

LEGAL SERVICES CORPORATION
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

August 28, 1987

Commenced at 9:10 a.m.

Seattle Sheraton Hotel and Towers
Metropolitan Ballroom
1400 6th Avenue
Seattle, Washington

Present:

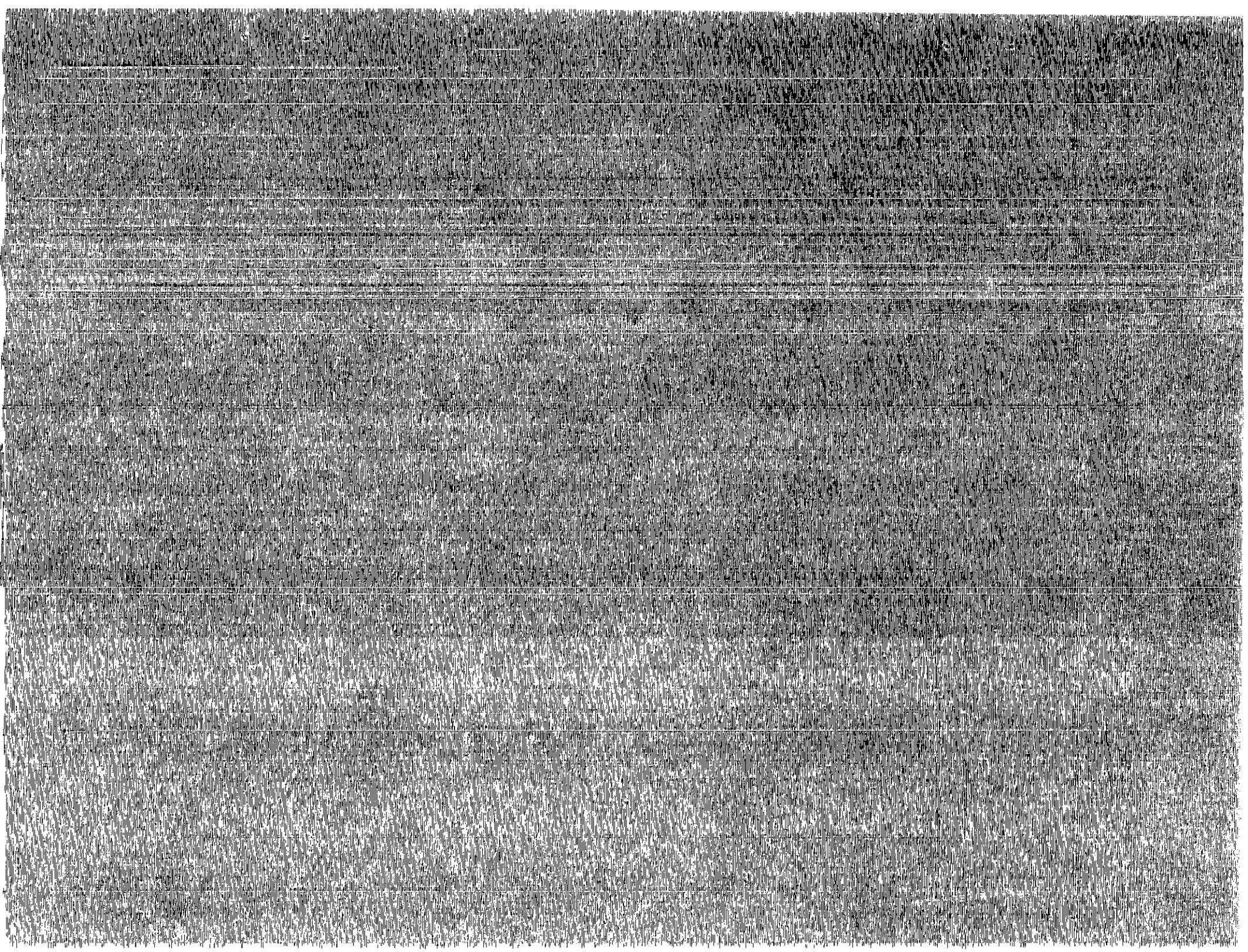
Pepe Mendez, Chairman
LeaAnne Bernstein
Lorain Miller
Basile Uddo

Hortencia Benavidez
Paul Eaglin
Claude Swafford
Mike Wallace

John Bayly, President

Diversified Reporting Services, Inc.

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WASHINGTON, D.C. 20005
(202) 628-2121



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P R O C E E D I N G S

1
2 CHAIRMAN MENDEZ: I call the Audit and Appropriations
3 Committee to order. Welcome to the public and friends. This is
4 a late morning start for us. For the record, we have Paul
5 Eaglin, Hortencia Benavidez, LeaAnne Bernstein and myself for
6 the committee and we have a quorum. Lorain Miller is also here.

7 At this time, I would ask for an adoption of the
8 agenda.

MOTION

9
10 MS. BENAVIDEZ: I move we adopt the agenda.

11 MS. BERNSTEIN: Second.

12 CHAIRMAN MENDEZ: Is there any discussion?

13 (No response.)

14 CHAIRMAN MENDEZ: None appearing, the agenda will be
15 adopted.

16 The next matter on the agenda is the approval of the
17 minutes from the meeting of June 26, 1987. Could I have a
18 motion to approve the minutes?

MOTION

19
20 MR. EAGLIN: So moved.

21 MS. BENAVIDEZ: Second.

22 MR. BAYLY: May I interrupt, Mr. Chairman?

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1 CHAIRMAN MENDEZ: We have some corrections. It has
2 been moved and seconded. I also have some corrections. Please,
3 John, you first.

4 MR. BAYLY: I would like to request that the figure on
5 page three in line 8 be changed from 62 percent to 54.2 percent.

6 CHAIRMAN MENDEZ: Is there any objection?

7 MS. BERNSTEIN: What was the basis -- how did it get
8 in? Did somebody just misspeak or --

9 MR. BAYLY: I do not know now whether I misstated it
10 at the time the report was made or whether it was transcribed or
11 recorded incorrectly.

12 CHAIRMAN MENDEZ: I have several changes. I someone
13 going to be making corrections to these minutes? All right, why
14 don't you just come up here and sit here so we can have this
15 dialogue and I know who I am talking to.

16 Page 2, third line down, at the end of that line it
17 just says that the motion was seconded, but it was -- then we
18 need to add the following: It was approved by unanimous
19 consent.

20 On the same page, third paragraph, second to the last
21 line, the sentence starting, "There being no further additions
22 or corrections, the minutes were approved as corrected." Delete

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1 "Chairman Mendez moved to approve" and interlineate "Were
2 approved after minutes."

3 Are there any other corrections?

4 (No response)

5 CHAIRMAN MENDEZ: None appearing, all in favor of the
6 minutes as corrected?

7 (Chorus of ayes.)

8 CHAIRMAN MENDEZ: I have two matters that I want to
9 bring to Mr. Bayly's attention with regard to the -- that are
10 not specifically here, but I want to bring them to your
11 attention anyway, John.

12 I have been very concerned over the last several years
13 about making sure that we have accurate and good balance in
14 determining what the balance of local boards are. Therefore, I
15 would request that this year you ask all members of local boards
16 to provide us with their political affiliations.

17 Also, I want to know, and I have stated this
18 previously, the number of years that members serve on the boards
19 and if there are terms involved and if there are some sort of--
20 I would like to see that sort of question put on the -- in the
21 grant conditions, finding out those things and how they end
22 terms and that sort of thing.

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1 Now, the next matter on the agenda is the review of
2 the budgets for FY 87/FY 88. At this time, Mr. Richardson,
3 would you please come forward? Have you distributed these
4 letters?

5 MR. RICHARDSON: Yes, sir, I have.

6 CHAIRMAN MENDEZ: Have you distributed them also to
7 the audience?

8 MR. RICHARDSON: Yes, sir.

9 CHAIRMAN MENDEZ: If there is anybody who does not
10 have a copy who wants one, please see Mr. Richardson afterwards.

11 There is a three-page document with the top page from
12 Peat Marwick. We are going to discuss that first. Now, I think
13 the best way for us to through this is not look so much at Peat
14 Marwick because that is the resolution of the matter.

15 The problems are generated or set forth on pages two
16 and three, the ones that are captioned roman numerals one, two
17 and three. Now, Mr. Richardson, would you please tell us what-
18 - just summarize what these mean and translate it from
19 accountants jargon to suitable language?

20 PRESENTATION OF DAVID RICHARDSON

21 MR. RICHARDSON: Due to recent reviews I have
22 conducted on the financial statements, I was able to determine

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1 that the FY 86 carryover had an amount of \$134,995, not enough
2 to be allocated to the FY 87 operating budget.

3 I contacted our local staff auditors and we went
4 through the measures. It was a matter of a reclassification of
5 a journal entry that was improperly handled. Therefore, we
6 concluded from his letter that that amount of money should be a
7 part of the consolidated operating budget of 1986 as the 1986
8 carryover figures.

9 CHAIRMAN MENDEZ: Why were these misallocated in the
10 first instance?

11 MR. RICHARDSON: Originally, the January 29th board
12 book --

13 CHAIRMAN MENDEZ: Of which year?

14 MR. RICHARDSON: Of this year, 1987, the figures were
15 included in carryover. My understanding at that board meeting
16 is there was a letter passed out and some corrections to the
17 consolidated operating budget. Those corrections were in error.

18 CHAIRMAN MENDEZ: Is it fair to state that part of the
19 reason they were in error is previously -- that the errors arise
20 out of not grant funds, but those funds that were carried on a
21 month to month basis?

22 MR. RICHARDSON: That is correct, short term funds.

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1 CHAIRMAN MENDEZ: The short term funding, and short
2 term funding is not carried from one year to the next that short
3 term funding is actually done on a fiscal year basis?

4 MR. RICHARDSON: That is basically correct. When we
5 look at a grantee, we are looking at a calendar year. When we
6 look at a month to month grantee, we are looking at those
7 expenses on a fiscal year basis.

8 CHAIRMAN MENDEZ: Let's take one, roman numeral one.
9 In order for us to correct what we should probably do -- would
10 it be fair to state that your suggestion is to -- that we have
11 gotten enough refunds from corporate grantees that can use those
12 funds to replace and correct the error from FY 86?

13 MR. RICHARDSON: That is correct.

14 CHAIRMAN MENDEZ: With regard to roman numeral two,
15 would it be fair to state so that we do not harm anyone, that it
16 would be best to take it from management administration?

17 MR. RICHARDSON: That is correct.

18 CHAIRMAN MENDEZ: With regard to, and correct me, with
19 regard to roman numeral three, use the funding base from 87
20 versus 86?

21 MR. RICHARDSON: That is correct, sir.

22 CHAIRMAN MENDEZ: Is there any discussion?

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1 MS. BERGMARK: I have one question, if you do not
2 mind?

3 CHAIRMAN MENDEZ: Sure.

4 MS. BERGMARK: On roman numeral one, the last
5 paragraph of the explanation says, "With the funds that have
6 been returned and the amounts to be returned -- " Is that for
7 recoveries in 1987?

8 CHAIRMAN MENDEZ: No, FY 86.

9 MS. BERGMARK: It will be covered out of '86 money?

10 CHAIRMAN MENDEZ: That is correct.

11 Martha, as long as you are here, do you have any
12 questions on any of the other stuff?

13 MS. BERGMARK: No, sir.

14 CHAIRMAN MENDEZ: Just one brief note, there is a four
15 hundred dollar -- we overpaid Clearinghouse four hundred dollars
16 and we are going to be sending them a note on that. We will
17 just deduct the four hundred from that, from that they -- they
18 will have a complete explanation on that.

19 If there is no other discussions, I have three
20 separate motions that I am going to make. I can make them
21 together or separately. I think it will be better if we do them
22 separately, handle each one of these problems.

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MOTION

1
2 With regard to roman numeral one, I move that refunds
3 from the corporate grantees from FY 86 be used to replace the
4 misallocated funds. Do I have a second?

5 MS. BENAVIDEZ: Second.

6 CHAIRMAN MENDEZ: Do we have any discussion?

7 (No response.)

8 CHAIRMAN MENDEZ: None appearing, all in favor?

9 (Chorus of ayes.)

10 CHAIRMAN MENDEZ: Opposed?

11 (No response.)

MOTION

12
13 CHAIRMAN MENDEZ: With regard to roman numeral two, I
14 move that \$34,825 be reallocated from FY 86, management and
15 administration carryover to supplemental field programs to
16 correct the misallocation of supplemental field funds.

17 MS. BERNSTEIN: Second.

18 CHAIRMAN MENDEZ: Any discussion?

19 (No response.)

20 CHAIRMAN MENDEZ: None appearing, all in favor?

21 (Chorus of ayes.)

22 CHAIRMAN MENDEZ: Opposed?

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1 (No response.)

2 MOTION

3 CHAIRMAN MENDEZ: With regard to roman numeral three,
4 I move to allocate \$68,922 in the national support category from
5 FY 87 funding base to correct the misallocated funds from FY 86
6 in the same line.

7 MS. BERNSTEIN: Second.

8 CHAIRMAN MENDEZ: Any discussion?

9 (No response.)

10 CHAIRMAN MENDEZ: None appearing, all in favor say
11 aye.

12 (Chorus of ayes.)

13 CHAIRMAN MENDEZ: Opposed?

14 (No response.)

15 CHAIRMAN MENDEZ: Now, turning to the board book, the
16 section called Budget, the August 18th memorandum. I have a few
17 questions, but I will defer to everyone else or should I start
18 out with my questions?

19 MS. BERNSTEIN: Charge ahead.

20 CHAIRMAN MENDEZ: Okay. With regard to page 14 and it
21 will also be page 15. Under "program development" I still see
22 we have an unincumbered remaining balance of two million some

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1 odd dollars. Would you tell me what the status of that is and
2 why it shows that it is unincumbered?

3 MR. RICHARDSON: The program development area is for
4 the law school clinics. Contracts are being set out or have
5 been sent out for a million dollars of this money.

6 There is \$400,000 remaining in our private attorney
7 involvement programs. There is also \$300,000 for additional
8 voucher projects that contracts are still being negotiated with.

9 CHAIRMAN MENDEZ: Well, then those are really not
10 unincumbered balances?

11 MR. RICHARDSON: At this point, the contracts are not
12 signed.

13 CHAIRMAN MENDEZ: Now hold it.

14 MS. BERNSTEIN: We are back to the same discussion we
15 have had here about four hundred times. It is committed.

16 CHAIRMAN MENDEZ: It is committed. I want you to take
17 these things. These are shown -- you do not have them as
18 discretionary commitments or commitments -- let me see here.

19 MS. BERNSTEIN: The board has committed them. We have
20 committed ourselves to these programs. We set aside that pot of
21 money for this program. The fact that the contract, the actual
22 procedures of fairly allocating the money through a competitive

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1 or grant process in some way, and reviewing applications, has to
2 take place after the board sets aside a pot of money.

3 We still have committed to the project. It is not
4 unincumbered.

5 MR. RICHARDSON: It is not part of your expense lines
6 yet until contracts are entered into. The contracts are not
7 signed until October, then they do become part of your committed
8 '87 carryover and a part of your '88 --

9 CHAIRMAN MENDEZ: No, you misapprehend. The board has
10 committed them. The board has committed them. We have been
11 through this only fifteen million times. I want those things,
12 when the board has committed, to go into the committed line.

13 They are to go into the line that says discretionary
14 commitments, number four. There is a mandatory commitment which
15 is the one where there is an actual signing. Discretionary
16 commitment is the one where the board has committed.

17 You can change that from discretionary. I do not care
18 what you call it, but you put those things under -- in order to
19 correct those things I want a line in here or a column in here
20 that says "board committed funds."

21 From now on, I do not want to see a remaining
22 unincumbered balance where -- there is nothing in there where

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1 the board has been. If there is no money that the board has
2 committed in there, that is where the unincumbered balance goes.
3 I do not want to see -- Do you understand, John?

4 I have been through this every two months since I have
5 been here.

6 MS. BERNSTEIN: I guess part of the problem -- see, it
7 puts the board in the situation of, as far as what is presented
8 here, as looking like there are funds that have not been dealt
9 with when we have, in fact, dealt with them. They simply have
10 not been processed.

11 Maybe it is a matter of developing another category.
12 If you want another column that is fine, too. I do not know
13 what you -- where you definitions for mandatory commitments and
14 discretionary commitments come from, but if what we are talking
15 about does not make you feel comfortable in terms of what those
16 definitions are, then maybe all you need to do is set out
17 another column or asterisk.

18 What is presented to the board should be something
19 that we can see what we have voted on as far as a project, those
20 funds have been taken care of?

21 CHAIRMAN MENDEZ: What do you define as the difference
22 between mandatory and discretionary commitments?

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1 MR. RICHARDSON: Those are 1986 funds, those are
2 carryover figures from last year.

3 CHAIRMAN MENDEZ: What is the difference between
4 mandatory and discretionary? I don't care what they are from
5 last year. I want to know what you define the difference as.

6 MR. RICHARDSON: Mandatory commitments are, for
7 instance, your month to month funding. We are going to fund
8 those programs through board designation.

9 When you look at your discretionary funds, that is
10 money that was not allocated to grantees, interest funds,
11 refunds from grantees that have built up over the years. Those
12 funds are at the discretion -- are discretionary to the board to
13 act upon as they see fit.

14 CHAIRMAN MENDEZ: Now, put those -- let's go through
15 this and make sure that we are all on the same wave length. We
16 have a FY 87 funding base. I think we all understand that. We
17 understand program adjustments. We understand mandatory
18 commitments. We see the operating budget.

19 Now, what do you say distribution of unallocated
20 reserve means?

21 MR. RICHARDSON: That is a shift of funds that the
22 board had designated. They were unallocated from national

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1 administration and then they were moved into the program
2 development line.

3 What I can do to help alleviate the problem is -- the
4 first seven lines are how we build out budget. Line 8, I can
5 put expenses to date that we have paid or we have encumbered.

6 CHAIRMAN MENDEZ: Let me ask one question. Martha,
7 what columns would you like to see? Would you like to see all
8 of those columns?

9 MS. BERGMARK: Well, we are delighted to see that Mr.
10 Richardson is supporting the position that we have taken for
11 several years on this very issue that the matter of the
12 incumbrance is one that is defined in accounting terms --

13 CHAIRMAN MENDEZ: He happens to be wrong.

14 MS. BERGMARK: Well, you certainly add a column that
15 reflects that board action has been taken with respect to
16 certain allocations of money.

17 It is not encumbered and it is not committed from an
18 accounting standpoint, as I understand Richard to be saying.
19 That is -- we have said that over the years to you. But, I
20 understand what you are saying. You could do that with one
21 column, it occurs to me, that would indicate exactly what the
22 board is saying, that the board has set aside certain pots of

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1 money to do certain things with.

2 In the case of the voucher projects, we would submit
3 that it is now one month from the end of the fiscal year. We
4 have heard, since March, this column, column six, the \$300,000
5 distribution of unallocated reserve -- that is the money that
6 went in January from program development to unallocated reserves
7 and then went back to program development in March.

8 We were told at that time that contracts would be let
9 before the end of the fiscal year, but there is no indication,
10 that we have heard, that that actually will be accomplished.

11 So, that is a very tenuous commitment for encumbrance
12 at best. You could certainly put a column there that reflected
13 that.

14 CHAIRMAN MENDEZ: Put a column that says "tenuous"?

15 MS. BERGMARK: Very tenuous, right.

16 MS. BERNSTEIN: I don't think -- I think, Martha, and
17 I understand where PAG is coming from on this because you would
18 like us to not be able to carry out projects as we go through--

19 MS. BERGMARK: We would like for you to allocate money
20 for the delivery of legal services to poor people.

21 MS. BERNSTEIN: Well, I think that is exactly what are
22 involved in, too, here. In order to carry out any sort of a

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1 project in which there truly is an open, competitive process and
2 an objective review, we have to do that thoroughly. That may
3 not take place the day we make the vote on committing those
4 funds to a project.

5 I understand where Mr. Richardson is coming from, too,
6 from an accounting standpoint, and I realize that your budget
7 has to look in certain ways based on strictly accounting
8 definitions, but this is after all, the board's budget.

9 As far as a document for us to know what we are
10 working with and what we have done, I think that the additional
11 column or asterisks or whatever is exactly what the board has
12 dealt with. You are new and this is simply a matter of trying
13 to keep everything straight.

14 There is no use, really, to go through this discussion
15 and allow for the kind of misleading rhetoric each time about
16 what the board has and has not done.

17 MS. BERGMARK: I think in the program development
18 line, I did look back to '83. I had to go back for five years to
19 determine what amounts of money have remained in that category
20 from year to year.

21 It has exceeded a million dollars each year since
22 1983. We anticipate carryover in that line item of about a

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1 million dollars. In essence, our point simply would be that
2 that is a million dollars that has not been spent for those five
3 years in a row for direct service delivery.

4 We would once again urge you, at this late date in the
5 fiscal year that you have the opportunity to allocate these
6 funds for service delivery.

7 MS. BERNSTEIN: The funds have been committed to
8 service delivery. We simply intend to do it in a nonarbitrary,
9 noncapricious manner and thoroughly review what we are doing.

10 Because of the nature of program development with
11 there being innovations and trying to strive for increased
12 delivery and new areas of delivery, new ways of doing it, it has
13 to be done on a reasonably deliberative mode of operation.

14 It is not a simply matter of looking up on a chart to
15 see who have the money last year.

16 MS. BERGMARK: Although it could be done out of '88
17 funds out of this point. There will be '88 money beginning a
18 month from now. That money -- the only incumbered amounts are
19 the \$300,000 for voucher projects. That is in your budget for
20 '88 and could be spent out of '88 funds.

21 Our point is that there is no reason and no good
22 rationale for holding this money over from year, to year, to

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1 year, and not expending it for service delivery.

2 MS. BERNSTEIN: We have heard that point before.

3 CHAIRMAN MENDEZ: Is there any other discussion along
4 any other lines?

5 MR. EAGLIN: Does the result of all of this mean that
6 the entire amount there in nine should be moved over? Is there
7 any amount that should actually be in number nine? Is there
8 any sum of money that should remain there, taking into account
9 what we said?

10 MR. RICHARDSON: There is approximately \$50,000, at
11 this point, that is an allocated.

12 MS. BERGMARK: I would like to know where that comes
13 from. I have heard a million dollars more -- law school
14 clinics, I think that is a million one. I have heard \$400,000
15 for private attorney involvement. I have heard \$300,000 dollars
16 for voucher projects. That still leaves about \$300,000.

17 MR. RICHARDSON: I do not have the exact figures, but
18 I can relay them to you.

19 MR. EAGLIN: Will we get a correction, then, on this
20 sheet, Pepe?

21 CHAIRMAN MENDEZ: It is not a correction. I will tell
22 you what I want to have. Monday I want you to send to Martha

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1 and to us a statement as to how that breaks out and what the
2 dates of the actions of the board's -- what dates the board took
3 those actions and how much we allocated on those actions.

4 That should take care of our problem.

5 MR. RICHARDSON: In the future, would you like the
6 added column there for designated funds?

7 CHAIRMAN MENDEZ: Yes. I want to have board
8 designated funds and I want to have the dates we did it and how
9 much we allocated.

10 You can do a footnote. I do not care how you do it,
11 but I want to have a page in here someplace that says that. I
12 do not want to have remaining unencumbered balance there except
13 for an unencumbered balance when the board has not taken any
14 action. That is what unencumbered balance means.

15 MR. EAGLIN: Pepe, to avoid what happened here with
16 Mr. Richardson coming on as a new person and not understanding
17 the definition that had been given by the board, would you want
18 that then to be carried over from statement to statement, where
19 the --

20 CHAIRMAN MENDEZ: I want it every time. I want it
21 every single time. I want it every time.

22 MR. EAGLIN: So, new persons succeeding him will

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1 understand that the definition is and we will not have this.

2 CHAIRMAN MENDEZ: Yes.

3 Are there any other questions? I have one other
4 comment to make. Page 21.

5 MS. BERGMARK: Mr. Mendez, it seems to me at the last
6 meeting it was very helpful when we went down through the
7 different categories. We certainly have questions under
8 corporation management, administration. We project a carryover
9 there of about a million dollars as well and would like to here
10 staff's presentation on that, if possible.

11 CHAIRMAN MENDEZ: Okay. Let me go to one of my pets
12 first.

13 Attachment F, page 21. Can you tell me why in the
14 world you carried those decimal places out to ten places?

15 MR. RICHARDSON: Accuracy.

16 CHAIRMAN WALLACE: That is not important in anything
17 but baseball. (laughter)

18 CHAIRMAN MENDEZ: I think two places is fine.

19 MR. WALLACE: Can I ask Martha a question on
20 management? I realize it is your position that we are going to
21 have a million dollars in carry over in management
22 administration. That may or may not be right. We will see when

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1 management? I realize it is your position that we are going to
2 have a million dollars in carry over in management
3 administration. That may or may not be right. We will see when
4 we get there.

5 Is it PAG's position that this corporation can operate
6 next year with the \$7 million from management administration that
7 we have in the House bill right now or would you agree with us
8 that whatever the right number is, that is not it?

9 MS. BERGMARK: PAG's position is we have an 88 mark of
10 our own, as you know, of \$391 million, which includes a
11 management administration figure well in excess of \$7.4 million.

12 Our position is that money that should not come from
13 the field, that the field should not be penalized to the tune of
14 \$4.8 million in order to supplement the corporation's budget.

15 Certainly to the extent that you do run up a
16 carryover, that helps to solve, possibly, your \$4.8 million
17 problem if that is where we come out.

18 MR. WALLACE: You admit we may have to turn out the
19 lights, but PAG's position is, it is better us than you; right?

20 MS. BERGMARK: That certainly characterizes it.

21 MR. WALLACE: We all understand each other.

22 CHAIRMAN MENDEZ: What would happen if Congress

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1 scaling should occur. Each year we go through a process to
2 determine a mark and then as the congressional process proceeds
3 we deal with that accordingly.

4 At this point, we are not anticipating a need for down
5 scaling.

6 CHAIRMAN MENDEZ: It was within eleven votes in the
7 House though.

8 MS. BERGMARK: I beg your pardon?

9 CHAIRMAN MENDEZ: The \$280 was within eleven votes in
10 the house. Do you have any contingency plans at all?

11 MS. BERGMARK: No, sir. We do not have a formulated
12 plan on that.

13 CHAIRMAN MENDEZ: I have a question on 20. Can you
14 tell me what the \$38,000 is for consulting? I did not know I
15 had any consultants.

16 MR. WALLACE: If we do, can we meet them? (laughter)

17 CHAIRMAN MENDEZ: I didn't think I ever consulted
18 anybody.

19 MR. RICHARDSON: That is the pay for the board for the
20 daily rate.

21 MR. WALLACE: That is our salaries?

22 MR. RICHARDSON: That is correct.

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1 CHAIRMAN MENDEZ: Can we change that to salaries then,
2 rather than consulting?

3 MR. RICHARDSON: We can do that, but what we try to do
4 within our budgets when we put it in personnel compensation,
5 there are automatic deductions that come out of that particular
6 line to pay fringe benefits, but we can allocate it up there for
7 your benefits.

8 MS. BERNSTEIN: Why don't you call it board per diem?
9 You are just worried about the title more than anything else.

10 MR. WALLACE: Basically, for accounting purposes you
11 treat us like any other temporary consulting employee; is that
12 right?

13 MR. RICHARDSON: That is correct.

14 CHAIRMAN MENDEZ: What our occupancy costs of \$3,000?

15 MR. RICHARDSON: Meeting rooms.

16 CHAIRMAN MENDEZ: We have \$105,000 we can do away with
17 if we got rid of the board, so far this year; is that fair?

18 MR. RICHARDSON: Yes.

19 CHAIRMAN MENDEZ: If we did away with the executive
20 office?

21 MR. WALLACE: I already told Senator Rudman I thought
22 we could do away with the board. He did not argue with me.

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1 This board, anyway.

2 CHAIRMAN MENDEZ: Let's look at attachment F, page 21.

3 Deleting the last seven spots on those percentages,
4 does personnel compensation -- we still about 32 percent of the
5 budget remaining with two months left?

6 MR. RICHARDSON: That is correct, sir, but you need to
7 also look at the temporary employee pay which is over the
8 budget. When we hire somebody on a temporary basis their pay,
9 even though they are a full time employee at that point, out of
10 the temporary employee funds.

11 CHAIRMAN MENDEZ: Between those two you have 5.1 in
12 budget and have spent about 3.9. You still have 20 percent
13 left. That is over the -- How much carry over are you going to
14 have in there, do you have any idea?

15 MR. RICHARDSON: On that particular line, I do not. I
16 do have projected carryover in total. It is slightly over a
17 million dollars as Ms. Bergmark has stated.

18 What we do have, though, is approximately \$700,000 in
19 funds for litigation that has not been completely litigated at
20 this point.

21 CHAIRMAN MENDEZ: Is that included in the carryover of
22 a million dollars?

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1 MR. RICHARDSON: Yes, it is.

2 CHAIRMAN MENDEZ: So, if take out the litigation
3 reserve you are anticipating a \$300,000 carryover?

4 MR. RICHARDSON: Approximately \$400,000, yes.

5 MS. BERGMARK: Our question about that would be that
6 the litigation reserve at the beginning of year was \$235,000, I
7 am not aware of any need to have allocated additional reserve
8 for that. Why is that figure now more that \$235,000?

9 CHAIRMAN MENDEZ: I will answer this is this way.
10 That has been discussed in numerous occasions in the board
11 meetings and that is something that we do not think is
12 appropriate to discuss and talk about.

13 MS. BERGMARK: But it has jumped from \$235,000 --

14 CHAIRMAN MENDEZ: That is correct.

15 MS. BERNSTEIN: Things like that happen.

16 CHAIRMAN MENDEZ: We have made a good faith attempt to
17 determine what our expenses would be in the legal area as a
18 result of that. Martha, that is one of those things we cannot
19 do in public because that would give our position away and could
20 work to our disadvantage in some cases.

21 MS. BERGMARK: But, the projected carryover using the
22 \$700,000 figure is \$400,000?

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1 MR. RICHARDSON: At this point, yes. That is
2 providing all of the projects we have in one A are carried out
3 in the course of a period of time.

4 CHAIRMAN MENDEZ: There is another way of doing it.
5 Let me ask you, do you have any major expenses more than the
6 normal in these last two months?

7 MR. RICHARDSON: We have some studies that are being
8 undertaken now through the executive offices. There are
9 contracts that have been signed for them.

10 CHAIRMAN MENDEZ: Martha, the way I compute it, I
11 think he is about right because if you take 71 percent and you
12 have got two months left, that is about another 20 percent.

13 MS. BERGMARK: Certainly if you are jumping the
14 litigation reserve allocation by that much, you made a
15 substantial dent.

16 I did have a question in number 9, unallocated
17 reserves, \$385,000 in March was designated to be used by the
18 controller's office if need be, for computerization and
19 additional employees. None of that has been spent for that. I
20 note that we are getting the reports now, apparently without
21 that expenditure.

22 Does that mean we will not see expenditure of those

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1 funds for that purpose?

2 MR. RICHARDSON: No, it does not. We are starting an
3 interview process Tuesday. We are in the process of hiring two
4 people, a budget officer and an accounting supervisor.

5 CHAIRMAN MENDEZ: When do you think you will have them
6 on board, John?

7 MR. BAYLY: I would guess it would take another two to
8 three weeks beyond that.

9 MS. BERGMARK: So, we are talking about after the end
10 of the fiscal year.

11 MR. BAYLY: No, I don't think so.

12 MS. BERGMARK: They will have a week's salary this
13 year?

14 MR. BAYLY: They could begin in September, I do not
15 know just when. I have asked Mr. Richardson to expedite that,
16 you understand, because of the previous difficulties we have
17 had with the lack of personnel. We want to have it up to full
18 strength.

19 MS. BERGMARK: My only point is that that --

20 CHAIRMAN MENDEZ: Okay, I understand. I have got to
21 talk to him some more about that, and we may well readjust.

22 Is there any further discussions?

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1 MS. BERGMARK: On the '87 budget?

2 CHAIRMAN MENDEZ: Yes.

3 MS. BERGMARK: Is there going to be a review of the
4 '88 budget separately?

5 CHAIRMAN MENDEZ: Yes, the '88 budget, there is not a
6 lot we can do on it.

7 MS. BERGMARK: It was in the '84 book is why I --

8 CHAIRMAN MENDEZ: I understand. We are going to talk
9 a little bit about what we are going to do, but in terms of
10 numbers or anything, there is not a lot we can do until congress
11 tells us what we are going to do.

12 I want to address that, but we will do that
13 separately.

14 Nothing more appearing on this, we are going to turn
15 to the '88 budget mark. We are also going to turn to the '89
16 budgeting process. First, let's talk a little bit about '89 and
17 we can sort of put those both together.

18 In the past we have carried on several conversations
19 and negotiations with PAG about how much time they wanted to do
20 for that. I would like to use this opportunity now to ask you
21 to contact the various programs and find out how much time they
22 want to have to make their presentations for '89.

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1 MS. BERGMARK: On '89 mark?

2 CHAIRMAN MENDEZ: Right.

3 Now, we will be several months out, but I think it is
4 time -- I do not want us to -- the last couple of times we have
5 gotten kind of close and we have had to have these real rapid
6 exchanges. I would much rather give you a lot of time to think
7 about how much time you want and we will -- would you feel more
8 comfortable if we had all of this done in about October, the
9 last of October?

10 MS. BERGMARK: I appreciate you giving us the
11 opportunity to have input into that. We would be willing to
12 comport with whatever your schedule is on that.

13 CHAIRMAN MENDEZ: The way we have structured it and we
14 have in the past, is we have asked you how much time you want so
15 we would make sure that we allocated at least that much time for
16 your presentations, to make sure we had that.

17 I am not asking you for that today, I want -- today,
18 what I want you to do, though, is I want you to be on notice
19 that I want to have that information. Do you think you can get
20 that to us before the meeting in September?

21 MS. BERGMARK: I think we would like very much to see
22 what the '88 appropriation is going to be, before we hold a

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1 meeting to set an '89 mark.

2 CHAIRMAN MENDEZ: That is fair.

3 MS. BERGMARK: My understanding of that process is
4 that is very likely will not be done by September the 30th,
5 unfortunately.

6 MS. BERNSTEIN: You are talking about October of next
7 year; aren't you?

8 CHAIRMAN MENDEZ: No, it is the '89 mark which we have
9 to do --

10 MS. BERNSTEIN: The '89 mark which we submit in the
11 beginning of '88?

12 CHAIRMAN MENDEZ: Yes, and I want to give them -- if
13 that is your feeling then we would have the meeting on the '89
14 mark and your presentation in November. We cannot do it any
15 later than November, Martha. That is the last time we can do
16 that because the way I have done it in the past and the way that
17 I like to do it, is I like to take the testimony. Then I like
18 to take all of that information. I like to go home and think
19 about it and then come back and act on it a month later.

20 If we do it a month later, it will be December and
21 that is the very last time we can do it.

22 MS. BERGMARK: So, we will shoot for November?

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1 CHAIRMAN MENDEZ: I would like to have you shoot for
2 October, but you are telling me you don't think you can do that.
3 We will do it for November, but I am going to tell you that that
4 is the last date. You are not going to get December to do it
5 in. It is going to be in November as the last date.

6 MS. BERGMARK: I think we have always had our marks
7 ready when you --

8 CHAIRMAN MENDEZ: I understand. I just want to make
9 sure that we were on the same wavelength, since you are new. I
10 am also tired of having all of this last minute things done. I
11 think this is a good way to do it.]

12 MR. WALLACE: Mr. Chairman, may I make a comment about
13 next year's budget? I voted for a higher budget for this coming
14 year because I thought we needed to do something new and I
15 thought it was justified.

16 I would be willing to do that again. I would be
17 willing to vote for a lower budget for next year if it is
18 justified. I say that to staff and I say that to the field.

19 Ms. Bergmark, I know that your organization is going
20 to come in and give us a mark that you think is justified
21 according to what you need and it is going to be in the \$390 to
22 \$400 million range.

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1 You know and I know that either us nor congress is
2 going to wind up with that. I am not telling you, don't tell us
3 what you think you need, but if you have got some creative
4 compromises at another level that you can think of, I urge you
5 to think about them.

6 I urge your staff to think about creative departures
7 that we can do with the budget. I think that -- I hope I am not
8 voting of another freeze budget. I would like to think we could
9 go either up or down depending on what the current circumstances
10 require. I am serving notice on everybody I have got an open
11 mind on that question. Let's stay within -- everybody give us
12 something with the realm of political reality with a little
13 creativity to it. It might work for us and it might work for
14 congress and might work for the clients of this organization.

15 CHAIRMAN MENDEZ: In the past I have let PAG, and
16 John, I want you to send out a notice to all of the field
17 programs as well as -- let's put it this way, all of our
18 grantees for them to send in notice to us if they want to come
19 and make a presentation.

20 We will -- you can contact your group too, because I
21 want to make sure that we allocate enough time to everybody. I
22 do not want to cut anybody off and I hate to have right at that

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1 last time when we are doing it, somebody say that we have cut
2 them off.

3 If we have four or eight hours, we have got to pretty
4 well schedule. I want to make sure that they all have plenty of
5 notice to do that.

6 In fact, we may want to do some sort of a publication
7 to let everybody know. Is that fair? We will work it out with
8 everybody.

9 Now, with regard to '88, there is not a lot we can do
10 now until something is done. As soon as that is done, we will,
11 at the following board meeting, assuming it is not done within
12 the week or so before, we will take action with regard to '88.

13 MS. BERGMARK: Have you scheduled a September board
14 meeting?

15 CHAIRMAN MENDEZ: The September board meeting is for
16 the 24th or 25th, I believe.

17 MR. WALLACE: Whatever the fourth Thursday and Friday
18 is.

19 MS. BERGMARK: It has not been definitely scheduled
20 that you are going to meet those days?

21 CHAIRMAN MENDEZ: Right, and that will probably work,
22 we were having some discussion about that. That probably will

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1 be held in Washington, D.C.

2 MS. BERGMARK: Do you anticipate passing an operating
3 budget for '88 either at this meeting or at this meeting or at
4 the September meeting?

5 CHAIRMAN MENDEZ: We have had these discussions
6 before. We cannot -- we have always said, yes, we are going to
7 do that, but if they have not acted on it, there is not a lot we
8 can do.

9 Depending on the year we have had in the past, there
10 is some rollover and we have done some month to month type
11 things for the following fiscal year. I am sorry I cannot give
12 you any better information than that, but I would invite you to
13 look at what we have done in the past because we will probably
14 do something similar depending on what information we generate
15 out of congress between now and then.

16 I just cannot give you any better information than
17 that. It depends on what congress tell us.

18 MS. BERGMARK: Thank you.

19 CHAIRMAN MENDEZ: Are there any other comments, any
20 public comments about audit and appropriations?

21 (No response.)

22 CHAIRMAN MENDEZ: None appearing, this meeting is

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1 adjourned.

2 (Whereupon, the meeting of the Audit and
3 Appropriations Committee was adjourned.)

4

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