

**LEGAL SERVICES CORPORATION**

**BOARD OF DIRECTORS  
OFFICE OF THE INSPECTOR GENERAL  
OVERSIGHT COMMITTEE MEETING**

**OPEN SESSION**

**Thursday, September 9, 1993**

**3:37 p.m.**

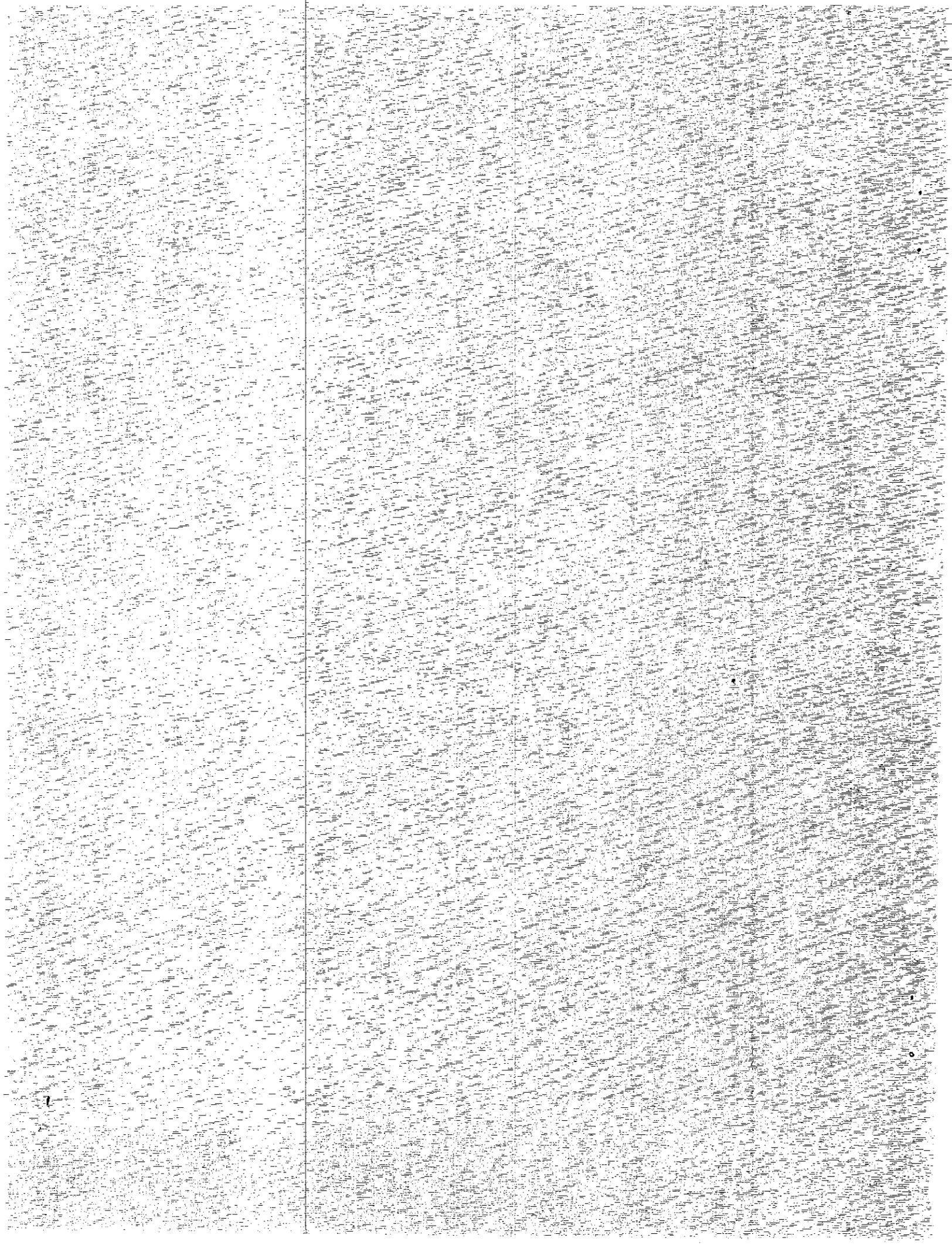
**The Hilton Plaza Inn  
The Regency West Ballroom  
One East 45th Street  
Kansas City, Missouri**

**Diversified Reporting Services, Inc.**

**918 16TH STREET, N.W. SUITE 803**

**WASHINGTON, D.C. 20006**

**(202) 296-2929**



LEGAL SERVICES CORPORATION

BOARD OF DIRECTORS  
PROVISION FOR THE DELIVERY  
OF LEGAL SERVICES COMMITTEE MEETING

OPEN SESSION

Thursday, September 9, 1993

2:25 p.m.

The Hilton Plaza Inn  
The Regency West Ballroom  
One East 45th Street  
Kansas City, Missouri

**Diversified Reporting Services, Inc.**

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Board Members Present:

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

Staff Present:

John P. O'Hara, President  
Emilia DiSanto, Vice President  
Patricia Batie, Secretary  
David Richardson, Comptroller & Treasurer  
Victor Fortuno, General Counsel  
Edouard Quatrevaux, Inspector General  
Renée Szybala  
Karen Voellm  
Robert Holliday

\* \* \* \* \*

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## C O N T E N T S

	PAGE
Approval of Agenda	4
Approval of Minutes of February 21, 1993 Meeting	4
Approval of Minutes of June 28, 19883 Meeting	5
Consideration of Inspector General's Value and Financially-Focused Report on the Office of the Inspector General's Activities for the Past 18-Month Period	6
Consideration of Other Business	48

MOTIONS: 4, 5, 5, 47

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

1  
2 CHAIRMAN KIRK: I call the meeting to order. Let's  
3 approve the agenda. Mr. Uddo is here. We now have all four  
4 members of the committee present. Ms. Pullen is absent.

5 I would like to entertain a motion to approve the  
6 very short agenda.

## M O T I O N

7  
8 MR. UDDO: So moved.

9 MS. WITTGRAF: Seconded.

10 CHAIRMAN KIRK: Motion by Mr. Uddo, seconded by Mr.  
11 Wittgraf. All in favor say aye.

12 (Chorus of ayes.)

13 CHAIRMAN KIRK: The motion passes.

14 Approve the minutes of the February 21, 1993. How  
15 did we miss doing this last time?

16 (No response.)

17 CHAIRMAN KIRK: I guess nobody knows.

18 MR. UDDO: February 21st?

19 CHAIRMAN KIRK: February 21st, 1993. We apparently  
20 have not approved those.

21 I will entertain a motion to approve the minutes of  
22 the February 21, 1993 meeting.

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## M O T I O N

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MR. HALL: So moved.

CHAIRMAN KIRK: Mr. Hall moves.

MR. UDDO: Let me just make sure I was there.  
Okay. I second it.

CHAIRMAN KIRK: Mr. Uddo seconds. Discussion?

(No response.)

CHAIRMAN KIRK: All in favor, say aye.

(Chorus of ayes.)

CHAIRMAN KIRK: It's passed. They are approved.

I will entertain a motion to approve the minutes of  
June 28, 1993. Mr. Hall, you were there, weren't you?

## M O T I O N

MR. HALL: Yes, sir. I so move.

CHAIRMAN KIRK: Mr. Wittgraf, do you second?

MR. WITTGRAF: Yes.

CHAIRMAN KIRK: It's been moved by Mr. Hall,  
seconded by Mr. Wittgraf, to approve the minutes of the June  
28, 1993 meeting. Discussion?

(No response.)

CHAIRMAN KIRK: All in favor?

(Chorus of ayes.)

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1 CHAIRMAN KIRK: Opposed?

2 (No response.)

3 CHAIRMAN KIRK: Approved.

4 Let's move to the only item in the open session,  
5 which is Consideration of the Inspector General's Value and  
6 Financially-Focused Report on the Office of Inspector  
7 General's Activity for the Past 18-Month Period.

8 That is an outstanding title. I think that was  
9 formed by the chairman of this committee. I think it just  
10 illustrates a real focused mind, to come up with that one.  
11 For those of you who didn't hear, I won't repeat what  
12 Chairman Wittgraf called it.

13 I think that, if you don't mind me having fun today  
14 it's probably the last meeting I'll be at, or there may be  
15 one more. But irreverence probably is the rule, and please  
16 don't think, anybody, you have to treat me with reverence  
17 today. Let's have a good one.

18 MR. HALL: Did you say something?

19 MR. WITTGRAF: I thought irreverence had always  
20 been your rule.

21 CHAIRMAN KIRK: It is. Mr. Wittgraf notes that  
22 irreverence has always been my rule.

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1           Mr. Quatrevaux, pursuant to my request, you have  
2 submitted what you call a Report of the Activities of the  
3 Office of Inspector General, October 1st to June 30th, 1993,  
4 which, in fact, includes the 21 months that you have held  
5 this office; is that correct?

6           MR. QUATREVAUX: That is correct, Mr. Chairman.

7           CHAIRMAN KIRK: You have titled it "Report of the  
8 Activities of the Office of Inspector General," as opposed to  
9 the financially-focused report. Do you consider it to be  
10 that financially-focused report?

11          MR. QUATREVAUX: To the extent that that is  
12 applicable to our responsibilities, yes, Mr. Chairman.

13          CHAIRMAN KIRK: I note that, in one of the  
14 footnotes, there was a question of whether we really should  
15 use a financial yardstick in measuring what gets done. And  
16 there was some issue taken with that.

17          Would you like to address that initially?

18          MR. QUATREVAUX: Well, just to say that the  
19 expectation of the work that we do is that it will produce  
20 savings through deterrence, through cost avoidances, through  
21 improved effectiveness. However, many or much of those kind  
22 of savings are not easily isolated, not easily measurable,

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1 and especially not in the short term.

2 Two examples come to mind immediately:

3 Some members of this board were the subject of  
4 allegations. That became public. We conducted an  
5 investigation. The allegations were determined to be  
6 unfounded, and the situation was ended, without any kind of  
7 external intervention.

8 Another case just this week, the Corporation gave  
9 us numbers that indicated that they have removed over 500  
10 copies of unauthorized software from the Corporation's  
11 computers. In the process, they eliminated exposure to  
12 liability. How substantial, I don't know.

13 So those are just two examples.

14 CHAIRMAN KIRK: I have some thoughts overall, but  
15 before I express mine let me ask you if you have a  
16 recommendation of how you think we should review this report  
17 and cover it, and would you like to have additional help  
18 sitting at the table with you as we cover it?

19 MR. QUATREVAUX: Well, I think we've done as you  
20 requested. We provided the report. We're here. And the  
21 reason the three staff members from OIG are behind me is they  
22 are here to answer your questions, because these are the

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1 people responsible for the different areas. But whatever you  
2 think, Mr. Chairman.

3 CHAIRMAN KIRK: Do you have a recommendation as to  
4 how we should go through it?

5 MR. QUATREVAUX: No, I do not.

6 CHAIRMAN KIRK: I'm going to take a moment to just  
7 make some overall comments. And maybe, as we go through it,  
8 I'll point these out.

9 Initially, I would like to comment on something  
10 that appeared in a newsletter that sort of indicated, I don't  
11 know, a dissension between you and me. And I would like to  
12 just put on the record what I feel is the relationship that I  
13 have with the inspector general.

14 I sat on the committee that recommended that he be  
15 hired. I have enjoyed my working relationship with him. It  
16 has always been one of a free flow of ideas, never short of  
17 criticism, never a meeting that I didn't comment, "Here is  
18 something that I think needs to be done better." And the  
19 inspector general has accepted the criticism in one of the  
20 most refreshing ways I can imagine. And we have always held  
21 that.

22 There is very little that has taken place privately

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1 that has not been repeated publicly, because I think that all  
2 these items ought to be done in open forum.

3 Likewise, I had told Inspector Quatrevaux that I  
4 was going to ask for this, because I think these are  
5 questions that have been asked by people; they are legitimate  
6 questions. And it's a whole lot better that I be the one  
7 that asks him to bring them out and that we face them and we  
8 cover them as they are.

9 I know that I'm maybe sitting as the boss now, and  
10 you don't feel like commenting. But the day I go out of  
11 office, feel free to say what you want, or say whatever you  
12 want at any time. But I do think that it's been a unique  
13 relationship, and certainly not one without some criticism  
14 from me, and from you toward the board and my committee, too.

15 Fair enough?

16 MR. QUATREVAUX: Very fair, Mr. Chairman.

17 CHAIRMAN KIRK: Overall, I believe that the report  
18 indicates, one, an outstanding job of writing and  
19 preparation. And, too, I think that if I were you, and  
20 sitting in your position, I would have to say, "Gee, there's  
21 been a lot of planning and we've got a lot of things on the  
22 edge, but I don't have much to show in black and white."

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1 I mean, there is a lot in planning -- in  
2 finalization. I shouldn't say that. I think this really is  
3 the feeling that a lot of board members have felt like they  
4 want to see more things finalized, more reports, more in-  
5 depth reports than what we've gotten.

6 I've expressed to you in the past that I thought  
7 some of the reports were not as deep as they could have been.  
8 And I would like to see more of those.

9 Hopefully, asking you to do this has forced your  
10 office to actually look back on itself, much as you would be  
11 looking at the Corporation, and saying, "What kind of job is  
12 MAC doing; what kind of job is whoever doing?" And I think  
13 if you've done this, you've seen, gee, we've started a lot.  
14 Maybe you shouldn't start any more, one.

15 Number two, I would like to see some dates. You  
16 know: "We're planning this; here's a timetable; here's a  
17 schedule in which we think these things would be completed,"  
18 and be able to show the final results and the final reports.

19 Those are my overall observations. And, before we  
20 go through perhaps, section by section, let me offer other  
21 members of the committee or members of the board the  
22 opportunity to make similar statements, or different

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1 statements. Mr. Chairman?

2 MR. WITTGRAF: Thank you, Mr. Kirk. Just a couple  
3 of comments. I agree with what Chairman Kirk has been  
4 saying, and I guess I am particularly concerned that dollars  
5 are going to continue to be tough to come by for the  
6 Corporation and perhaps even tougher for the management and  
7 administration part of the Corporation than will be true for  
8 basic field services.

9 The budget or the spending in management and  
10 administration for the IG function has increased, now,  
11 substantially, over the three fiscal years 1991, 1992, and  
12 1993, understandably, because it was starting from virtually  
13 nothing.

14 I understand the general comment in the footnote on  
15 Page 26 to the effect that -- and I'll quote the one  
16 sentence: "Like any office of LSC, the aim of the OIG is to  
17 do its job, not to make a profit." I understand that, and  
18 that applies to almost all federally-funded entities,  
19 including the Corporation, including IGs generally.

20 But I think what Mr. Kirk and I perhaps would be  
21 saying, and others on the board, is that, with the office up  
22 and running and with a new board coming in and with times

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1 being tough financially, it is going to be crucial to show,  
2 be it by investigation load, be it by audit reviews, whatever  
3 the function happens to be -- internal audits -- that it is  
4 going to be necessary to math up those activities with dollar  
5 amounts and to justify the activities of the Office of  
6 Inspector General -- and I could make these same general  
7 comments for the rest of the Corporation's operations as well  
8 and would, if that was the subject on the table -- to show a  
9 new Board why \$1 million, \$1.5 million, \$2 million --  
10 whatever it happens to be -- is needed.

11 We have had an ongoing debate about whether or not  
12 there ought to be a separate line item for OIG or whether it  
13 should be part, broadly, of M&A. That debate probably will  
14 continue. But either way, it is still something that is  
15 going to be reviewed monthly or bimonthly or quarterly by the  
16 board.

17 I think, if I understand Mr. Kirk correctly, he is  
18 trying to be constructive. I would like to think I'm trying  
19 to be constructive, that while we're not expecting a profit,  
20 we're not expecting to say we've recovered X number of  
21 dollars here for the Corporation, and spent X or Y dollars in  
22 doing it, it is still necessary to relate functions to

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1 dollars and to say, "This is what we need for auditing; this  
2 is what we need for investigation; this is what we need for  
3 the other functions," and, in turn, to be able to say what  
4 those functions have accomplished.

5 I have the impression -- and I went through the  
6 report just flying this morning and then may not have done it  
7 justice, yet -- that generally, the level of activity of the  
8 Office of Inspector General has become fairly stable.

9 Now, some things are being finished; other things  
10 are being done. But particularly, as we talk about the  
11 investigation and audit functions, I have the impression --  
12 and certainly correct me if my impression is wrong in your  
13 opinion -- that a level of stability has been attained and,  
14 hopefully, that makes it easier, then, to say we need X  
15 number of dollars to do these jobs.

16 But I would just finish by saying I would like to  
17 think that the comments we're making are constructive, and  
18 hopefully, will make it easier for the IG function to be  
19 accomplished in the future and under the view of the new  
20 board and, while the nominees -- assuming the 11 nominees are  
21 confirmed by the Senate -- appear to be a very knowledgeable  
22 and very capable group of individuals, they probably, most of

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1 them, are going to come to the IG function with pretty  
2 limited knowledge of that function in the federal government  
3 or in government generally, just as we did.

4 The better prepared you and your staff are to  
5 explain what you are doing and why, and why it costs so many  
6 dollars is just to be able to allow yourself or the office to  
7 keep functioning as it is now.

8 Thank you, Mr. Chairman.

9 CHAIRMAN KIRK: Thank you. Any other comments?

10 (No response.)

11 CHAIRMAN KIRK: Mr. Chairman, do you want to  
12 respond, or go right into it?

13 MR. QUATREVAUX: No, I think I will say this.  
14 There is a level of stability that has been reached or is  
15 being approached. Some of the final issues that face us,  
16 serious issues, are nearing, I think, resolution.

17 I think some of the things that we have, if you  
18 will, in the hangar, will be rolling out in the not-too-  
19 distant future. We look forward to the AICPA decision on the  
20 referral we made to them. We think that will perhaps help us  
21 in ensuring effective audits.

22 I want to point out to you, if you didn't detect

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1 it, and I don't want to get ahead of myself, that we have a  
2 rather phenomenal rate of success in referrals for criminal  
3 prosecution.

4 We've referred 11 cases. Four of those resulted in  
5 convictions. Another two are being tried now. Four more are  
6 under consideration. Only one was declined. That is quite a  
7 level of success. And, at the same time as the results of  
8 that work become public knowledge, I think it will have  
9 beneficial effects, as well.

10 So there are a lot of things that are almost there.  
11 Thank you.

12 CHAIRMAN KIRK: How does that compare to what  
13 happened before you got in there?

14 MR. QUATREVAUX: Well, I'm obviously not an  
15 authority on what transpired before. My understanding -- do  
16 you mean before there was an OIG?

17 CHAIRMAN KIRK: No, before you took office or  
18 before -- I don't care. However you want to do it.

19 MR. QUATREVAUX: My understanding is -- and perhaps  
20 representatives of the Corporation could speak better to it  
21 -- my understanding is that the cognizant U.S. Attorney's  
22 Office was simply notified by letter that a loss had occurred

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1 and the circumstances surrounding it. That's my  
2 understanding.

3 CHAIRMAN KIRK: I guess the thing I would want to  
4 know -- and I don't want to take the time now -- is, does the  
5 inspector general's involvement make a difference, you know?  
6 Before there was an inspector general or maybe with the  
7 previous one, which would be about the same, were the letters  
8 going out?

9 MR. QUATREVAUX: I don't think there's any question  
10 of that. Yes. It has made a significant, substantial,  
11 undeniable difference.

12 CHAIRMAN KIRK: All right. The first issue,  
13 substantive issue, in your report is establishing the Office  
14 of Inspector General, which involved personnel.

15 My comments are that generally I've been impressed  
16 with your personnel, although I was a little skeptical at  
17 first. It looked like everybody was a Secret Service agent.  
18 But the people I've dealt with and the reports I've read have  
19 been good.

20 The internal procedures and policies I can't  
21 comment on, but the integration into LSC, I still have some  
22 problems about how it's been done. I'm not going to point

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1 the finger at LSC or management.

2 But there still seems to be some discord and some  
3 concerns, and I would strongly suggest that you continue to  
4 make every effort to continue the integration, to give a good  
5 feeling to the people that are working at LSC -- it's a tough  
6 time for them, anyway -- and continue to work with management  
7 to whatever extent you can. And I give the same charge to  
8 the president on that.

9 Any other comments on Sections 3 and 4? Anybody  
10 strongly disagree with my observations?

11 (No response.)

12 CHAIRMAN KIRK: The issue of the distribution of  
13 the OIG policies and procedures for inclusion in the  
14 Corporation's manual, has that been solved?

15 MR. QUATREVAUX: Not quite yet.

16 MS. SZYBALA: I'm Renée Szybala. I'm counsel to  
17 the OIG. We did get from management their response. We're  
18 back on track. They've made comments on our proposal. The  
19 ball is now in our court, and we haven't gotten back to them  
20 on our response to their comments.

21 CHAIRMAN KIRK: That is going to be in the manual;  
22 is that correct?

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1 MS. SZYBALA: They're working on it, and that's the  
2 goal. That's the plan.

3 CHAIRMAN KIRK: I'm over into the central mission  
4 activities, involving fraud prevention. I take it that the  
5 inspector general is not yet into the auditing function  
6 sufficiently to show a significant increase in fraud  
7 detection. Is that right? Most of these are reported from  
8 the outside?

9 MR. QUATREVAUX: I think the best way to say is  
10 that we're not really sure what the situation is, if you're  
11 referring to the annual audits of grant recipients.

12 CHAIRMAN KIRK: I'm talking about fraud prevention.  
13 And you've mentioned that you've had certain items that  
14 you've gotten through criminal investigations and pushed to  
15 final prosecution.

16 I presume that most of those have come from the  
17 outside as opposed to things that you've come upon?

18 MR. QUATREVAUX: You're talking about the source of  
19 the information?

20 CHAIRMAN KIRK: Right.

21 MR. QUATREVAUX: Yes. Yes. Almost all of them  
22 were reported.

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1           CHAIRMAN KIRK: Do you think that the changes that  
2 you are going to make in the auditing procedures are going to  
3 root out and detect more such fraud?

4           MR. QUATREVAUX: If it is there, yes.

5           CHAIRMAN KIRK: Are you surprised so far at what  
6 appears to be, at least to me, a relatively small number of  
7 defalcations resulting in possible criminal action,  
8 considering the hundreds of millions of dollars that are  
9 being spent through all these different programs in the  
10 country?

11          MR. QUATREVAUX: Pleasantly surprised. The problem  
12 is we have a very limited experience thus far. Fiscal year  
13 1992, as you know, we had two relatively large losses.  
14 Fortunately, thus far, in fiscal year 1993, we have not.

15          So assuming we close September without learning  
16 anything new, the reported losses for this year will be less  
17 than last year. That's a long way of answering your  
18 question, yes.

19          CHAIRMAN KIRK: Let me have one follow-up. If in  
20 fact this trend seems to be accurate after you've instituted  
21 your new procedures and what have you, is it likely that  
22 there would be a savings of money?

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1           You can say, "Gee, this doesn't seem to be an area  
2 that presents itself as a need for all these fraud  
3 investigations," or what have you, and a possible savings in  
4 the future?

5           MR. QUATREVAUX: That's quite possible. That's  
6 only one of our functions, however, as you know, and that's  
7 only one kind of investigation.

8           We also do administrative investigations. We also  
9 accept employee complaints, which sometimes can lead in to  
10 that sort of work and sometimes are nothing more than  
11 functioning as an employee ombudsman.

12           I think that what you will also see, as we  
13 transition from primary emphasis on very basic and  
14 fundamental functions performed in our audit work and move  
15 toward having more of our work in the performance area,  
16 performance audits, that is the area that offers the greatest  
17 potential for significant dollar savings, significant  
18 improvements to effectiveness.

19           That is very similar, I started to say, to the  
20 National Performance Review, but, in fact, the Texas audits  
21 on which the National Performance Review was based, it's  
22 bottom-line sort of analysis. Why are we doing this? Does

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1 it work? Are there other ways to do it?

2 So what it is, in essence, is a continuous check on  
3 the status quo, a questioning of the status quo, which I  
4 think is healthy in any large organization, over time,  
5 especially in a government program.

6 CHAIRMAN KIRK: I guess one of the things, were I  
7 to remain on this committee very long -- on this board very  
8 long -- I would hope that, you know, if we come up and we  
9 say, "Hey, we've really got a pretty good set of field  
10 offices, you know, as far as problem with fraud and what have  
11 you; maybe we can save some money because we're exceptional."

12 I mean, I would be pounding on you for ways to save  
13 money in your operation.

14 MR. QUATREVAUX: I would just suggest to you that  
15 my operation is the means for the board to achieve savings,  
16 that we can function as the analytical arm, as the agent of  
17 the board, in bringing to light ways to save money --

18 CHAIRMAN KIRK: Good.

19 MR. QUATREVAUX: -- including our own operation,  
20 certainly.

21 CHAIRMAN KIRK: Okay. Because we have not seen  
22 that yet, and that's what we're hoping to see. But, you

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1 know, I don't think it goes that you can say that the more  
2 you spend on the inspector general, the more money you're  
3 going to save throughout the Corporation. I think there's a  
4 limit to it.

5 And I think that, just as you sit as a watchdog on  
6 this Corporation, this board needs to sit as a watchdog on  
7 you, because you don't have anybody looking over you. You  
8 and I have talked about this.

9 Mr. Wittgraf.

10 MR. WITTGRAF: Thank you, Mr. Chairman. You  
11 touched on a couple of things, Mr. Quatrevaux, that I wanted  
12 to comment on. I will just comment on one for the moment.

13 I'm just as lame a duck as Mr. Kirk so, again,  
14 anything that I am saying right now is more probably in the  
15 form of advice than admonition.

16 But I guess I'm still not convinced in my mind, as  
17 one incumbent board member, about the performance review and  
18 performance audit function of the inspector general, at least  
19 for the Legal Services Corporation, with the existence of the  
20 Division of Monitoring, Audit, and Compliance.

21 Now, if we didn't have MAC, then I guess I would be  
22 hearing you more clearly. But, because we have MAC and have

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1 had MAC for quite a while, and I would like to think,  
2 particularly under the leadership of President O'Hara with  
3 this staff the last couple of years, MAC has been functioning  
4 the best in a decade or more, I'm not sure I see the  
5 performance audit function.

6 If we're talking about really what are we spending  
7 this money for in the first place, which was, I think, more  
8 or less the way you summarized it a minute ago -- I don't see  
9 that as an OIG function of the office in the Legal Services  
10 Corporation.

11 Now, maybe other members on another board will see  
12 it differently. But when you talk about the need to expand  
13 into performance audits, I don't see that.

14 You and I probably disagree about that, although I  
15 think, because this board and you have had a number of  
16 discussions along that line, I think my feeling may be  
17 representative of the thinking of a majority of the members  
18 of this board, for what that is worth.

19 Am I misinterpreting your comments about  
20 performance audit?

21 MR. QUATREVAUX: It's just that performance audits  
22 are one of two categories of audits, according to the

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1 Comptroller General's standards. The financial-related ones,  
2 you are, I think, more familiar with.

3 But a performance audit, which has also, in the  
4 past, been called "management audit" and some other terms,  
5 essentially attempts to determine whether -- in the federal  
6 government -- whether the purposes for which the legislature  
7 created a program -- whether the purposes and objectives are  
8 being met, the degree to which they are being met, to  
9 identify obstacles or impairments to doing it better or to  
10 doing it cheaper, to determine whether management has  
11 considered alternative approaches for accomplishing those  
12 objectives -- very fundamental sort of questions that  
13 typically don't get asked in government.

14 So I suppose it's very difficult to give you an  
15 argument that will convince you, in the absence of some  
16 actual products.

17 MR. WITTGRAF: Perhaps there is a distinction that  
18 you are looking at performance in a macro sense and our  
19 Division of Monitoring, Audit, and Compliance, as it exists,  
20 is looking at performance in a micro sense, and perhaps that  
21 is a way to distinguish the two.

22 But I get uneasy, as one board member, whenever we

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1 get into the performance audit area, because I don't think we  
2 have a consensus or even maybe an agreement between this  
3 board and this inspector general as to what that means and  
4 what is to be done.

5 We have attempted, going back particularly to last  
6 February, to try to develop -- for your benefit, for the  
7 benefit of President O'Hara and his staff, particularly the  
8 MAC part of his staff -- guidelines or a statement of  
9 principle as to how the two work together.

10 But I don't find the analogy to Vice President Gore  
11 commission to be meaningful in this instance. In fact, I  
12 guess I would hope that if we had the designer bug spray, is  
13 it, or the \$50 ashtrays, or whatever things the Vice  
14 President has pointed out in recent days, that either you or  
15 MAC, someone in MAC, would have pointed that out up to now.

16 But I don't believe that we have designer ashtrays  
17 in any form, either in the Corporation or in its grantees at  
18 this point in time. And I don't think you are aware of  
19 anything -- and again correct me if I'm wrong -- that would  
20 lead you to say today, on September 9, 1993, that we have  
21 that kind of waste, either in the Corporation or among its  
22 grantees. Do you think so?

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1 MR. QUATREVAUX: I don't know, Mr. Wittgraf. I'll  
2 say that some of the examples that the Vice President uses to  
3 publicize the program are in one area of work that the  
4 National Performance Review was engaged in, looking more at  
5 management systems in government and the problems associated  
6 with that.

7 The Texas review was conducted by 100 auditors  
8 pulled together for that purpose by, I believe, the  
9 comptroller of the state of Texas. But what they did was a  
10 performance audit, exactly what they did. They said, "Why do  
11 we have to have license plates on the front of cars as well  
12 as the back of cars," because it costs an extra dollar to do  
13 that. They got the answer.

14 MR. WITTGRAF: In the past 21 months, have any of  
15 those questions come to your mind? And when I say "your," I  
16 mean collectively, you and your staff. Have you come up with  
17 any of those questions -- why do we have X or Y or Z?

18 MR. QUATREVAUX: The purpose of conducting those  
19 sorts of audits is to pose the questions. It not necessary,  
20 I guess, to have predication. We systematically move through  
21 -- based on some assessment of risk and our resources --  
22 systematically move through the functions performed by the

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1 Corporation.

2 I think the distinction you made earlier, that our  
3 work is more macro in nature as opposed to MAC's, is quite  
4 correct, and eventually, some day, the LSC/OIG will do a  
5 program results audit of the delivery of legal services,  
6 which is the whole shooting match. We're certainly not  
7 prepared to do that now. We don't know enough to do that  
8 now.

9 MR. WITTGRAF: I guess, thinking of some of the  
10 congressional initiatives of the last six or eight years  
11 which have focused on the terms "waste," "fraud," and  
12 "abuse," I've not found. And perhaps Mr. Shumway, as  
13 somebody who had some of those concerns as a Member of  
14 Congress, can speak to it more meaningfully than I can.

15 But I have not seen or heard reported many examples  
16 of waste, many examples of fraud, or many examples of abuse.  
17 And I'm not sure what "abuse" is, really. That sort of an  
18 elastic or catch-all term, I guess.

19 But I join with Mr. Kirk when he says that he has  
20 been pleasantly surprised, as I have, that there has been  
21 little evidence of fraud, theft, defalcation, whatever you  
22 want to call it. You left it open-ended by saying "not that

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1 we're aware of."

2 But I guess I'd like to say, rather than that,  
3 meaning that the glass is maybe half empty that, rather, it  
4 means it half full and that that is a positive indication,  
5 rather than leaving it open-ended and saying, "Well, maybe it  
6 still negative and we just don't know."

7 Similarly, as regards waste, a point we have to  
8 make to Congress and, I think, a point that is founded in  
9 fact, is that legal services grantees, by and large, have had  
10 to an awful lot more belt-tightening for many more years --  
11 essentially the decade of the 1980s and now most of the years  
12 of the early 1990s -- and are having to retighten their belts  
13 because of the decreases, in particular, in IOLTA funds, that  
14 I just don't see much -- I'm not aware of any examples,  
15 offhand -- of waste.

16 And that why I asked you, and I didn't mean it as a  
17 predicate particularly, but I just asked if, over the course  
18 of 21 months, you've happened to encounter any examples of  
19 waste. So I'm pleasantly surprised, from my experience over  
20 three-and-a-half, going on four years, that I haven't seen  
21 many indications of waste, of fraud, or of abuse.

22 That doesn't mean there shouldn't be an IG, but it

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1 still leaves me somewhat skeptical as to how much more needs  
2 to be done beyond what the IG is doing now and beyond what  
3 MAC is doing now, because it costs money to do all those  
4 things, money that maybe ought to be put into direct delivery  
5 of services rather than into more investigation and auditing,  
6 whatever the form of auditing -- financial or performance.

7 I'll stop there, Mr. Chairman. Thank you.

8 CHAIRMAN KIRK: Mr. Quatrevaux?

9 MR. QUATREVAUX: Let me just say that one of our  
10 problems in the IG business is that the fraud, waste, and  
11 abuse component of our work was oversold in the 1980s -- and  
12 sold very well. We have an equal responsibility to promote  
13 economy, efficiency, and effectiveness.

14 What that means is doing management analyses of the  
15 operations of the Corporation and evaluations of the  
16 effectiveness of the programs that it runs.

17 MR. WITGRAF: Just one comment, Mr. Chairman,  
18 thank you.

19 I'd like to think that the belt-tightening enforced  
20 both upon the Corporation corporately, the management and  
21 administration, and enforced upon the grantees because of the  
22 cuts in IOLTA funding combined with just inflationary and

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1 poverty-increased pressures, that those are probably the best  
2 ways, or that reduction in funds as balanced against need is  
3 probably the best way of causing people to be more efficient  
4 and effective and economical than any number of audits or  
5 reviews, be they internal by the IG, internal by MAC,  
6 external by the auditors who perform the annual audits on the  
7 local corporate grantees.

8 I think that does the trick better than anything  
9 else, and I think we have witnessed that for our own M&A  
10 budget, and the efforts that Mr. O'Hara and the staff have  
11 had to make in light of the very limited funds we've had in  
12 fiscal year 1993 compared with the immediate prior fiscal  
13 years. That has done the job, I think, better than any  
14 number of audits or reviews.

15 Thank you, Mr. Chairman.

16 CHAIRMAN KIRK: I agree exactly with that. But the  
17 charge I leave you with is, when the budget goes up to \$500  
18 million and you have a 50 percent increase, you better watch  
19 out, because those are invitations for waste. That is  
20 precisely it.

21 I think right now we all have a fairly good feeling  
22 about what is going on. I would be really concerned with a

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1 big increase, because I think it just very difficult to  
2 absorb that effectively.

3 Other comments I have on the macro or micro, I  
4 believe that there has been a lot of resistance to MAC doing  
5 the kind of review that says, "Are they really getting the  
6 job done that ought to be gotten done?"

7 I think that, unfortunately, because of a lot of  
8 resistance from the field, that MAC has been checking mostly  
9 compliance and, whether they are following certain rules, not  
10 to say that there isn't the other type, but I think that the  
11 resistance has been such that perhaps it has been stifled  
12 somewhat.

13 I would welcome some day, you know, are we dealing  
14 with what the overall purpose is? Is there a better way to  
15 get this done? And I suspect that the recommendations would  
16 be useful for everybody in the field to look at. But I don't  
17 think that we can have a set of rules that every field office  
18 has to operate exactly the same way, and that a concern about  
19 it, and I think that I agree with the field with that  
20 concern. But I think that we would all welcome that.

21 I think that your audit of MAC really is going to  
22 produce a lot of things that are probably redundant. You

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1 know, MAC has had to live its life and create this new set of  
2 rules and then back off and constantly, I think, underfunded  
3 and I think that, done properly, a lot of good can come out  
4 of that.

5 There may be a lot of changes recommended, but I  
6 don't think they will be necessarily negative. It just been  
7 a very difficult task that they have had to go through the  
8 last ten years.

9 MR. QUATREVAUX: Those types of analyses tend to  
10 produce recommendations that go in both directions,  
11 absolutely.

12 CHAIRMAN KIRK: Mr. President.

13 MR. O'HARA: Thank you, Mr. Chairman. As somebody  
14 that is under the microscope by Ed and by the board and by  
15 the field and by my employees in the Corporation, I feel I  
16 can --

17 CHAIRMAN KIRK: By the inspector general.

18 MR. O'HARA: I mentioned Ed, the inspector general.  
19 And I welcome that kind of oversight. I think it important.  
20 I think it keeps all of us on our toes. And, like a  
21 prizefighter, you're only good when you're on your toes.  
22 Once you're on your heels, you're ready to be flattened and,

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1 having done a little bit of that, I know a little bit about  
2 getting flattened.

3 But I want to talk just for a few minutes about the  
4 review of MAC. And I think it important that the record  
5 reflect these kind of things. I will have been here two  
6 years next week. For several months prior to that, I was  
7 working with former President David Martin, with both MAC and  
8 with the Office of Field Services, getting those two offices  
9 to do things a little differently.

10 I've had a lot of exposure to the field, to the  
11 executive directors, to their staffs, to the people at PAAG,  
12 to the people at NLADA, at CLASP, and everybody that I could  
13 talk to. And I think, in the last two years, MAC is  
14 something that now does not resemble what it was two years  
15 ago. It doesn't resemble what it was three years ago.

16 MAC is constantly changing. Each time they go in  
17 the field, the teams come up and they report in, they get a  
18 debriefing, they get also letters from the executive  
19 directors which come in, which Susan reads and passes on to  
20 me and, if there are criticisms of the way the teams are  
21 operating, we move to change the way things are being done.  
22 We look to the field to help us change these things as we go

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1 along.

2 When I first came, I think we were on an 18- to 24-  
3 month cycle. We've changed that now. We're not looking at  
4 every program to be evaluated over a set period of months.  
5 We're not looking at sending in the same size teams as we  
6 sent before.

7 We're trying to put our effort where it can be more  
8 helpful to the field, so that a program that continually  
9 runs, like a very well-oiled machine, that is not monitored,  
10 say, on a 24-month cycle. It might be 36 months; it could  
11 even be 42 months.

12 A program that needs help not because there is  
13 anything wrong but merely because they may be overwhelmed by  
14 the paperwork that they have, and we may -- our monitors who  
15 are out there may -- have observed another program doing  
16 something in a different way, will sit down with the  
17 executive director and his staff and fill them in on the way  
18 to do things.

19 That being done on a regular basis. We have the  
20 letters -- I read them all the time -- that come in and talk  
21 about the difference now and the difference three years ago.  
22 I think that, when Ed gets out there with his group that are

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1 doing this, if they look at this the way I hope they will, at  
2 the way the program is operating now, they are going to see a  
3 world of difference.

4 I think that the feelings of the field are that  
5 we're not out there to hang anybody. That not our job. Our  
6 job is to make sure that we're getting the most return for  
7 every dollar that the Congress gives us to invest in our  
8 clients out there.

9 That is what MAC is doing at this time. If that  
10 review comes up with suggestions and recommendations on ways  
11 to improve things, I'll be the first one to get up and  
12 genuflect and say "Thank you," because we can use the help.  
13 We know that.

14 We have 323 programs, 286 of which are functioning  
15 every day. I don't know how many staff we have left now. I  
16 think we're down close to 20 employees over what we were two  
17 years ago. We're smaller, and we're leaner. But we're not  
18 mean.

19 There been some comment about being lean and mean.  
20 And I know what lean and mean means. It doesn't mean that  
21 you're mean; it just means that you're becoming more  
22 efficient. And I think we are becoming that way.

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1           So I want to assure the board that, when the group  
2 gets out there and finishes their work, if they have  
3 recommendations, we'll pick up on the recommendations. But I  
4 think they are going to find that they are doing a pretty  
5 good job in MAC with the limited resources we have, and we're  
6 going to continue to work that way. And I'm very amenable to  
7 anybody looking over my shoulder.

8           CHAIRMAN KIRK: Okay, I want to move to -- oh, Mr.  
9 Hall.

10          MR. HALL: Care for another quick comment?

11          CHAIRMAN KIRK: Sure.

12          MR. HALL: I think, as it been said here so many  
13 times, that with the reduction in funds everybody has become  
14 a mini-IG themselves. They have had to, to get by. And so  
15 it hard for us to understand why so much money would be spent  
16 to look at us once again, when we know, at least I feel, with  
17 someone like Mr. O'Hara at the helm, that we're as efficient  
18 as we can be.

19                I don't believe that Ed really feels that perhaps  
20 he going to find anything of major importance or difference  
21 there. But, in his defense, Congress wants him to do that.

22                I think it a waste of money, and I think there been

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1 some general feeling that maybe IGs were a waste of money,  
2 especially in an agency or a quasi-agency that has become as  
3 efficient as we have. But that his job, and it not up to us  
4 to say whether he does it or whether he doesn't do it. I  
5 think he has to do it.

6 I don't think he going to find any way to save any  
7 money with this Corporation, or that many improvements at MAC  
8 that going to match what he going to have to spend to come to  
9 that conclusion. But I think he got to go through those  
10 steps, because I think that his job and Congress says we got  
11 to have him.

12 So I think he -- I guess when you have a tight  
13 budget, perhaps you might go on to other things. But I could  
14 certainly see a criticism of the IG who didn't look at the  
15 agency that he is supposed to be a part of.

16 So I don't know. I think it a difficult position  
17 for him. I can see why he perhaps must spend that money. I  
18 really feel that he feels he not going to find that much  
19 here, but that he has little choice. But I won't speak for  
20 your feelings, Ed. That just my comment.

21 MR. QUATREVAUX: If I may, Mr. Chairman, just say  
22 that we go into all of these things with a completely

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1 objective view. We may not be able to save any significant  
2 amount of money. That possible.

3 MR. HALL: I don't think you will with Jack and the  
4 way he run the Corporation.

5 MR. QUATREVAUX: That possible.

6 MR. HALL: It not your job to find it. It probably  
7 your job to give oversight to it and to be positive, and if  
8 that what Congress wants you to do and spend money to do it -  
9 -

10 MR. QUATREVAUX: Sometimes -- and I don't want to  
11 belabor it -- sometimes an outsider perspective can yield  
12 insights that escape the people who work with these things on  
13 a daily basis. I think we should just wait. I can't say  
14 anything beyond that.

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

16 CHAIRMAN KIRK: Anything else?

17 (No response.)

18 CHAIRMAN KIRK: Hearing nothing, I'm going to move  
19 on to audits. And Karen Voellm, are you the proper person  
20 for me to direct my audit inquiries to?

21 MR. QUATREVAUX: Yes.

22 CHAIRMAN KIRK: Karen, pages 17 through 24 talk

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1 about the auditing function. There a lot of promise in  
2 there. I see a lot of things planned, a lot of things under  
3 way.

4 If I may, as my last function as chairman of the  
5 Inspector General Oversight Committee, I would ask you to  
6 have ready for the next board deadlines and dates that these  
7 things are going to be done, and that you live with them  
8 better than the President Health Care Plan that was due out  
9 in May.

10 I mean, really take the dates, make them real,  
11 and, you know, maybe you get that funny feeling in your  
12 stomach like, "Oh, God, I don't know if I can make it or  
13 not." But sometimes you get the most efficient work that  
14 way.

15 I tell you this because I want you to start off  
16 right with the new board. I want there to be something to  
17 show. And there are all these plans underway, and I think  
18 they are going to be demanding, saying, "What are you doing;  
19 what can I see?" And I think that a schedule of what we are  
20 going to have when is going to look really good.

21 Am I wrong? Do you disagree with me?

22 MS. VOELLM: No, you're quite right, and I really

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1 appreciate your comment. I have --

2 CHAIRMAN KIRK: You need to speak up.

3 MS. VOELLM: I have been putting together the time  
4 schedules and things. And it is a lot of work, and --

5 CHAIRMAN KIRK: Well, we got 21 months behind us,  
6 and I would think, within the next six to eight months, most  
7 of these things ought to have conclusion dates and reports  
8 coming in and saying, "Here what we've got," because, at that  
9 point, then you need to be evaluated, and we need to see what  
10 has been done, is it worth it.

11 And I tell you what. If you folks find a way that  
12 you can say, "Wait a minute; we've done this audit; we've  
13 looked at this, hey, here a way that we can save you money,  
14 we don't need to do this again," or "This one won't have to  
15 be done again for ten years" or, you know, "We can keep up  
16 with this by a \$200-a-year investment," or what have you, you  
17 need to look at that.

18 Because I promise you, people are going to be  
19 hounding you for these things. And I think that some  
20 criticism is probably due that there is too much in the  
21 planning, and a few less things planned and maybe a few more  
22 conclusions would have been more persuasive at this point.

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1 MS. VOELLM: I appreciate your comments.

2 CHAIRMAN KIRK: Other comments on auditing? Mr.  
3 Quatrevaux.

4 MR. QUATREVAUX: I sure don't want to open that one  
5 up, Mr. Chairman, I really don't. But I do feel compelled to  
6 say that the audit methodology that we are required to follow  
7 is ponderously slow.

8 Shortly after I took this job, I informed you that  
9 the GAO had initiated an audit of the implementation of the  
10 IG Act at the designated federal entities. Twenty-one months  
11 later, we were promised a draft report this fall.

12 So I think all I want to say there is that it is  
13 slow. It is slow. And I agree, and appreciate your  
14 comments.

15 CHAIRMAN KIRK: Be different. Don't make it slow.  
16 I mean, let the other DFEs look at you and say, "My God, how  
17 do they do this so fast?" I mean, I believe stuff can be  
18 shortened up. I really do. And I just want to encourage you  
19 to do that. I really do.

20 Mr. Chairman, you had some other comments?

21 MR. WITTGRAF: I had a question for Mr. Quatrevaux,  
22 Ms. Voellm and Mr. Holliday, any or all.

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1           Looking particularly at what you've learned from  
2 the investigative work and from the audit work, are you to  
3 the point yet or is the Corporation to the point yet where  
4 any preventative activities in the form of training can be  
5 done?

6           Now, MAC, with its review teams, includes people  
7 with certain types of expertise. And that a form of  
8 training, certainly. And Mr. Quatrevaux has spent time  
9 meeting with project directors in different states and  
10 different regions of the country.

11           But I'm just wondering, as we look at prevention of  
12 waste, fraud, or abuse -- or efficiency, economy,  
13 effectiveness -- can we, through the audit and investigative  
14 functions, what we have learned from them in how to guide  
15 people, either into using them or into avoiding being the  
16 subjects of them -- adverse subjects of them -- is there  
17 something we can do to work with the grantees and their  
18 staffs that is a function of the OIG?

19           Maybe that not a function of the OIG, but I can't  
20 help but think that potentially it is.

21           MR. QUATREVAUX: I certainly think that a benefit  
22 that we can provide. I think we attempted -- we started to

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1 do that in a small way last year with the first OIG update,  
2 where we published the losses and the types of losses, and  
3 reviewed a few of the indicators that were present but not  
4 noticed prior to some of these events. We plan on doing more  
5 of those. I certainly agree with you.

6 MR. WITTGRAF: Is that something that IGs do?

7 MR. QUATREVAUX: Yes.

8 MR. WITTGRAF: At other DFEs or --

9 MR. QUATREVAUX: That, I can't say. What I should  
10 say is that is something that IGs should do. Whether or not  
11 they do it, I can't really say.

12 MR. WITTGRAF: Part of being an IG is trying to,  
13 himself or herself even to define what he or she is to do, I  
14 suppose, just as the board is trying to understand what the  
15 IG is doing or might be doing.

16 You're not aware of people doing preventative  
17 training at other DFEs?

18 MR. QUATREVAUX: I can't say that I am.

19 MR. WITTGRAF: Maybe that not a function. It just  
20 seems to me that if you've learned something from the  
21 investigations --

22 MR. QUATREVAUX: Certainly.

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1 MR. WITTGRAF: -- you've learned something from the  
2 audits, you try to share what you've learned with the people  
3 both at management and, more particularly, at all the grant  
4 recipients, you share that with them so they can learn  
5 from it.

6 MR. QUATREVAUX: You're right. The objective of  
7 the OIG, the reason we're here is to try to produce, help  
8 produce, through our work, the most effective organization,  
9 the least costly organization, and to also assure that it is  
10 free of fraud.

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

12 CHAIRMAN KIRK: Were I going to be around a while,  
13 I would be probably recommending that you folks go into  
14 timekeeping just the way that I think the field offices need  
15 to do timekeeping.

16 I think that, at the end of the year, I would like  
17 to see, here is how much it cost to do the investigation into  
18 faxing and all that. And I think we would be shocked. I'll  
19 bet it expensive as heck.

20 MR. QUATREVAUX: You're right. And we do in fact  
21 have a partly developed system at the moment. We have  
22 someone working feverishly to develop exactly what you say.

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1           CHAIRMAN KIRK: I think that would be great. And I  
2 think that when I said how much did it cost per conviction, I  
3 think I would be shocked. I think I would just say, "How  
4 could this cost so much?" And you would have to come up and  
5 say, "Okay, but here what else we did," and all that.

6           But I think -- I mean, having done that in my own  
7 law firm, I want to tell you, it a great way of evaluating  
8 yourself and saying, "My gosh, was it worth it to do that?"  
9 And whoever is in charge of this investigation of Federal  
10 Express, you know, it, "Next time, how could you have done it  
11 more cheaply?"

12           This is the value of timekeeping. This is the  
13 value of cost accounting, and this is what I wish that we  
14 could impose upon the field, as well, because I think the  
15 self-monitoring is far greater than any outside criticism  
16 that you can get.

17           Other comments on the auditing function?

18           (No response.)

19           CHAIRMAN KIRK: Mr. President, anything?

20           (No response.)

21           CHAIRMAN KIRK: Those are the major areas that I  
22 wanted to comment on. There is a final portion of it talking

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1 about other missions, which I have no comment on. Does  
2 anyone else have a comment on it?

3 (No response.)

4 CHAIRMAN KIRK: Anything else that we have to bring  
5 before the inspector general in open session?

6 (No response.)

7 CHAIRMAN KIRK: Hearing none, I will entertain a  
8 motion that we adjourn the open session and move into closed  
9 session.

10 M O T I O N

11 MR. HALL: So moved.

12 MR. UDDO: Second.

13 CHAIRMAN KIRK: Mr. Hall moved, Mr. Uddo seconded.

14 All in favor?

15 (Chorus of ayes.)

16 CHAIRMAN KIRK: Opposed?

17 (No response.)

18 CHAIRMAN KIRK: This session is now adjourned. We  
19 will move into closed session.

20 (Whereupon, at 4:35 p.m., the meeting was adjourned  
21 to executive session.)

22 \* \* \* \* \*

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(5:24 p.m.)

1  
2 CHAIRMAN KIRK: We are now in open session. Any  
3 further business to come before this august body?

4 (No response.)

5 CHAIRMAN KIRK: Hearing none, I'm going to dispense  
6 with the vote and just declare it adjourned.

7 (Whereupon, at 5:25 p.m., the open session of the  
8 Office of the Inspector General Oversight Committee was  
9 adjourned.)

10 \* \* \* \* \*

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