let me, first, refer you to
13 the handout that I passed out this morning. This will give
14 you an idea of the budget as it now exists, and this is what
15 I'll refer to in our comparisons.

16 For instance, with the Board of Directors budget,
17 through June, you had spent \$264,000. So the original budget
18 was \$310,000; we've increased it to \$430,000. Working with
19 the Corporation secretary, we now project that we're going to
20 spend, for the Board activities in 1993, \$366,445. We have
21 projected, based on some meeting sites that we have
22 selected -- might want to review those just to explain where

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1 we got our costs from.

2 CHAIRMAN DANA: Am I correct that we're looking at
3 the best number we have for this year for the Board of
4 Directors is \$427,000?

5 MR. RICHARDSON: That is correct, sir.

6 CHAIRMAN DANA: And you are proposing --

7 MR. RICHARDSON: \$366,000.

8 CHAIRMAN DANA: \$366,000 for next year?

9 MR. RICHARDSON: Next year.

10 MR. UDDO: Where did the \$427,000 come from?

11 MR. RICHARDSON: We are adding the \$264,000 in
12 column 11 of the paper that was handed out, and \$162,000.

13 MR. UDDO: Okay.

14 MR. RICHARDSON: So we are adding those two figures
15 together.

16 CHAIRMAN DANA: It's A, really attachment to the
17 last page of the --

18 MR. RICHARDSON: Attachment A, page 3 of 4.

19 MR. UDDO: I've got page 3 of 4, and I see --

20 CHAIRMAN DANA: What you want is Attachment C.

21 MR. UDDO: C.

22 MR. RICHARDSON: Which already has the two added

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1 together.

2 MR. UDDO: All right. David, in the Board column,
3 what's included in "Consulting"?

4 MR. RICHARDSON: It's mainly your fees. It's also
5 the court reporter's fees, and there is approximately
6 \$65,000 in outside counsel cost for the counsel to the Board.

7 MR. UDDO: That's being projected for '93, also,
8 \$65,000 in outside counsel costs?

9 MR. RICHARDSON: No. There is an amount --

10 MR. McIVER: Mr. Dana, may I ask, while he's
11 looking, is the document confidential that is being discussed
12 now?

13 CHAIRMAN DANA: Have we got a -- do we have the
14 nonconfidential -- oh, no, that is not.

15 MR. RICHARDSON: There is \$70,000 projected in next
16 year's figure for --

17 MR. UDDO: For outside counsel?

18 MR. RICHARDSON: For outside counsel.

19 MR. UDDO: And that's based on existing litigation?

20 MR. RICHARDSON: Yes, sir, plus just a rough
21 estimate of --

22 MR. UDDO: Is that still Richardson and Gawler?

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1 I'm sorry, not Richardson --

2 MR. RICHARDSON: I hope not.

3 (Laughter)

4 MR. UDDO: Gawler and that other guy?

5 MR. RICHARDSON: Yes, sir.

6 CHAIRMAN DANA: Who's the other guy?

7 MR. RICHARDSON: Wilkinson.

8 CHAIRMAN DANA: Oh, Wilkinson.

9 MR. UDDO: So we're projecting that we're going to
10 spend another \$70,000 in outside counsel fees and basically
11 in those two cases?

12 MR. RICHARDSON: That's my understanding, yes, sir.

13 At page 7, under the Board attachment --

14 CHAIRMAN DANA: I see. I don't understand how we
15 get to this number, David.

16 MR. UDDO: Which number?

17 CHAIRMAN DANA: Well, now I'm -- it's on the first
18 page of the -- under "Board" -- I see the \$366,445 at the
19 bottom of the page. And that is the number that appears in
20 the summary sheet, which is in the first tab. But I'll be
21 damned if I know how we get all of those numbers up above.

22 MR. RICHARDSON: Would you -- I can walk through

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1 and see if -- to come to that. For instance, let's look at
2 page 1, or 2.1 as it's numbered. And, for instance, the
3 per diem, which is the attendance fees for the Board, totals
4 \$75,245.

5 CHAIRMAN DANA: Right.

6 MR. RICHARDSON: Then we go to page 4. I'm just
7 going to do the per diem as we go down. If we want another
8 one, we can do that. We've got attendance fees for
9 participants at the September annual conference of \$5,775.

10 MR. UDDO: That's for other than Board members?

11 MR. RICHARDSON: That's correct. And there are
12 also the pro bono awards. There is another \$1,050 there.

13 On page 7, there is \$3800 in per diems.

14 MR. UDDO: And what's that for? Court reporters?

15 MR. RICHARDSON: Court reporters is the larger
16 amount, where you see, in the other category, for services.
17 And that equals \$34,000.

18 MR. UDDO: Right. \$34,000 is the total amount we
19 spend on court reporters?

20 MR. RICHARDSON: Yes, sir. It's approximate.

21 CHAIRMAN DANA: I see how they're doing it now. I
22 got it.

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1 David, on page 1, I understand that your -- this is
2 the Board, and we've got per diem charges of \$75,000, air
3 fare expenses of about \$65,000 --

4 MR. RICHARDSON: Right, sir.

5 CHAIRMAN DANA: -- and other expenses of \$76,000.

6 Is the "other" -- you have written "fees" next to it. Is
7 that counsel fees, or is that --

8 MR. UDDO: It's attendance fees.

9 CHAIRMAN DANA: Attendance fees? Or how is it
10 different from the per diem? Is "per diem" expenses?

11 MR. RICHARDSON: Per diem, I'm sorry, would be the
12 meals.

13 CHAIRMAN DANA: Meals?

14 MR. RICHARDSON: Yes.

15 CHAIRMAN DANA: And the air fare?

16 MR. RICHARDSON: Meals and the air fare.

17 CHAIRMAN DANA: Okay.

18 MR. RICHARDSON: And then, you're right, the fees
19 are the \$7,000 --

20 CHAIRMAN DANA: Okay.

21 MR. RICHARDSON: -- or \$70,000 there.

22 CHAIRMAN DANA: So that's -- that's the \$216,000?

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1 MR. RICHARDSON: Right, sir.

2 MR. UDDO: Well, then I've got a question, David.
3 Can the per diem really be \$7,000 just for Board members for
4 one meeting?

5 MR. RICHARDSON: Per diem and hotel. It's both,
6 meals and hotel.

7 MR. HALL: And air fare?

8 MR. UDDO: No. Air fare is separate.

9 MR. RICHARDSON: Yes. Normally, on a Board meeting
10 -- for instance, here in town, it's about \$17,000 to \$18,000
11 for the air fare and the --

12 MR. UDDO: Well, I'm not talking about air fare. I
13 can understand air fare. The per diem strikes me as high,
14 and I'm just trying to find out what goes into it. That's
15 basically meals and hotel?

16 MR. RICHARDSON: Meals and hotel.

17 MR. UDDO: David --

18 MR. RICHARDSON: Let's look at 100 and --

19 MR. UDDO: -- that still sounds -- I mean, I'm just
20 assuming that we spend, if we're here for two days, it's
21 maybe a little over \$200 for the hotel, and the per diem for
22 meals is what, \$30-something?

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1 MR. RICHARDSON: \$34.

2 MR. UDDO: So you're averaging \$300 per Board
3 member with 11 Board members, and they don't always show up.
4 How did we get the \$7,000 just for Board -- I mean, I can
5 understand if we're including staff and other people, but how
6 did we get the \$7,000 just for Board members' per diem for a
7 meeting?

8 MR. RICHARDSON: Well, it does not include staff.
9 Do you recall?

10 CHAIRMAN DANA: Let's see, this is --

11 MR. HALL: Does that include all the meeting rooms
12 in hotels?

13 MR. UDDO: Well, that's what I'm trying to find
14 out. Is that --

15 MR. O'HARA: I think it does.

16 MR. UDDO: It includes the expenses of the meeting
17 rooms and that sort of thing?

18 MR. RICHARDSON: Yes, sir, it would.

19 MR. UDDO: And lunch provided and all that, I
20 guess?

21 MR. RICHARDSON: Yes, sir.

22 MR. UDDO: It still -- I mean, it still seems high

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1 to me, \$7,000, but --

2 MR. RICHARDSON: All right. Here -- Pat does have
3 a breakdown in the back. What we have is --

4 MR. UDDO: Where would that be?

5 MR. RICHARDSON: In the notes that she has given
6 me --

7 MR. UDDO: Oh, okay.

8 MR. RICHARDSON: -- I've got a copy of -- but, for
9 instance, we base it on nine members for three days at \$200 a
10 day. And then we have two members at four days at \$200 a day
11 is \$1600. So that equals the \$7,000. So we're basically
12 projecting a three-day meeting.

13 MR. UDDO: Projecting three-day meetings and an
14 average cost per day of \$200?

15 MR. RICHARDSON: Yes, sir.

16 MR. UDDO: Well, then, yes, I can see how that
17 would get to \$7,000.

18 MR. RICHARDSON: And then your fees, \$320 a day
19 times two days -- 11.

20 MR. UDDO: Mm-hmm. Okay. No, I understand what is
21 going into it now and how the projection is being made.

22 CHAIRMAN DANA: All right, so that in addition to

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1 the Board, which is \$216,000, we've got a section for the
2 Competition Effort? That's page 2.

3 MR. RICHARDSON: Yes, sir.

4 CHAIRMAN DANA: I don't get that. What is that,
5 and why is that in here?

6 MR. RICHARDSON: Well, the Competition Task Force
7 has been charged to the Board's budget, and those are travel
8 of the key members of that from the field that are coming
9 in to meet with the Board or meet with the staff.

10 CHAIRMAN DANA: Okay. I would think it would be
11 more appropriate to treat that as an expense of the
12 Competition Project, which has its own budget item -- budget
13 category, does it not?

14 MR. RICHARDSON: There is -- we are actually
15 looking to see -- most of the time when appropriations are
16 made for grants, we do pay for just grants only out of that.
17 We actually have General Counsel looking to see if we can
18 charge some of the expenses to that project.

19 CHAIRMAN DANA: Well, in last year's budget, we
20 have \$977,000 in '92, and we have, depending upon where you
21 look, a significant amount set aside in this coming budget
22 for the same project. And my understanding of the budget

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1 that has been generated for that project, it includes the
2 cost of administration and the Advisory Committee. And those
3 other costs were built into the estimate for the Competition
4 Project, were they not? Ellen.

5 MS. SMEAD: That budget is still being worked on,
6 because we're still working on the training cost. So the
7 total extent of the budget hasn't been determined yet.

8 CHAIRMAN DANA: But the number that was distributed
9 at the last meeting, which I think came to \$1.5 million or
10 \$1.6 million, included the costs of the administration of the
11 project?

12 MS. SMEAD: It did not include the cost of the
13 Advisory -- I don't think it included the cost of the
14 Advisory Committee meeting on a quarterly basis. I'd have to
15 look it up again.

16 CHAIRMAN DANA: All right. I would think that we
17 -- for the record, I would think that we ought to at least
18 view the competition effort and perhaps we should not use --
19 we should not take anything for our staff.

20 But to the extent that we are using congressionally
21 earmarked funds for the Competition Project and we are using
22 it for consultants and the Advisory Committee, I would think

1 that could properly be allocated to the money set aside for
2 the whole project.

3 If General Counsel says otherwise, that's obviously
4 the last word. He smiled. But it would seem to me that that
5 was certainly our intent.

6 The next page is an ADR Project. That is also a
7 Board initiative; is it not?

8 MR. RICHARDSON: That is correct, sir. So
9 there's --

10 CHAIRMAN DANA: That is another --

11 MR. RICHARDSON: Possibility.

12 CHAIRMAN DANA: -- item that we could allocate to
13 that Board initiative line -- another Board initiative, but I
14 gather it has become sort of our baby as the annual
15 conference costs for participants and awardees, which is
16 page 4, now 5 and 6. And page 7 is the court reporting costs
17 and services for the Board?

18 MR. RICHARDSON: Yes, sir.

19 CHAIRMAN DANA: And page 8 is largely the outside
20 counsel, correct?

21 MR. RICHARDSON: That is correct, sir.

22 CHAIRMAN DANA: And the sum comes to the \$365,000,

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1 which is the \$366,000 on the summary page?

2 MR. RICHARDSON: That is correct.

3 CHAIRMAN DANA: Are there any other questions
4 concerning --

5 MR. UDDO: Yes, I have one. What are occupancy
6 costs charged to the Board line?

7 MR. RICHARDSON: For instance, when you go to
8 Los Angeles for a Board meeting, they charge you for the
9 conference facility that you're using. So that is the room
10 cost for the setup of the meeting.

11 MR. UDDO: Okay. So, that's not in the per diem
12 that we were speculating before might be in there; it's a
13 separate thing?

14 MR. RICHARDSON: That is correct, yes. The
15 per diem is only for your room rental, not for --

16 MR. UDDO: Room rental and meals.

17 MR. RICHARDSON: Room rental and meals, right, but
18 not for the conference room.

19 MR. UDDO: The conference room. Okay.

20 CHAIRMAN DANA: Where are the occupancy costs,
21 so-called?

22 MR. UDDO: They're not broken down; they're on the

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1 summary, on Attachment C of the handout, as \$7,240. But I
2 don't see a page summarizing it.

3 CHAIRMAN DANA: But that's for this year, none for
4 next year -- contemplated. Right?

5 MR. RICHARDSON: There are some contemplated for
6 the cities, yes, that we would travel to.

7 CHAIRMAN DANA: Not in the --

8 MR. RICHARDSON: But not here.

9 CHAIRMAN DANA: Not in the summary.

10 MR. UDDO: It's not on the '93 proposed budget.

11 CHAIRMAN DANA: Well, it looks right.

12 MR. RICHARDSON: I'll have to go back and verify
13 it. It may be that it's in the other category, but I'll
14 double-check that.

15 CHAIRMAN DANA: All right. Turning to the
16 Executive Office, this is a pattern that the Board has seen
17 before. The first page is the summary. Then we get into the
18 compensation line. That \$60,000 that we had to add to this
19 budget, some of it, I think, we can recover on the top two
20 lines there.

21 MR. RICHARDSON: Yes. sir.

22 CHAIRMAN DANA: Okay. For members of the Board, my

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1 understanding -- and, David, correct me if I am not
2 reasonably right -- is that this budget is a freeze budget
3 that has been built around a 6.2 percent potential raise and
4 a 2 percent potential one-time cash payment --

5 MR. RICHARDSON: That is correct, sir.

6 CHAIRMAN DANA: -- or a potential maximum raise of
7 8.2 percent, which occurs at an employee's anniversary? When
8 someone comes to their anniversary, they have a -- their
9 compensation is reviewed; is that correct?

10 MR. RICHARDSON: That is correct, sir.

11 CHAIRMAN DANA: And for the record, in this current
12 year, the Executive Office line was almost \$880,000. And
13 it's proposed for next year to be \$575,000. Is that correct?

14 MR. RICHARDSON: That is correct, sir.

15 CHAIRMAN DANA: A lean Executive Office.

16 Any questions on this line?

17 MR. UDDO: The special assistant to the president
18 and the executive assistant and administrative assistant --
19 only the administrative assistant is a new position, and the
20 other two existed and just haven't been filled?

21 MR. RICHARDSON: Actually, sir, we're not
22 contemplating, in this particular budget, filling any of

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1 them.

2 MR. UDDO: Any of those three?

3 MR. RICHARDSON: That's correct.

4 CHAIRMAN DANA: That's right.

5 MR. UDDO: All right.

6 CHAIRMAN DANA: The only employees will be the
7 president; his counsel, Ken Boehm; the acting vice president,
8 Amelia; Pat Batie; Ruby McCohn; Dickens; and Johnson.

9 MR. O'HARA: That's right.

10 MR. UDDO: Okay.

11 CHAIRMAN DANA: The next page is the component of
12 the raise which goes into effect if, as this person on here
13 -- he unfortunately has a birthday, I think, in -- or an
14 anniversary date in September, and so therefore his raise
15 will be tiny, but he'll get a raise this month.

16 MR. RICHARDSON: That's correct.

17 CHAIRMAN DANA: So, over time, it balances out.

18 Now, on the next page, it's contemplated that we
19 will spend a fair amount of money getting our staff to
20 meetings. How does that compare with the expenses we've had
21 this year?

22 MR. RICHARDSON: We can go to C of the attachment

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1 that was handed out -- the amount spent thus far in the
2 Executive Offices, almost \$70,000.

3 CHAIRMAN DANA: And you're cutting it to \$43,000?

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

5 CHAIRMAN DANA: Is that a realistic reduction?

6 MR. RICHARDSON: Well, there are some other things
7 that were charged into the Executive Office that we
8 contemplate not doing next year, for instance, the
9 presidential forums and where we brought some directors in.
10 We just don't have enough money to do that. So, I'm working
11 with Mr. O'Hara and his travel plans, he feels that this
12 projects --

13 CHAIRMAN DANA: One suggestion for reducing the
14 costs of Board travel -- the advantages of going out and
15 leaving Washington are that it helps us understand the field,
16 and it helps the field, ostensibly, understand us. But the
17 high cost of going out there is, in part, taking our extended
18 staff.

19 If we were to so arrange our committee meetings so
20 as to have our committee meetings in Washington and, when we
21 go out, basically go out as a whole Board, it would be
22 possible for Management to reduce the number of staff people

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1 attending. And it's been suggested to me that that might
2 help reduce the cost associated with moving our executives to
3 follow us on road trips.

4 MR. UDDO: Would that really save money,
5 considering we would have to make two trips as a Board, one
6 for committees and one for a Board?

7 CHAIRMAN DANA: The idea would be have a -- to try
8 to schedule committee meetings every other month, when we're
9 in Washington, and to not have committee meetings, if
10 possible, in the month that we are learning on the road.

11 And so I don't know that that is going to be
12 feasible. For instance, if we get our job back this year
13 from a regulatory standpoint, I think the Ops and Regs
14 Committee may be fairly busy. If we don't, they won't be.
15 Just something to think about.

16 MR. UDDO: All right. I'd like -- yes, I'd like to
17 see the figures, because I'm not so sure that there would be
18 much savings in that. But what I was going to suggest, I
19 guess, to you, Jack, is maybe instead of discontinuing some
20 of your presidential forums, you could hold them in
21 conjunction with Board meetings when you're going to be out
22 someplace anyway.

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1 We could try to work out the scheduling of Board
2 meetings away from Washington in places that you might think
3 would be good places to do that, and hold those forums in
4 conjunction with the Board meetings, because I think they're
5 a good idea. And I think they've been a large part of your
6 success so far. So rather than do away with them, maybe
7 there's a way that we could put the two together.

8 MR. O'HARA: The whole purpose was not to eliminate
9 the forums, because, I agree, they are critical. I find that
10 the executive directors have meetings by regions, and what
11 I'm going to try and do this year is to get to the regional
12 meetings. There were a couple I was invited to this year I
13 couldn't do. I'm going to continue the one-on-one with
14 different executive directors as I go around and learn about
15 the programs.

16 But the original proposal that Mr. Dana is talking
17 about with regard to the Board meetings away from Washington
18 was to not eliminate completely staff travel, but put me in a
19 position where I wouldn't have to take as many as 10 or 11
20 people to a staff. It would be those staff members who would
21 be crucial to that particular Board meeting.

22 For instance, a meeting in one part of the country

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1 might be looking at inner-city problems. Another meeting
2 might be reflecting on the aging problem. Another one might
3 be reflecting on the Native American. We have to go into
4 these different categories.

5 Each suggested Board meeting away from Washington
6 next year has a definite purpose in having the meeting, so
7 that the Board could concentrate on that particular thing.
8 And that particular committee involved in that would be able
9 to hold a committee meeting at that time. But it doesn't
10 eliminate it completely. But it's a way, to me, to look at a
11 way to cut down on the number of staff that have to travel.

12 MR. UDDO: I understand.

13 CHAIRMAN DANA: Moving along, if there are no other
14 questions under the Executive Office, General Counsel --

15 MR. UDDO: Let me -- this is a digression, but,
16 David, on the Attachment C to the handout, under the Board
17 line again, this \$3500 for communications, which isn't
18 reflected on your '93 budget, what does that include, and why
19 isn't it on the '93 budget?

20 MR. RICHARDSON: That would include the calling
21 cards and the calls back and forth, and we're trying to look
22 at a way that we can include it completely under my

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1 particular budget in Administration. And if it doesn't work
2 out that we can do that, then I'll move a part of my
3 particular budget into the Board to take care of that
4 expense.

5 MR. UDDO: All right. And what about Other
6 Operating Expenses, which was over \$18,000 for '92 and is
7 only \$4,000 in '93?

8 MR. RICHARDSON: Well, a lot of that is, for
9 instance, rental of equipment. And, of course, we're hoping,
10 with these particular facilities, that we can --

11 MR. UDDO: Eliminate some --

12 MR. RICHARDSON: -- eliminate some of that. But it
13 won't be eliminated completely.

14 MR. UDDO: Good.

15 MR. O'HARA: Could I add one other thing to that?

16 CHAIRMAN DANA: Certainly.

17 MR. O'HARA: We are looking at a new way of doing
18 things in the next coming year, the idea being that if we can
19 eliminate a lot of these extra costs which we incur as we
20 travel around the country. We've had a couple of meetings at
21 hotels which have not been downtown, they've been maybe out
22 towards the airport or another area. And we find that a lot

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1 of these hotels will furnish a lot of the meeting rooms and
2 the equipment such as this gratis and include in some -- in
3 many cases a breakfast with the room.

4 MR. UDDO: Sure.

5 MR. O'HARA: So when you add up six meetings a year
6 by 15 or 20 people, you're talking a considerable sum of
7 money.

8 MR. UDDO: Sure. That's fine.

9 CHAIRMAN DANA: And they'll leave the light on for
10 you.

11 (Laughter)

12 MR. O'HARA: And for an additional towel, they'll
13 give you a TV.

14 (Laughter)

15 CHAIRMAN DANA: David, General Counsel, you've --

16 MR. UDDO: Let me just say one thing about that
17 before you go on. That's fine -- no, no, that's fine.
18 That's fine. But we've had some bad experiences with hotels
19 from when I was on the Board before. In Tampa, we ended up
20 in a hotel -- were you there then -- that was in bankruptcy.
21 I won't go into the whole thing, but we walked into
22 hotel rooms that had no furniture other than a bed or beds

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1 with no linens on them. So be careful when you do that. I
2 don't have any problem with it, but be careful.

3 MR. O'HARA: No, we will check out every hotel. As
4 you know, this is a --

5 MR. UDDO: Ruby knows some of those experiences. I
6 know she was here then.

7 MS. McCOHEN: That was before your time.

8 MR. UDDO: Was it really? You weren't in Tampa?

9 MS. McCOHEN: I don't remember.

10 MR. UDDO: Yeah, okay.

11 MR. O'HARA: Yes, this is a good time, because
12 right now the hotel industry is suffering along with
13 everybody else, and we --

14 MR. UDDO: We'll be able to make deals.

15 MR. O'HARA: We'll be able to manage some good
16 deals next year.

17 CHAIRMAN DANA: Okay. You contemplate reducing the
18 General Counsel's line from an estimated cost of almost
19 \$1.2 million to \$1 million. How are you managing to do that?

20 MR. RICHARDSON: The main area that we're looking
21 at is trying to reduce the litigation cost, and that's
22 something that we'll have to monitor through the year.

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1 Attachment C of the form shows that we're projecting
2 litigation costs of almost \$500,000 this year. And in this
3 particular budget, there's only \$275,000 for that fund.

4 So we're going to have to monitor that very
5 closely, and hopefully we can achieve quite a bit of
6 reduction in that particular line. And that's where the
7 majority of this is coming from.

8 CHAIRMAN DANA: There are no -- am I correct --
9 there are no positions vacant or new positions to be filled
10 in this department?

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

12 MR. O'HARA: Excuse me. We have -- we just had a
13 resignation in OTC, Todd Taylor.

14 MR. RICHARDSON: That's correct, in the last week.
15 I think what Mr. Dana is referring to are the ones that are
16 listed at the bottom, where we have to be filled -- and the
17 senior litigation deputy general counsel, legal secretary.
18 None of those are projected to be filled.

19 CHAIRMAN DANA: Okay. Now, are there any questions
20 on the IG -- I mean, the General Counsel, before we get to
21 the IG?

22 MR. UDDO: Those litigation costs and getting those

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1 down -- how do we pick outside counsel, do you know?

2 MR. RICHARDSON: I would let Mr. Fortuno speak to
3 that one.

4 DISCUSSION OF GENERAL COUNSEL BUDGET

5 MR. FORTUNO: What we have been doing is that --
6 and a lot of corporations are doing this now, is they're
7 going from larger firms to regional firms. And we don't have
8 cases ongoing --

9 MR. UDDO: What's "a regional firm"?

10 MR. FORTUNO: Instead of going, say, with a Skadden
11 Arps -- a large firm, national practice, offices all over the
12 country -- we may go with a smaller firm that nevertheless
13 offers high quality services.

14 It may be, instead of Skadden Arps, a Cooper, White
15 & Cooper that's out on the West Coast, doesn't have offices
16 around the country, but that, for example, if we have
17 litigation out on the West Coast, we may go with the smaller
18 firm that we've used before, has a proven track record, and
19 knows that we don't have coming-up-to-speed costs, where, as
20 Mr. O'Hara pointed out, because of the economy they're
21 willing to make concessions, where there are no trial
22 expenses --

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1 MR. UDDO: Why wouldn't you use a local firm?

2 MR. FORTUNO: We oftentimes do. We do, for
3 example, in Louisiana. If, for example, in California or out
4 on the West Coast, we've got four cases going, we may use one
5 firm to handle them if it's not going to cost us any more.

6 For example, if we've got a case in Oregon, a case
7 in Los Angeles, a case in San Francisco, and a case in some
8 other location on the West Coast, rather than identify a new
9 firm in each of those locations, retain those people, bear
10 the costs of bringing them up to speed, if we can get a firm
11 that has already represented us, people we're familiar with,
12 people who know us, people who are up to speed -- if they
13 agree to handle the case somewhere not in their home city but
14 handle it for us and not charge us the cost of traveling to
15 that city, we may be better off doing that, especially if
16 it's a firm that has agreed to hold their rates down. We've
17 negotiated discounted rates because of the volume of work we
18 give them; they're able to do that.

19 Whereas, with a new firm, oftentimes they're not as
20 willing to discount their rates as steeply. We're going to
21 incur coming-up-to-speed costs, and it's not a known product
22 in that we've not worked with them before, so we don't have a

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1 relationship and know how good a job they can do for us.

2 So we may tend to do that. We may tend to use a
3 firm that can do something like the West Coast for us.
4 Louisiana -- we just -- down South, we don't have as many
5 cases, so we don't identify a firm that we can develop that
6 kind of relationship with. What we do is -- depends on where
7 the case is -- we try to identify somebody locally, and we've
8 done that. It's not a global approach. It's not as though
9 we have four firms, one on the West Coast, one on the East
10 Coast, and a couple Midwest, North, and South.

11 We play it by ear, and it depends on the
12 circumstances. It depends on the kind of case it is, it
13 depends on the kinds of resources it's going to consume, and
14 we're learning as we go and developing a system as we go
15 along. But we've had some measure of success.

16 I think one of the reasons why we're looking at
17 keeping that budget low next year is that part of the
18 expenses we have incurred this year we've incurred in suing
19 insurance carriers to get them to foot the bill. We've had
20 some success. In fact, we've seen -- we've had money going
21 out; we're now seeing it come in. So I think that Dave will
22 tell you that we now see checks coming in, or we see

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1 insurance companies picking up the tab, where they're billed
2 directly.

3 We've got one major piece of litigation out on the
4 West Coast right now, Continental Insurance Company. And
5 that has cost us some money, but we're hopeful of recovering
6 what we're spending on litigation and some additional funds,
7 which is what the litigation is about is getting them to
8 cover some other litigation.

9 So that if this money starts to come in next fiscal
10 year, that will help to carry our litigation. We, hopefully,
11 won't have to take as much from LSC's appropriation to put
12 into that line, because we will have some money coming in to
13 help us with that.

14 That money, if I'm not mistaken, comes back to the
15 OGC consulting line. So that it's a "revolving fund," if you
16 will, and we'll excuse the expression.

17 MR. UDDO: Have we ever tried bidding out the work?
18 I mean, have we ever asked several firms to bid on it?

19 MR. FORTUNO: Yes. Yes. What we've done is,
20 judging on the kind of -- for example, if it should be
21 something involving 1630, what we may look to do, as we've
22 not had the kind of litigation before, what we may do is look

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1 to other government agencies and see -- agencies which
2 question cost procedures -- how they're handling them; when
3 it's federal court litigation, who is handling that for them.

4 Is it the U.S. Attorneys Office? Are they using
5 private firms? If it is the U.S. Attorneys Office, are there
6 people who were with the U.S. Attorneys Office who are now in
7 private practice who are doing that kind of work? We get
8 some references. We may contact them to see if they're
9 interested in the work -- and they almost invariably are, of
10 course -- what their rates are, what kind of concessions
11 they're willing to make, and we negotiate with them. It's
12 not just a matter of "This is your rate. Okay, take -- "

13 MR. UDDO: Well, that's not exactly what I'm
14 talking about there. That's negotiating a discount with a
15 firm that you identify.

16 MR. FORTUNO: Bidding it out formally, as we do
17 some of our grants, no, we've not done that. Generally we
18 don't have terribly much time. Generally we're sued. We've
19 got so many days, say 20 days to file an answer or some other
20 responsive pleading and don't have sufficient time to engage
21 in a fairly elaborate, time-consuming process. It all has to
22 be done much more quickly, because we have to bring somebody

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1 on, we have to get him up to speed.

2 In many instances, we do the work ourselves and
3 then give it to them, because at that point in time, they
4 don't have enough time to come up to speed and prepare the
5 pleadings. But we do have somebody who's going to be
6 prepared to enter an appearance when the time comes.

7 If it's here in D.C., it's more easily done,
8 because we can enter our own appearances. If it's outside
9 the D.C. area, we do have to identify somebody fairly
10 quickly. And so we don't have time to get involved in a
11 lengthy process.

12 And what we try to do is come up with a truncated
13 version of bidding out, and that is identify firms who could
14 do this kind of work, who would have the resources to do it;
15 speak with them, ask whether they would be interested in it
16 and, if so, what the rates would be and what other
17 concessions they can make, as in travel concessions and
18 concessions in their rates, and do it that way. Basically,
19 it's just a matter of time -- time doesn't allow.

20 CHAIRMAN DANA: I don't know whether this is what
21 Basile was coming to, but has the Corporation ever considered
22 seeking competitive bids for the General Counsel's function

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1 here?

2 MR. FORTUNO: No, I don't think we have. I do know
3 that we've -- it's not been competitively done, but we have
4 consulted with firms about a more formalized relationship, so
5 that they agree to keep their rates at a certain point, not
6 to exceed a certain point. They agree to certain
7 arrangements, concessions along the lines that I was talking
8 about before.

9 And when work comes up in an area that they would
10 cover, then we would refer that work to them. That does tend
11 to keep costs down. It gives us some flexibility, of course.
12 If we're unhappy with the firm, we can always move over to
13 someone else. We're not locked into that. But something
14 along the lines you were discussing, no, that's never been
15 considered that I know of.

16 CHAIRMAN DANA: Any other questions of Vic on this
17 issue?

18 (No response.)

19 CHAIRMAN DANA: Thank you, sir.

20 DISCUSSION OF INSPECTOR GENERAL BUDGET

21 CHAIRMAN DANA: The IG is here. Welcome. We have
22 your freeze budget, which reflects a significant increase

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1 over your costs for this fiscal year, but it appears to be
2 largely a function of the staffing-up process that you have
3 been engaged in. Do you have a copy of what you provided or
4 what we have?

5 This budget contemplates no new hires, if I'm
6 reading it correctly. So you have -- do you have 13
7 employees at this time?

8 MR. QUATREVAUX: Counting myself.

9 CHAIRMAN DANA: Counting yourself. And is that
10 sufficient to do the job, as you see it?

11 MR. QUATREVAUX: No, Mr. Chairman. We were
12 requested at one time to submit three budgets, and
13 subsequently it was cut back to two. We were asked to submit
14 what is a freeze budget, which our interpretation was simply
15 current staffing level. We also submitted what's termed an
16 "operating budget," which reflects what we think we need to
17 do the job that we're supposed to do. It does carry with it
18 five new positions.

19 CHAIRMAN DANA: And the bottom-line cost of the
20 operating budget is what?

21 MR. QUATREVAUX: \$1,229,000.

22 CHAIRMAN DANA: And is that annualized for those

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1 five new positions, 100 percent annualized in that number?

2 MR. QUATREVAUX: No, they're not. There at three-
3 quarters. For four of the positions, three-quarters
4 anticipate a January hiring. The other position is an admin
5 position; it's a secretarial Grade 3 level, which we would
6 like to hire as of the 1st of October.

7 CHAIRMAN DANA: You said that there were originally
8 three proposals -- three budgets requested, one freeze, one
9 operating -- what's --

10 MR. QUATREVAUX: There was something called a "Two
11 and-a-Half Budget," or something like that. I don't recall.

12 CHAIRMAN DANA: David, what was that about?

13 MR. RICHARDSON: When we had started the process,
14 we had asked, at your request, of course, to have a freeze
15 budget with existing staff levels. And then we also asked
16 each of the directors to provide us with what they would feel
17 they would need to operate with, an operating budget.

18 We've also talked about coming back together the
19 first week in October and start preparation of a '94 budget
20 so that when we start talking about the '94 budgets, you'll
21 have some firm figures, also, to work with -- basically to
22 prepare for next year's budget requests and appropriation.

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1 CHAIRMAN DANA: Your budget, Ed, does contemplate a
2 \$75,000 Special Projects item, and that's -- without
3 identifying it, what is the nature of that?

4 MR. QUATREVAUX: It's primarily audit work that is
5 in excess of either our expertise or general resource level.
6 You'll note, Mr. Chairman, when you compare the freeze and
7 operating budget, that the operating budget, with the new
8 people on board, has a consulting request of \$50,000, as
9 opposed to \$75,000, in recognition of the capability that
10 those people provide.

11 CHAIRMAN DANA: So you're not entirely without
12 personnel flexibility in even this freeze budget?

13 MR. QUATREVAUX: Well, that's right, but you will
14 recall that these new personnel are related to the audit
15 quality assurance function, which relates to grantee audits,
16 which there are a number of different ways to look at it. We
17 have a statutory responsibility to ensure that audit work
18 done by nonfederal auditors meets professional standards.
19 That's part of it.

20 Another part of it is to ensure that the audit work
21 that the local programs and their boards are paying for, that
22 they get their money's worth and that we do, also. It's also

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1 related -- it is an item, an element of deterrence with
2 regard to very large potential defalcations. So it comes
3 from a variety of angles, serves a number of purposes.

4 I guess, lastly, you will recall at one time -- as
5 we were struggling to get the application of the IG functions
6 here at LSC, at one time we believed the GAO position was
7 that responsibility for these audits, including
8 administration, policy, et cetera, should be in OIG, which
9 would have involved a substantial resource for desk reviews.

10 So we subsequently have been able to get to this
11 lower-cost approach of the quality assurance audits. MAC
12 will do the bulk of the work, and then we'll take a sample
13 and take a look at those, do the quality assurance reviews on
14 that sample. So this is a lower-cost approach than just a
15 literal application of the IG Act would entail.

16 CHAIRMAN DANA: Arguably literal. But of the 13 --

17 MR. QUATREVAUX: Well, let me just say that OIGs,
18 federal inspectors general offices, performed over 11,000
19 desk reviews of grantee and contractor audits in FY '91. They
20 also did another 400 quality assurance reviews. So this is a
21 unique situation in that we are not taking the primary role
22 here.

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1 CHAIRMAN DANA: Well, let's defer that discussion.
2 We've had a piece of it at other times. But of the 13 people
3 in your department, how many of them are involved in desk
4 reviews of audits that are performed in the -- audits that
5 are done by CPAs in the field of grantees?

6 MR. QUATREVAUX: Currently?

7 CHAIRMAN DANA: Yes.

8 MR. QUATREVAUX: None.

9 CHAIRMAN DANA: So none of the people that you have
10 here are going to be doing that?

11 MR. QUATREVAUX: That is correct.

12 CHAIRMAN DANA: How many of the people here are
13 going to be doing quality assurance reviews of those audits?

14 MR. QUATREVAUX: In search periods, they will more
15 or less reinforce -- some of them will. In this case it's
16 going to be a matter of scheduling of audits in such a way as
17 to try to make sure that we have the maximum flexibility.
18 There are some audits that are performed that are beyond our
19 control as to their timing.

20 Also the audit methodology itself is such that an
21 audit is begun with a preliminary estimate of the amount of
22 work and the schedule and that sort of thing. And it's the

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1 preliminary survey, as well as, during the course of the
2 audit, what is discovered. These things have the potential
3 -- and this is particularly true in nonfinancial audits --
4 you know, to severely affect the duration and resources
5 involved.

6 CHAIRMAN DANA: I am sure that this will vary from
7 month to month and probably from year to year, but could you
8 give us an estimate of the extent to which your department is
9 focusing on this Corporation, as distinguished from its
10 grantees?

11 MR. QUATREVAUX: Well, I think that what you said
12 is certainly accurate. It does vary from time to time.
13 We're still in a settling-in process, where we are trying to
14 -- have been most of this year, while we were building an
15 organization and trying to go through all the hoops in
16 figuring out what our relationship is and ought to be with
17 regard to the field. We are almost there with regard to the
18 Corporation, but the Corporation was here, so we began here.
19 And we have been conducting internal audits, as you are
20 aware.

21 Over time, there's no question that the bulk of the
22 activity is going to be with regard to the field, simply

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1 because that's where the money is. But in terms of effort,
2 in terms of seeing that sort of -- in terms of that being
3 manifested, that's a couple of years out, because we have
4 many things that have to be audited internally here at the
5 Corporation.

6 Some of the kind of audit work that has to be done
7 at the Corporation is quite substantial. And just to mention
8 -- a performance audit of any operating element within the
9 Corporation is quite an undertaking, will require a lot of
10 resources and a long period of time.

11 CHAIRMAN DANA: I'm not sure I got an answer to my
12 question, but I guess there may not be one.

13 MR. QUATREVAUX: I think anything you see now is
14 not going to be representative of the long-term, stabilized
15 situation. I think what you're going to see now, at least
16 initially -- what you've seen in this past year has been
17 almost 100 percent internal, at least with regard to audits.
18 Now, 100 is a little too strong, but the bulk of it by far
19 within the Corporation.

20 CHAIRMAN DANA: Well, you have devoted a certain
21 amount of time -- and maybe they were investigators who were
22 out dealing with problems.

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1 MR. QUATREVAUX: Well, yes, I was trying to do it
2 on an audit basis. But, yes, investigations -- to fold that
3 into it -- and that's something that's totally unpredictable
4 it seems. Investigations -- we've had several in-house, as
5 you are aware of, and a few out in the field as well.

6 CHAIRMAN DANA: I mean, I think it would be helpful
7 -- probably there are other members of this committee who are
8 more knowledgeable than I am about the work of your
9 department. But to the extent that there are areas that you
10 would like to audit or investigate if you had time or when
11 you are at a point where you can do that, you anticipate
12 doing an investigation or an audit of this facet in the
13 future. It's not an emergency, but it is sort of an "out
14 there" plan.

15 I think, from an evaluation of your requests,
16 fiscal requests, it might be helpful to see something like
17 that to know what is sort of on the agenda. And if you had a
18 larger staff, you could get at it sooner. At least for me it
19 would be helpful. Then I would have some sense of, other
20 than responding to the inevitable need to investigate an
21 audit, what sort of is on the long-term game plan for your
22 department.

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1 I think if you have -- if that's something that you
2 could share with the Board, as to your current thinking on
3 it, I think at least this Board member would appreciate it.

4 Any other questions of the IG?

5 (No response.)

6 CHAIRMAN DANA: The Corporation's capacity to deal
7 with anything other than a freeze this year is something
8 we're going to deal with later on today. How we're going to
9 pay for a freeze budget is not altogether clear, never mind
10 expanding. And I think that you may be able to help us with
11 suggestions and ideas in that regard, so I'm sure we'll be
12 talking again before the day is over.

13 MR. QUATREVAUX: Okay, fine. Thank you.

14 CHAIRMAN DANA: Department of Human Resources -- I
15 note that this department appears to be increasing
16 substantially in its -- in the bottom line. David, can you
17 account for that?

18 DISCUSSION OF HUMAN RESOURCES BUDGET

19 MR. RICHARDSON: In the Office of Human Resources,
20 we have one new employee. And this lady was just hired in
21 the last few weeks, so that would attribute some of the
22 increase in salary. We have also switched one employee with

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1 the Executive Office who was at a higher rate than the one
2 that was exchanged, so that would account for some of it,
3 also.

4 The main increase that we have here is in the
5 benefits line. In talking with our insurance representative,
6 it looks like we're going to have about an 18 percent
7 increase in our benefits. The main one that is funded in
8 Human Resources is the dental insurance, and that has gone
9 up. I think last year we budgeted \$75,000, and then this
10 year it's at \$95,000. So that's an increase.

11 The disability insurance has gone up each year, and
12 we've got an increase there. Unemployment compensation --
13 the District of Columbia is looking for every way possible to
14 increase their flow of cash, so they're increasing that
15 particular line. And then the rest of them are pretty much
16 the same as they were last year. I think the disability went
17 up \$5,000, just a slight increase there.

18 CHAIRMAN DANA: David, are benefits 100 percent
19 provided by the Corporation, or is there a contribution from
20 the employee, too?

21 MR. RICHARDSON: In the unemployment, it's
22 100 percent Corporation. And the dental insurance, it's

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1 100 percent the Corporation.

2 CHAIRMAN DANA: Is that employee or employee and
3 family?

4 MR. RICHARDSON: Employee -- it's both, employee
5 and family.

6 MR. UDDO: So employee and family is 100 percent
7 paid for by the Corporation for dental insurance?

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

9 MR. UDDO: And disability insurance?

10 MR. RICHARDSON: It's 100 percent paid by the
11 Corporation.

12 CHAIRMAN DANA: Is health insurance full family,
13 100 percent Corporation?

14 MR. RICHARDSON: No, sir. That is a shared cost.
15 The employee pays approximately 20 percent, and the
16 Corporation pays 80.

17 CHAIRMAN DANA: For the family?

18 MR. RICHARDSON: Yes, sir.

19 CHAIRMAN DANA: How about for the individual?

20 MR. RICHARDSON: The same percentage.

21 MR. UDDO: Those are good benefits.

22 CHAIRMAN DANA: The percentages -- the benefit line

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1 is -- next year it's anticipated to be 25 percent of the
2 payroll.

3 MR. RICHARDSON: Well, one of the things that --
4 we're lucky here, too. For instance, in yesterday's paper
5 there was an article that the federal Blue Cross and Blue
6 Shield, which is what we have, the premiums are going down.
7 We, being private since October 1, '88, ours will go up. So
8 to remain competitive, we've tried to pay the same percentage
9 that the federal government does.

10 MR. UDDO: The federal government pays 80 percent
11 of medical?

12 MR. RICHARDSON: Yes, sir.

13 MR. UDDO: But what about dental and disability?

14 MR. RICHARDSON: That I've not researched, sir.

15 CHAIRMAN DANA: The federal government pays
16 80 percent of the family health care?

17 MR. RICHARDSON: Yes, sir.

18 CHAIRMAN DANA: The wife of a federal employee is
19 shaking her head.

20 MR. UDDO: Well, I was going to say -- but, I mean,
21 with the way these things are increasing in costs, providing
22 100 percent is a significant upward trend, I'm afraid. And

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1 as I say, these are good benefits -- I mean, I don't know too
2 many places that are paying 100 percent of full family dental
3 -- well, disability is just the employee. But the day may
4 come where that has to be considered, as to whether or not
5 that's not an area of the budget that needs to be -- the
6 burden shared some.

7 CHAIRMAN DANA: Any other questions for David on
8 this?

9 (No response.)

10 CHAIRMAN DANA: Excuse me just a second.

11 Yes, the personnel benefits line for this year is
12 22 percent of the salary, and it's 25 percent in your
13 proposed budget. An increase of 3 percent is a lot. Is that
14 the -- what do you think has caused that? Or maybe you've
15 just answered that question.

16 MR. RICHARDSON: There's one other element that
17 we're using, because we would end up flipping money back and
18 forth. For instance, in the personnel benefits line, the
19 increase in the vacation accrual is actually shown in the
20 personnel compensation this year. But we accrue it generally
21 through the year, or we budget for it in the personnel
22 benefits line.

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1 So, for instance, an employee that has 100 hours of
2 accrued vacation and they get a 4.2 percent increase in pay,
3 likewise a vacation accrual also has to be adjusted upward.

4 CHAIRMAN DANA: So is what you're saying is that in
5 the -- for last year, the vacation accrual is in the
6 personnel compensation line?

7 MR. RICHARDSON: That's correct.

8 CHAIRMAN DANA: And for next year, it's in the
9 personnel benefits line?

10 MR. RICHARDSON: Right, sir.

11 CHAIRMAN DANA: Vacation -- you talked to me about
12 vacation accrual. What is that?

13 MR. RICHARDSON: Well, for instance, each employee
14 who has been here over two years earns 6.25 hours of vacation
15 a pay period. That's equivalent to 20 days a year. And if
16 they do not take that vacation, then we have to establish a
17 liability in our financial statements for that.

18 Each year -- for instance, if you have an employee
19 who accrues four weeks, takes one, that three weeks, when
20 they get a pay increase, it would increase the amount that
21 that is worth to the employee. We have something that we're
22 looking at, but right now an employee can accrue up to 240

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1 hours of vacation leave.

2 For instance, if you get 300 as of December 1st, it
3 would be taken back to the top limit of 240 unless there are
4 some extenuating circumstances that you're not able to take
5 it, and then we do grant some waivers occasionally. But
6 that's a vested benefit to the employee.

7 CHAIRMAN DANA: So you're really saying -- now, is
8 that the practice in this community, to permit employees to
9 not take a vacation and get paid for it?

10 MR. RICHARDSON: No, they don't get paid for it.
11 They would only paid for it if they leave the Corporation.

12 CHAIRMAN DANA: Would they be paid dollars and
13 cents?

14 MR. RICHARDSON: Yes, they would. And, yes, that
15 is a practice of the community. The 240 is the exact same
16 number of hours that the federal government allows an
17 employee to carry over.

18 MR. UDDO: David, how are the benefit policies
19 established in the Corporation?

20 MR. RICHARDSON: We've just gone through a
21 committee that was chaired by the director of human resources
22 and where each of the office directors reviewed the personnel

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1 handbook, the administrative guide, and the president will
2 end up issuing a letter approving the new personnel benefits
3 manual and the employee handbook.

4 MR. UDDO: And they're -- that committee is pretty
5 convinced that the benefits package here, in the way its
6 handled, is reflective of what goes on in the community or
7 for similar corporations --

8 MR. RICHARDSON: Yes, sir.

9 MR. UDDO: -- or, I guess to some extent, with the
10 federal government.

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

12 CHAIRMAN DANA: Maybe Alice Dickerson could join
13 you. And if we have stumbled through any misconceptions,
14 maybe you could help us.

15 MS. DICKERSON: Okay. I think the part that I'd
16 like to emphasize is that the -- particularly with the health
17 insurance, that is on a shared-cost basis. As David
18 mentioned earlier, the Corporation pays 80 percent, the
19 employees pay 20 percent of that. And that's for their own
20 coverage and family coverage as well.

21 CHAIRMAN DANA: Are we talking premiums or actual
22 costs?

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1 MS. DICKERSON: On their premiums. And in addition
2 to that, last year, in order to try to cut costs, we did
3 raise or increase the amount of the employee deductible. It
4 had previously been \$200; we went to a \$300 deductible so
5 that that would help to eliminate some of the cost and would
6 keep our premiums down to a certain extent.

7 MR. UDDO: \$300 per person --

8 MS. DICKERSON: Per person.

9 MR. UDDO: -- or family?

10 MS. DICKERSON: No, per person, with a two-person
11 limit per family.

12 MR. UDDO: So once \$600 is satisfied, there's no
13 more deductible?

14 MS. DICKERSON: That's right.

15 CHAIRMAN DANA: So an employee pays 20 percent of
16 the premium cost and the \$600?

17 MS. DICKERSON: Yes, uh-huh. And then, in addition
18 to that, the plan itself is like an 80-20 plan if they're
19 using the indemnity benefits. And in that sense, then they
20 would also be paying 20 percent of whatever the cost is as
21 well. If they choose to use the HMO component, then, of
22 course, they're not paying that.

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1 MR. UDDO: You get a choice of plan like that, that
2 has that low a deductible? That's a low deductible for a
3 plan with a choice.

4 MS. DICKERSON: Yes, uh-huh.

5 MR. UDDO: I mean, usually they up the deductible
6 to try to make you choose the HMO.

7 MS. DICKERSON: Right. It was a new plan that Blue
8 Cross and Blue Shield just started last year, and we sort of
9 got in on the ground floor. And we've had very good response
10 from employees. A lot of them are participating in the HMO
11 component, and it has worked very well for them.

12 CHAIRMAN DANA: Did I understand, David, you to say
13 that, in response to a question that Mr. Uddo asked, that
14 there is a committee of LSC employees that monitor our
15 benefits? Does that sound right?

16 MR. RICHARDSON: Well, we've just gone through and
17 basically revised and updated our personnel manual handbook.
18 That was done with the directors within the Corporation, yes.

19 MS. DICKERSON: I think what David is saying is
20 there was discussion of some of our benefits at that time,
21 but there isn't a committee, per se, that reviews that type
22 thing. In other words, for instance, each year we don't have

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1 a committee that sits down and says, "Let's do this with the
2 benefits."

3 David and I sit down with it, we check with the
4 providers to see what percent of increase we can expect each
5 year before we do the budget, and we apprise Jack and the
6 managers, of course, in the senior staff meetings. And there
7 are discussions that way. When we have the Budget Committee
8 meetings, there are discussions of it.

9 And, in fact, we have talked about what some of the
10 options may be, you know, if we do have to make some choices
11 here as to what we could do.

12 MR. UDDO: Is it your experience that the
13 Corporation paying 80 percent for the family coverage is
14 routine?

15 MS. DICKERSON: Yes. In most corporations, you do
16 find that on a shared-cost basis with the health insurance.
17 It is advisable, because there is more discrete utilization
18 where the employee is also paying a part of that.

19 MR. UDDO: Oh, I'm not suggesting that the employee
20 paying part is not a good idea. I'm saying that I think
21 80 percent is high.

22 MS. DICKERSON: Is that a customary amount?

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1 MR. UDDO: I think that's high. I'm just judging
2 from what, you know, my university does. You can get far,
3 far, far better benefits than my university provides.

4 MS. DICKERSON: Mm-hmm.

5 MR. UDDO: I mean, they provide -- dental is an
6 option that's provided, but the employee pays the whole
7 thing.

8 MS. DICKERSON: Right. In a lot of corporations,
9 you do find that the employee at least pays the dependent
10 share of dental. And I think that we are a little more
11 generous in that area.

12 MR. UDDO: And on medical. I mean, on medical,
13 80 -- I guess what I'm saying is, could we just get some
14 information, some comparative information just to kind of get
15 an idea of where we stand with respect to what's customary --

16 MS. DICKERSON: Sure, we would be glad to. Yes.
17 Sure.

18 MR. UDDO: -- you know, some comparisons --

19 MS. DICKERSON: Yes, we would be glad to get that
20 for you.

21 MR. UDDO: -- and just to give the committee some
22 sense of if what we're providing is fairly standard or

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1 generous or whatever because, I mean, I think that this
2 benefits area everybody admits is an area that's getting
3 extremely expensive and needs to be watched carefully.

4 MS. DICKERSON: Okay. We'll get that for the next
5 Board meeting.

6 MR. UDDO: Thank you.

7 CHAIRMAN DANA: That would be helpful. It would be
8 -- I think maybe a couple of private -- some of the private
9 law firms, maybe a university, and some -- and the
10 Corporation for Public Broadcasting and something like that.

11 MS. DICKERSON: Yes, we could check all of the
12 DFES, the designated federal entities.

13 CHAIRMAN DANA: Well, I don't necessarily -- I
14 mean, just pick some at random, like the ones I suggested.

15 MS. DICKERSON: The Corporation for Public
16 Broadcasting is the one most like a --

17 CHAIRMAN DANA: Can we take a five-minute break?
18 Yes, apparently we can. We'll take a five-minute break.

19 (Whereupon, at 11:50 a.m., a luncheon recess was
20 taken.)

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A F T E R N O O N S E S S I O N

(12:05 p.m.)

CHAIRMAN DANA: Now, we move to the largest department in the Corporation, the Office of Finance and Administration, moving into first place for the first year in its long and illustrious history. I think I'm correct that the reason it's in first place is because the rent is in that line.

DISCUSSION OF FINANCE AND ADMINISTRATION BUDGET

MR. RICHARDSON: That is correct, sir.

CHAIRMAN DANA: It's the fifth or sixth page in your book. I think I'm also correct that lines two and three relate to 400 Virginia Avenue and lines six and seven relate to 750 First Street; is that correct?

MR. RICHARDSON: That is correct, sir.

CHAIRMAN DANA: So that the total budget of about \$12.5 million includes \$2.5884 million for rent. How much of it is money that we are not actually going to spend in this coming fiscal year?

MR. RICHARDSON: Okay, within the second total there, or the third actually, the \$1,286,000, we will not be paying for eight months of that which would basically be an

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1 accrual of \$860,000. So that is a non-cash item.

2 CHAIRMAN DANA: So, \$860,000 is non-cash?

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

4 CHAIRMAN DANA: Is it possible that some of line
5 two and three may also be a genuine saving, I hope?

6 MR. RICHARDSON: Yes, sir. We, as I alluded to
7 earlier, had talked about we are still working with General
8 Services Administration, some other private companies. What
9 we have shown is the rent that we would normally pay at 400
10 Virginia Avenue minus the amount that we anticipate receiving
11 from the GSA lease. So, there could be, and we'll say will
12 be, additional monies that will be saved from that line once
13 the space is rented.

14 CHAIRMAN DANA: A worse case scenario is not
15 renting 400 Virginia Avenue.

16 MR. RICHARDSON: Yes, sir.

17 CHAIRMAN DANA: We have 20 percent of it rented for
18 two years.

19 MR. RICHARDSON: For the remaining of the lease
20 term, for the three-year term.

21 CHAIRMAN DANA: How much is the remainder of the
22 lease term; two more years?

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1 MR. RICHARDSON: Two more years.

2 CHAIRMAN DANA: After this or including this coming
3 year?

4 MR. RICHARDSON: Including this year. It's
5 actually three. It goes through August 31, 1995. So we're
6 looking at this being Fiscal Year '93, '94, and '95, 11
7 months in '95.

8 CHAIRMAN DANA: So, worse case is that we would
9 have to pay a little over a million dollars for --

10 MR. RICHARDSON: '93, '94, and '95.

11 CHAIRMAN DANA: It would be a good time to get out
12 of town if we have to do that. I'm speaking of the Board,
13 primarily. Any questions on that?

14 (No response.)

15 CHAIRMAN DANA: Under administrative services you
16 have cut capital expenditures, as they say, to the bone?

17 MR. RICHARDSON: Absolutely, sir.

18 CHAIRMAN DANA: On the theory that we have bought a
19 lot of stuff this year already or not?

20 MR. RICHARDSON: Well, the only thing that we have
21 purchased is the equipment for this particular room, the
22 Board room, and some chairs. We have delayed purchasing the

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1 desks and other equipment for the Corporation.

2 CHAIRMAN DANA: Delayed all of that?

3 MR. RICHARDSON: Yes, sir, delaying that because of
4 the dual rent.

5 CHAIRMAN DANA: Say that again.

6 MR. RICHARDSON: We have delayed it because of the
7 dual rent. When we were discussing it before, that's where
8 the \$300,000, at a minimum, construction allowance, that's
9 where that money is being derived from.

10 CHAIRMAN DANA: I see. We have spent some money
11 out of that allowance for photo processing equipment and
12 things like that?

13 MR. RICHARDSON: We have purchased a few computers,
14 fax machines, increased our fax capabilities, increased the
15 telephone capabilities. The rest, the wiring of the
16 building, we had to pay for that through the construction
17 allowance, both for telephone and data. Of course, the
18 moving costs are about \$41,000 to move the furniture and
19 equipment that we moved from 400 Virginia Avenue.

20 CHAIRMAN DANA: Could we have at the next meeting a
21 comprehensive summary of the use of the allowance, both in
22 terms of renovation costs and what we've spent and what we

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1 have deferred, that totals out that \$300,000?

2 MR. RICHARDSON: Yes.

3 CHAIRMAN DANA: So, essentially what you're saying,
4 if I read between the lines, is that if we lease this
5 building, or when we lease the building, we hope to be able
6 to use the proceeds of that lease to finish the job here?

7 MR. RICHARDSON: Some of it, yes, sir, to furnish
8 the offices with some new desks.

9 CHAIRMAN DANA: Okay. It appears that the office
10 of archives and central files is growing; I wouldn't say at
11 an alarming rate but at least growing.

12 MR. RICHARDSON: Actually, sir, it is the same.
13 What occurred last year is we went through a bit of a
14 reorganization. Within that, the archives, which was
15 originally Department 3132 under the Office of Field
16 Services, was brought into administration.

17 Along with that, the law library, which had one
18 employee, was also brought into the administration. Then the
19 other employees that you see there came out of my particular
20 office, 1610, and those are the gentlemen that run their mail
21 and reprographics shop. There are no new employees in that
22 area.

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1 CHAIRMAN DANA: Mr. or Mrs. Rouse or Short are new
2 employees or not?

3 MR. RICHARDSON: No, sir, they are not.

4 CHAIRMAN DANA: They are old, I mean previous?

5 MR. RICHARDSON: Previous employees. I wouldn't
6 say old employees.

7 CHAIRMAN DANA: Okay. Any questions on that?

8 (No response.)

9 CHAIRMAN DANA: MAC?

10 DISCUSSION OF MAC BUDGET

11 MR. RICHARDSON: Last year's budget for MAC
12 projections show that they should spend around \$3.68 million.
13 The projected budget or the budget plan that you have in
14 front of you for '93 shows a budget plan of \$3.317 almost
15 \$3.318 million. This budget was put together anticipating,
16 of course, that less funds would be available because of the
17 duplicate rent.

18 As you will see with the notes some of the things
19 that we're having to cut down, monitoring. There will be
20 less travel and hiring of less consultants. We are going
21 from 163 on-site visits that were conducted this year to 100
22 for 1993.

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1 CHAIRMAN DANA: What does that do to the cycle of
2 monitoring visits?

3 MR. RICHARDSON: I'll let Ms. Sparks answer that
4 one.

5 MS. SPARKS: This year we were able to catch up on
6 a 24-month cycle. To go to 100 monitoring visits we will
7 probably go to a 28-, 29-month cycle that we'll see probably
8 six months into the year. Right now we're operating on a
9 24-month cycle.

10 CHAIRMAN DANA: How many programs do we monitor?
11 How many programs do we have?

12 MS. SPARKS: We have 323 programs.

13 MS. SMEAD: 322.

14 MS. SPARKS: And it's falling as I sit here.

15 CHAIRMAN DANA: 322 programs at 100 a year sounds
16 like more than a three-year cycle.

17 MS. SPARKS: It will just take some time to catch
18 up with us, but you would get to that point, yes.

19 CHAIRMAN DANA: Is a monitoring visit typically of
20 equal duration?

21 MS. SPARKS: They are typically on the average of
22 four days. Some monitoring visits are three; some are five.

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1 You should also know contemplated in the number of reviews,
2 Mr. Dana, on-site reviews could incorporate a follow-up
3 review which, of course, may be a two-day visit. The figure
4 is on-site reviews. A full monitoring review, of course, is
5 going to be a few more people and an extra day.

6 CHAIRMAN DANA: Has the Corporation ever given any
7 thought to if you monitor a program and find everything in a
8 super shape, putting that program on a -- not going back for
9 five years or an extended period of time and then
10 concentrating the Corporation's energy on correspondingly
11 saying to a program, "I'm coming back next month or next
12 year"?

13 MS. SPARKS: We've given a lot of thought to it.
14 Not five years, but we have given a lot of thought to a
15 program that has a successful -- we have a good program and
16 an executive director that doesn't change. We don't have any
17 complaints. That program may fall to 29 months or 30 months.

18 At the same time, follow-up reviews, particularly
19 where we have an extensive corrective action process that
20 follows a monitoring review, we may go back within about 18
21 months or sooner for a couple days just to check on whether
22 or not things are in place and helping the program.

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1 CHAIRMAN DANA: I noticed that you are proposing to
2 substantially reduce the number of consultants and therefore
3 the travel of the consultant. Well, travel and
4 transportation is being almost cut in half.

5 MS. SPARKS: Right.

6 CHAIRMAN DANA: Consultants are being cut by
7 approximately a third. But staff is being maintained.

8 MS. SPARKS: Yes.

9 CHAIRMAN DANA: The reason for keeping your staff
10 and reducing your consultants is what?

11 MS. SPARKS: Several reasons. We were asked to
12 present a budget keeping staff the same.

13 CHAIRMAN DANA: So that was not an option available
14 to you, to cut staff and keep your consultants up?

15 MS. SPARKS: I did not consider that option during
16 the preparation of this budget.

17 CHAIRMAN DANA: Is that because of instructions to
18 you or because you think that is the -- perhaps I
19 misunderstood you. I thought you said you were instructed to
20 keep staff the same as opposed to cutting staff.

21 MS. SPARKS: My understanding in putting the budget
22 together for the 10 percent freeze was to maintain staff at

1 the present level. The cut in travel and transportation goes
2 to the number of days where you would reduce per diem and we
3 would contemplate shorter monitoring visits. We would
4 contemplate using our staff more and asking them to travel
5 more.

6 We would cut down on consultant cost by eliminating
7 the use of consultants as team leaders. When you have fewer
8 visits, you can then insure that staff would lead all visits
9 which would then reduce your consulting line. It's a cycle,
10 as you can see. So those are the considerations in reducing
11 those two lines.

12 CHAIRMAN DANA: When you go on a monitoring
13 visit -- and I apologize to other Board members that may
14 already understand this -- if you have two consultants and
15 two members of the staff, let's say, do they meet together
16 before they get there or presumably at the site but before
17 the monitoring visit commences?

18 MS. SPARKS: Yes, sir. Generally, for a five-day
19 visit, they would travel on a Sunday, get in, and they are
20 asked to have a team meeting on Sunday night before they go
21 in on Monday.

22 CHAIRMAN DANA: And then they conduct the

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1 investigation and monitoring visit for three, four, five
2 days. And then what happens? They go home?

3 MS. SPARKS: Yes, sir.

4 CHAIRMAN DANA: And what is the involvement of the
5 four or five individuals, some consultants, some staff
6 members, at that point?

7 MS. SPARKS: Each team member produces an
8 individual report. Consultants will submit an individual
9 report with exhibits, attachments. Once that meets our
10 criteria that we have in place, that consultant contract is
11 sent to David, and it is officially concluded. Our staff
12 members also prepare an individual monitoring report and then
13 the team leader would then produce a draft monitoring report
14 that is provided to the grantee.

15 MR. O'HARA: Can I say one thing?

16 CHAIRMAN DANA: Okay. Mr. President?

17 MR. O'HARA: Thank you. Susan, I don't want to
18 interrupt your flow, but I think you got away from one thing
19 that's important. On the last day they usually have a
20 closeout conference with the executive director, at which
21 time they talk about the things they've seen.

22 Under Susan's leadership, I guess you would call

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1 it, of MAC, we are now beginning to -- when she comes back,
2 the team leader, whoever that is, has to get back to her and
3 contact is had with the Office of Field Services so that if a
4 program needs help in a particular area, the word gets back
5 to us a lot quicker than waiting for a draft report to get
6 out. We move on it as quickly as we can.

7 MS. SPARKS: Exactly. Even to add some more to
8 what Jack is saying, each night during the on-site review the
9 team meets. Depending on what's going on in the program,
10 some meetings are longer than others. The night before the
11 visit concludes is a debriefing of the entire team when an
12 exit conference is prepared and recommendations are provided
13 before they leave the site.

14 CHAIRMAN DANA: I understand that -- let's assume
15 there are two people from staff and two consultants -- all
16 four of them does an individual report.

17 MS. SPARKS: Yes.

18 CHAIRMAN DANA: Do those reports cover the
19 waterfront in terms of all of the various elements that they
20 are there to monitor, or do they break that down into areas
21 of expertise and interest?

22 MS. SPARKS: Each team member is given an

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1 assignment before the visit begins. We give each team a work
2 plan that's divided into different categories: examine
3 governance, examine legal work management, examine quality.
4 Each team member is given an assignment. So, if you're on a
5 team and Mr. O'Hara is on a team, your team report may cover
6 quality and Mr. O'Hara's report may cover governance,
7 depending on your assignment.

8 CHAIRMAN DANA: If, in that hypothetical you
9 indicated, he was looking at governance and I was looking at
10 quality, I would write up a report dealing with quality and
11 he would write up a report dealing with governance. Assume
12 we're both consultants, would I see his report and would he
13 see my report?

14 MS. SPARKS: No, but we would expect that you have
15 communicated through the review and that if there were areas
16 that Mr. O'Hara was covering that impacted on your work, that
17 you would be referencing that in your report and even site,
18 too, some of the exhibits that he may have attached to his
19 report because you would be exchanging that information to
20 the visit. But no, you would not typically see the other
21 individual report.

22 CHAIRMAN DANA: Following the visit, I would go

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1 home and write my component. He would go home and write his
2 component. We would submit both our components to, let's
3 say, David, who was the team leader. You would submit yours
4 to David, who is the team leader. Then David would take
5 these reports and put them together and write the definitive
6 draft report, correct?

7 MS. SPARKS: He would write a team report that was
8 then entered into a review process.

9 CHAIRMAN DANA: And that review process would occur
10 within the Corporation?

11 MS. SPARKS: Yes.

12 CHAIRMAN DANA: Then a product in a draft stage
13 would be shared with the program itself who would react?

14 MS. SPARKS: Yes.

15 CHAIRMAN DANA: Then a final report would be
16 submitted?

17 MS. SPARKS: Yes.

18 CHAIRMAN DANA: Then they would respond formally to
19 that final report?

20 MS. SPARKS: No. They respond formally to the
21 draft report.

22 CHAIRMAN DANA: Are their comments incorporated in

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1 the final report in some way?

2 MS. SPARKS: Yes.

3 CHAIRMAN DANA: So, if a consultant who -- assuming
4 I'm a consultant and my assigned responsibility is quality,
5 but if I had views on the governance, basically I would have
6 to communicate those orally or in some way to Jack who is
7 working with me. I might do that in the evening or one day
8 that week, but I would not see his report on the governance
9 because that would be submitted to David, nor would he see my
10 report on quality. Neither of us would see the final report;
11 is that correct?

12 MS. SPARKS: That's correct.

13 CHAIRMAN DANA: Thank you. Are there any questions
14 concerning MAC, MAC's proposed freeze budget?

15 (No response.)

16 CHAIRMAN DANA: Turning to OFS.

17 DISCUSSION OF FIELD SERVICES BUDGET

18 MR. RICHARDSON: In Fiscal Year 1992, referring to
19 attachment C of the handout that I had given you, the Office
20 of Field Services had projected to spend \$1.1 million this
21 year. The freeze budget that has been proposed and given to
22 you is for \$1.3 million, an increase of \$200,000. Mainly,

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1 that's made up of new hires, and there is the two positions
2 in this particular budget that have either been advertised,
3 ready to be filled, or would be filled very shortly.

4 You'll see some increase in staff here. One of the
5 things, of course, is when the Office of Policy Development
6 was disbanded, abolished, that a number of the employees went
7 to work in the Office of Field Services.

8 CHAIRMAN DANA: Are there any questions?

9 (No response.)

10 CHAIRMAN DANA: Hearing none, David, I think we can
11 move on to the -- having gone through the budget fairly
12 carefully, I think it might be helpful to perform an
13 analysis. Assuming this was going to end up being our
14 budget, how would we pay for it?

15 I think it is fair to say that maybe what we ought
16 to use for these purposes is the \$12.5 million, because
17 although there's been a \$60,000 adjustment in the MAC line
18 and a corresponding \$20,000 adjustment in the personnel line,
19 there may be some puts and takes. So why don't we stay with
20 your number of \$12.5 million, unless you can think of a
21 better guesstimate number.

22 MR. RICHARDSON: No. I think that's the best place

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1 to start. At this point, do you want to use the flip chart
2 to write this information?

3 CHAIRMAN DANA: Let's just talk about the numbers.
4 Maybe everybody can write them down themselves. The
5 anticipated freeze budget is \$12.5 million. If we add the
6 1992 appropriation, which is last year's M&A appropriation of
7 \$9,774,000, we add the House, what we hope will be the House
8 four percent of \$391,000.

9 It's the House's 1993, 4 percent increase across
10 the board, \$391,000, to the estimated carry forward which you
11 show as \$750,000 but that includes the \$300,000, the
12 timekeeping money. So we ought to call it, for these
13 purposes, \$450,000. We can come up with, quite easily,
14 \$10,615,000, which leaves us a shortfall of \$1,885,000.

15 Now, if we reprogram \$300,000 that has been set
16 aside to implement timekeeping and we not spend the \$300,000
17 in the construction budget that you have not spent on the
18 furniture, we can come up with \$600,000 which gets our
19 problem down to \$1,285,000.

20 Then, remember, of the \$12.5 million, that includes
21 \$860,000 of accrued free rent which, probably from an
22 accounting standpoint, should be amortized over the life of

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1 this lease. But from a dollars and cents standpoint, it's an
2 expense which does not require dollars this year. So, if you
3 subtract that number from the \$1,285,000, you're down to
4 \$425,000. Even if we take all of the other steps, we still
5 have that for a hole. Is that correct?

6 MR. RICHARDSON: That is correct, sir.

7 CHAIRMAN DANA: Now, we could fill that hole in
8 part by -- some of the ways of doing that would be to cut the
9 budget further, to spend next year the anticipated interest
10 and grant recoveries that would normally be a part of the
11 carryover for moving into next year. What do you anticipate
12 those to be?

13 MR. RICHARDSON: This past year we collected -- it
14 will be approximately \$350,000. I am estimating it to be
15 \$300,000 this year because interest rates continue to drop.
16 In the printout that you have, you'll see that under column
17 11 is \$308,000. We projected an additional \$25,000 for the
18 last quarter, but we did find an additional \$25,000 that
19 should be added to that. So there is an adjustment that's
20 needed there.

21 CHAIRMAN DANA: That's how we went from \$716,000 to
22 \$750,000. So that's what we're talking about to get us

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1 there.

2 MR. RICHARDSON: That's correct, sir. But because
3 the interest rates are continuing to decline, I do not
4 anticipate the interest being as much next year. So that's
5 the reason I would decrease that to the \$300,000. So,
6 basically, if we were able to do that, that \$300,000
7 subtracted from the \$425,000, we would have a shortfall of
8 \$125,000. That in itself may be able to be adjusted
9 somewhat.

10 We're still working with, of course, the June
11 projections and we may see some savings in the amount of
12 monies that the departments are spending and also the
13 construction allowance. Through very keen utilization of
14 that, we may be able to increase that.

15 So, within those particular lines, with the reduced
16 spending possibility and the increase in the construction
17 allowance, we could possibly make up the \$125,000 shortfall
18 at this time.

19 CHAIRMAN DANA: Well, there are some policy
20 decisions which the committee needs to focus on in that
21 scenario. Well, implicit in that is picking up \$391,000.
22 Hopefully, the House number will come through. Right now

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1 that's a guess. I just don't know how that's going to be.
2 It could be that we could have a \$391,000 bigger problem that
3 we are, for these purposes, discussing.

4 One policy decision would be to reprogram the
5 \$300,000 for timekeeping. A prior board -- I think only
6 Basile remembers their names -- set aside \$300,000 to
7 implement timekeeping. That is still available. The
8 \$300,000 that we've saved for construction is available, but
9 it was intended to be used to refurbish the contents of our
10 space or the innards of our space.

11 The accrued free rent, arguably that was an
12 inducement in order to give us enough time to lease our 400
13 Virginia Avenue. I don't know what the accountants and the
14 auditors of both here and away would say to spending that
15 amount. But that's certainly something that ought to be
16 considered.

17 Finally, spending the \$300,000 that we are going to
18 likely earn this year in interest and grants recovery will
19 further reduce the carryover amount that we will have next
20 year. Remember we went from \$1.7 million to \$700,000 in one
21 year. If you take the \$300,000 and the \$300,000, we're
22 likely to come through this coming year with \$100,000 and

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1 have no flexibility.

2 Committee and members of the Board, do you
3 understand the issues?

4 MS. WOLBECK: Mr. Dana, what is the \$450,000?

5 CHAIRMAN DANA: Up above?

6 MS. WOLBECK: Yes.

7 CHAIRMAN DANA: That is the carryover. In this
8 handout at the beginning of the day, it is really the
9 \$716,000 raised to \$750,000 because of additional interest
10 that we found in the last quarter, reduced by the \$300,000
11 for program development on page 1. So, to put it another
12 way, it's \$133,000 at the top of page 3 of 4 right here
13 (indicating). That's the money that we will have left over
14 from the M&A line as of the end of this month.

15 You see that \$133,726. We add that to the next
16 page, the \$283,111, which is the balance of the grant
17 recoveries in interest income. Then add about \$40,000 more
18 to that which David has told us about but which doesn't show
19 up here. That gets us up to the \$450,000 which will be,
20 really, our carryover without regard to the \$300,000.

21 MS. WOLBECK: And then the \$9 million, the '92
22 appropriation, what is that?

1 CHAIRMAN DANA: That is what Congress gave us last
2 year for this current year for the M&A line, exclusive of the
3 competition project and, I guess, the contingency line.

4 MR. RICHARDSON: That's correct.

5 CHAIRMAN DANA: That's \$100,000 we want to think
6 about. So, if Congress gives us just exactly what they gave
7 us last year, and that's the Senate proposal, we would get
8 \$9,774,000. If we got the House version, which is that plus
9 4 percent, the number is \$391,000 more than that. So you'd
10 have the last year's money plus the 4 percent that hopefully
11 the House will give us, \$391,000, plus the carryover of
12 \$450,000. It gets us to the \$10,615,000.

13 The \$300,000 timekeeping and the \$300,000 savings
14 from not having spent money that really the landlord is
15 advancing us on future year's rent, is \$600,000. It gets us
16 down to \$1,285,000. Then using the accrued free rent of
17 \$860,000, it gets us down to \$425,000.

18 Before we consider other options, including cutting
19 the budget, essentially that's the problem facing the
20 Corporation. One possible solution would be to quickly, or
21 as quickly as possible, lease out 400 Virginia Avenue and not
22 use that money for refurbishing around here. Put that into

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1 operations.

2 MR. UDDO: David, we don't have anything on '93
3 other than the attachment D that shows the management
4 administration figures, I mean, similar to what we've got for
5 '92 line items?

6 MR. RICHARDSON: No, sir, because we were only
7 working with the M&A budget at this particular meeting. The
8 budget that was passed last year, it's my understanding, and
9 I think Mr. Boehm had the figures, but the \$97,000
10 contingency that you had spoke of, that was collapsed into
11 the basic field programs. It was not left intact.

12 MR. UDDO: Wait, what was collapsed?

13 MR. RICHARDSON: The \$97,000 that was put in last
14 year's special contingency fund that we've drawn on through
15 the year.

16 MR. UDDO: So it doesn't exist anymore?

17 MR. RICHARDSON: It went to basic field programs.

18 CHAIRMAN DANA: Actually, that's half correct. In
19 the Senate bill it was collapsed.

20 MR. RICHARDSON: That's true.

21 CHAIRMAN DANA: In the House bill it still has
22 survived. It actually has gone from \$97,000 to \$100,880.

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1 MR. UDDO: Mr. Chairman, you're not anticipating a
2 vote on this today, are you?

3 CHAIRMAN DANA: I'm not. I think that essentially
4 we don't have a -- it's initially the Corporation's problem,
5 the management working with his team is going to have to come
6 up with a balanced budget or a budget that is imbalanced in
7 some sense. Then we, as a committee, will either buy into
8 the tradeoffs that they are recommending or not.

9 MR. UDDO: You're talking '93, right?

10 CHAIRMAN DANA: We're talking about October 1,
11 1992.

12 MR. UDDO: The next fiscal year?

13 CHAIRMAN DANA: Right. We're talking the fiscal
14 year that starts next month.

15 MR. UDDO: But it's the '93 fiscal year?

16 CHAIRMAN DANA: Correct.

17 MR. UDDO: Well, let me just make a couple of
18 comments on the things that you ran through here.
19 Reprogramming the timekeeping money is, as you know, I think,
20 a sensitive issue. I think it's been in there for a long
21 time. I think there's a sense among a lot of people to
22 resolve the timekeeping problem. I'm concerned that

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1 reprogramming the timekeeping money is more difficult than it
2 appears on the face.

3 The rest of the suggestions as to where the money
4 can come from I think are fine. I don't have any problem
5 with spending the accrued free rent. I don't know what else
6 you do with it. I mean, it's there. You don't have to spend
7 the money. It seems to me that it makes good sense to put it
8 into the budget.

9 But there's some other things that I think really
10 ought to be looked at before we have to vote on this. One
11 is, I really am interested in this report on the benefits. I
12 think that that should be looked at with an eye toward where
13 can some money be saved on that. Pushing 25 percent on
14 benefits is high, in my opinion.

15 From the way the benefits were described, I think
16 there's ways to save some money in that that might pick up
17 some of the funds here. My guess is not put the Corporation
18 out of line with certainly not the private sector as I
19 understand what the benefit packages look like these days. I
20 don't know what the federal government package looks like,
21 but it seems to me that there's got to be ways to pick up
22 some money there for '93 that would be useful.

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1 In terms of reprogramming, I'd rather see us look
2 at reprogramming money out of the national resource training
3 center, which is not extra money as I understand it, right,
4 it's in the budget. I would much prefer that we think about
5 looking at the that \$1.3 million which is a healthy figure.

6 As long as Chairman Wittgraf isn't here, I can get
7 away with saying this.

8 CHAIRMAN DANA: That's true.

9 MR. UDDO: When he comes it may be a different
10 story, but I think that there's something to be reprogrammed
11 out of that. In the interest of fair play, I'm prepared to
12 say the same thing about law school clinics and recruitment.
13 Even though my law school is not funded in that line now,
14 potentially it could be. But I still think that maybe we
15 went overboard a little bit on the figure that we've got
16 there for law school clinics and recruitment.

17 So, if I were going to talk about reprogramming,
18 those are two lines that I would look at that I think
19 probably have enough in them to help us out quite a bit. So,
20 I would just throw that out as suggestions when management is
21 going through their proposed budget.

22 I think those things should be looked at as

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1 potential sources of reprogramming funds, which I think, at
2 least in my opinion, may be easier to do than reprogramming
3 the timekeeping money which, as I say, is a hot issue because
4 I think a lot of people feel that's something that should
5 have been implemented a long time ago.

6 I see those three things, the benefit package,
7 resource training center, and law schools and recruitment, as
8 having the potential for covering a good chunk of this
9 shortfall.

10 MR. RICHARDSON: If I may, Mr. Dana, there's one
11 other or two other small areas that we did reprogram this
12 year. That is approximately \$100,000 into the national
13 support center and approximately \$40,000, if I recall, almost
14 \$50,000 in the state support center. Those contingencies
15 remain there.

16 MR. UDDO: How did we reprogram them?

17 MR. RICHARDSON: We moved them into the meritorious
18 and innovative grant program.

19 MR. UDDO: And they haven't been expended?

20 MR. RICHARDSON: I'm talking about next year the
21 same monies will be there.

22 MR. UDDO: So next year there will be \$150,000 that

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1 came out of those lines to go into meritorious grants?

2 MR. RICHARDSON: That's correct.

3 MR. UDDO: We've either got to keep them in
4 meritorious grants or put them back in those lines or do
5 something else with them?

6 MR. RICHARDSON: That's correct, sir. There's also
7 approximately \$60,000 in the basic field. That is a
8 contingency there.

9 MR. UDDO: Well, my principle is that I would
10 rather not take it out of basic field.

11 MR. RICHARDSON: I understand.

12 MR. UDDO: I understand what you're saying, but for
13 purposes for what it's worth for one committee member to give
14 you some of my thoughts for when you prepare this and bring
15 it back to the committee, I think there's other places that
16 we can make progress without having to take it out of basic
17 field.

18 I've enumerated three, and the ones that you've
19 just pointed out with national support and state support have
20 some potential, too. But I think we take it out of basic
21 field only as a last resort. I don't think we're at that
22 point yet.

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1 CHAIRMAN DANA: Well, I'm not sure we have quite
2 the flexibility that your suggestions imply because of
3 congressional oversight. I don't think we can take money
4 without their consent.

5 MR. UDDO: I understand that.

6 CHAIRMAN DANA: I'm assuming that --

7 MR. UDDO: You don't think they'll consent to the
8 national resource training center being reprogrammed? I'm
9 all in favor of having them tell us no.

10 CHAIRMAN DANA: Let me say my understanding is that
11 the Senate in its draft bill has wiped it out. So the Senate
12 has taken it all and given it to the field. The Senate has
13 taken the monies that we have -- has also flat-funded the
14 emergency monies that we had set aside in prior years, that
15 we've been using.

16 MR. UDDO: But they've already done that and come
17 up with \$9.7 million. In other words, when you use that
18 figure to start with, that's our starting point, not \$9.774
19 million. We're talking about where else from the budget that
20 we're familiar with we could get money from. So we know what
21 their dollars are. We're looking for other places to pull
22 it, right?

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1 CHAIRMAN DANA: Well, no. If we start with the
2 Senate bill, there is no money currently in the Senate bill
3 set aside for the national resource training center. They've
4 taken that money themselves and stuck it up into basic field.
5 The other area you suggested was law school clinics. They
6 haven't touched that and they --

7 MR. UDDO: Let me say this. When I say I don't
8 want to fool with basic field, I mean compared to what we did
9 last year not compared to what the Senate did because I
10 don't, frankly, know what the Senate did. But if the Senate
11 took \$1.3 million from the resource training center and gave
12 it to basic field, I'm not shy about taking some of that and
13 putting it into management and administration and asking the
14 Senate to concur with us.

15 I think that I personally would feel more
16 comfortable asking them to do that than to reprogram the
17 timekeeping money. One of the reasons I think that way is
18 because I still hold out hopes for reauthorization. I don't
19 want to make timekeeping a lightning rod in the
20 reauthorization debates.

21 CHAIRMAN DANA: Okay, I hear you. The concern that
22 is -- what the Senate has done, given the new census figures,

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1 by taking the national resource money and the emergency money
2 and a couple of other things, including the contingency
3 funds, they have taken the floor from \$4.82 up to \$8.00 by
4 getting us up to 77 or -- up towards equalization.

5 If you take that money away, then you have
6 caused -- at our last Board meeting, we were urging Congress
7 to get us up to 90 percent equalization. That's going to
8 require begging, borrowing and stealing nickels and dimes
9 from all over this budget in order to get the basic field up
10 to 90 percent.

11 MR. UDDO: Well, I'm not saying take it all away.
12 There's \$1.3 million in that national resource training
13 center line. I'd be willing to defend and to request that
14 \$300,000 of that go toward covering the shortfall rather than
15 the timekeeping money. If they want to leave the other
16 million in there, fine. Then, if they want to make up the
17 difference from law school clinics and recruitment, that's
18 fine with me, too.

19 So I'm not saying take it all out. I'm all for
20 keeping as much in basic field as we can to reach the
21 greatest level of equalization that we can. I'm just saying
22 that of the things you threw out as possible sources of

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1 covering the shortfall, I think that there's some other ones
2 we ought to look at.

3 I understand the Senate is not going to take \$1.3
4 million out of basic field and put it into management and
5 administration; I wouldn't want them to. But they might take
6 \$300,000 out rather than create the furor over the
7 timekeeping money that's been there fore timekeeping that we
8 haven't started yet.

9 As I'm saying, make it across the board. I'm also
10 talking about looking at the benefits package and arguing
11 against interest law school clinics because I'm one of the
12 folks that started the whole idea of funding law school
13 clinics through legal services for special projects. So, I'm
14 not treating that as a sacred cow because I've had a
15 traditional interest in it. I'm just throwing these out as
16 things to be looked at.

17 CHAIRMAN DANA: We are in need of suggestions like
18 that. If there's any members of the public, vast public out
19 there, that has any suggestions, we would be happy to hear
20 them. An alternative to all of that would be to go back to
21 Congress before the die is cast and seek a little bit more
22 money for M&A.

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1 But it's kind of hard politically, frankly, to deal
2 with what is going to be a significant overall increase in
3 the M&A line, given the fact that everybody else is having to
4 deal with little or no increase.

5 MR. UDDO: I agree.

6 CHAIRMAN DANA: So, I think we've got a genuinely
7 acute political problem which we'll have to deal with. Well,
8 we don't have to deal with it for awhile, but the longer we
9 wait into next fiscal year, the harder it's going to be to
10 balance the budget.

11 So that's the reason we're talking now and the
12 reason we have an audit and appropriations committee in
13 Minneapolis, in the hopes that management will come forth
14 with a plan. To the extent that there are political
15 decisions that appear to be thorny, like timekeeping, if you
16 want to defer those kinds of issues to us, we may just have
17 to bite some bullets that we don't want to bite.

18 If you give us options and give us priorities and
19 preferences, we'll muddle through. Any other comments from
20 members of the Board or the public?

21 (No response.)

22 CHAIRMAN DANA: Is there anything we can do to

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1 assist you, Mr. President?

2 MR. O'HARA: Sponsor a bake sale.

3 Just for a few minutes, if I might, some of the
4 suggestions here were good. We have been looking at a couple
5 of the things that Mr. Uddo mentioned. One of my concerns
6 has been what have we learned from the law school clinics,
7 what benefit have they been to the Legal Services program.

8 Ellen, can you tell me what stage we're at? We've
9 talked about getting an assessment of what help or what
10 assistance the law school clinics have been to the total
11 program because we don't monitor them as such.

12 MS. SMEAD: No. We don't monitor them as such,
13 although we have talked about implementing a monitoring
14 system. Most of the monitoring we do at this time, in fact
15 all of the monitoring we do at this time is by paper, getting
16 in paper reports.

17 MR. O'HARA: Strictly their reports.

18 MS. SMEAD: Right, their reports to us. We're in
19 the process now of analyzing the whole program itself and its
20 history from, I think, '75 forward to see what it is that
21 we've learned. Looking at the other law school clinic
22 program over at Department of Education, seeing how we

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1 compare to that and how we complement that or are we
2 duplicating that. So we're just in the process of gathering
3 data, to answer his question specifically.

4 MR. UDDO: Well, I can tell you what you're going
5 to find. You're going to find that it hasn't done much. The
6 reason is that I think that we ultimately took the wrong
7 course with it. You say '75. I don't remember what was in
8 existence --

9 MS. SMEAD: I'm sorry, '85.

10 MR. UDDO: '85, yes. Well, when it started in '85,
11 I think the thought was more to try to create law school
12 clinics where they didn't exist, particularly for law schools
13 in areas where we could really use some additional services.
14 It seemed like for maybe a year or two that happened I think
15 some clinics did get up and start it because of this. Then
16 it seemed that we sort of shifted to a policy of trying to
17 help give some additional funds or assistance to existing
18 clinics.

19 I think what you're going to find is that maybe we
20 got a little bit extra service here and there. But
21 basically, we tried to give too little to too many clinics so
22 that you would have clinics that would get a \$60,000 grant or

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1 a \$70,000 grant. By the time you pay the overhead to the
2 university and hire a full-time person for the project,
3 there's really not much there and you can't do much with it.

4 So I think you're going to probably find that the
5 project took on a direction that didn't really help as much
6 as we thought and maybe it needs to be rethought. If it is,
7 I think it should be rethought more in terms of fewer schools
8 getting larger amounts of money to help start clinics in
9 areas where we could use some additional services.

10 MS. SMEAD: Presently the limit is \$75,000. As you
11 said, that covers about one person plus their benefits.

12 MR. UDDO: And you don't get much done for that,
13 you really don't. A lot of clinics who have had them have
14 looked at them and said it's not worth it to us because if we
15 hire another person with the \$75,000 and we pay the overhead,
16 then we don't have anything for additional staff.

17 So we've got our secretaries being loaded up with
18 another group of students working under this new full-time
19 person. We can't pay for additional staff. What we're doing
20 is we're overloading our existing structure and not getting
21 much benefit out of it.

22 So I think that the \$75,000 limit was probably a

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1 mistake and probably we should have done it more in terms of,
2 as I say, trying to get more money as seed money to start
3 clinics.

4 MS. SMEAD: We'll be looking at that, too. Plus,
5 Department of Education uses a three-year grant cycle whereas
6 we use a one-year grant cycle.

7 MR. UDDO: Well, that's the other thing. You hire
8 a full-time person for one year, unless the school is in the
9 position to pick it up and fund it themselves, it's a
10 one-year thing and it's hard to find people to hire that they
11 know have no more of a commitment than one year.

12 MS. SMEAD: In the review process, there has been
13 emphasis to trying to help those that are starting up. Each
14 year we do look at trying to give money to start-up programs.
15 We also look at not continuing programs after so many years.
16 There's not a magic number, but if a particular clinic has
17 received money for three, four years, that's sort of a
18 negative against them.

19 MR. UDDO: I understand.

20 MS. SMEAD: The committee does, itself, look
21 towards trying to funnel the money to new projects.

22 MR. UDDO: Well, I understand. For the million

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1 dollars or whatever it is here, I'd rather fund four law
2 schools that don't have clinics or have very weak, limited
3 clinics and turn them into good functioning clinics and then
4 move on to some other schools.

5 We're getting way off the budget here, but the
6 point is I think that that whole thing needs to be restudied
7 anyway, and I think that gives you some flexibility in the
8 funding part.

9 CHAIRMAN DANA: I will say that I attended one of
10 Blakeley's committee meetings this year in which the issue of
11 the clinics came up. Charlie Moses turned into the most
12 zealous, excited, dynamic advocate for law schools clinics
13 that I have ever seen. I mean, it was a different person.

14 We were talking about Micronesia and he was sort of
15 like this (indicating). I said oh, hey. So we did look into
16 that this year. The impression was from all reports or the
17 one report we received, it was the single most exciting thing
18 that --

19 MR. UDDO: Charlie's tried to do a good job with
20 the constrictors that have been put on the project, but I
21 think if you talked to people in law schools and clinic
22 directors -- and I have, not the least of which is the clinic

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1 director at my law school.

2 The things I'm saying reflect what I think clinic
3 directors will tell you. They'd love to have some funding
4 and do some things and be of assistance to what we're trying
5 to do at LSC. But the way it's being done right now, I don't
6 think they feel that they are able to do very much.

7 CHAIRMAN DANA: I've heard some of those same
8 things.

9 MR. O'HARA: Well, we've looked at the law school
10 clinics with a view towards making better use of them in the
11 future.

12 One last comment, Mr. Chairman. The freeze budget
13 which you have before you is exactly what it says. It's
14 frozen, but it doesn't mean that it's in ironclad -- it's not
15 concrete. We will be working on it. I will be looking more
16 closely at requests for additional positions. We'll be
17 looking at what they say are the expenditures they want to
18 make for travel and other things. We'll be cutting it very
19 sharply.

20 CHAIRMAN DANA: Thank you. In some cases I would
21 be at all surprised if you would be adding to some
22 departments and cutting even more in others.

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1 MR. O'HARA: Well, I think what you're going to
2 find is we're going to find some people in the Corporation
3 are going to have two assignments instead of just one. We'll
4 be doubling up. The work will get done and everybody will
5 share in it.

6 CHAIRMAN DANA: Great. Comments? Anything else?

7 MR. UDDO: I look forward to Minneapolis.

8 CHAIRMAN DANA: So do I. Do I take that to be a
9 motion?

10 M O T I O N

11 MR. UDDO: That is a motion to adjourn.

12 CHAIRMAN DANA: Is there a second?

13 MS. WOLBECK: Second.

14 CHAIRMAN DANA: All those in favor say aye.

15 (A chorus of ayes.)

16 CHAIRMAN DANA: It's a vote. Thank you all for
17 coming.

18 (Whereupon, at 1:11 p.m., the meeting was
19 adjourned.)

20 * * * * *

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