

LEGAL SERVICES CORPORATION  
800 Virginia Avenue, S. W.  
Washington, D. C. 20024-2751

AUDIT AND APPROPRIATIONS COMMITTEE MEETING

Loews L'Enfant Plaza Hotel  
Monet II Room  
480 L'Enfant Plaza, S. W.  
Washington, D. C. 20024

June 26, 1987

**Diversified Reporting Services, Inc.**

1511 K STREET, N.W. SUITE 547

WASHINGTON, D.C. 20005

(202) 628-2121

P R O C E E D I N G S

11:05 a.m.

PRESENT: Hortencia Benavidez, Lorain Miller, LeaAnne Bernstein, Robert A. Valois, Claude G. Swafford, Thomas F. Smegal, Paul Eaglin and Pepe J. Mendez, Chairman.

CHAIRMAN MENDEZ: I have my quorum; so, we are ready to get started. Let the record reflect that Board members Paul Eaglin, Claude Swafford, Bob Valois, LeaAnne Bernstein and Hortencia Benavidêz are here and included in that are Committee members Paul Eaglin, Pepe Mendez, LeaAnne Bernstein and Hortencia Benavidez. We have a quorum because the Committee is composed of seven members.

At this time, the first matter to be considered is the approval of the agenda. Do I have a motion from one of the Committee members?

MS. BENAVIDEZ: I so move.

MR. EAGLIN: Second.

CHAIRMAN MENDEZ: It has been moved and seconded with regard to the agenda. Any discussion?

(No response.)

CHAIRMAN MENDEZ: None appearing, the agenda is approved. The next matter on the agenda is the approval of the

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1 minutes from the January 29 and 30 meeting. Do I hear a motion  
2 to approve the minutes?

3 MS. BERNSTEIN: So moved.

4 CHAIRMAN MENDEZ: It has been moved. Do I --

5 MS. BENAVIDEZ: Second.

6 CHAIRMAN MENDEZ: It has been moved and seconded. Is  
7 there any discussion?

8 (No response.)

9 CHAIRMAN MENDEZ: On page 11 of the minutes, I  
10 seconded the motion -- I have to correct this LeaAnne because  
11 it -- I seconded the motion of LeaAnne Bernstein for the  
12 purposes of discussion.

13 MR. EAGLIN: In that second paragraph?

14 CHAIRMAN MENDEZ: Second paragraph, second sentence:  
15 "Mr. Mendez seconded the motion for purposes of discussion."  
16 On page 12 -- Tom, I am glad you are back because on page 12, I  
17 do not know exactly what we were talking about here. The  
18 second paragraph, fifth line up, the sentence that starts, "Mr.  
19 Smegal argued that a recess five years before. . . ."

20 MS. BERNSTEIN: "A recessed Board five years before."

21 MR. BAKER: It should be that "a recessed Board of  
22 Directors".

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1 CHAIRMAN MENDEZ: That "at a meeting of the recessed  
2 Board".

3 MR. BAKER: No.

4 MS. BERNSTEIN: And it was not five years before.  
5 That was a little garbled.

6 MR. SMEGAL: It was four years, actually.

7 MS. BERNSTEIN: Yes.

8 MR. BAKER: That sentence -- something happened.

9 A PARTICIPANT: The language should read, "would be  
10 acceptable".

11 MR. SMEGAL: It should be "a recessed Board of  
12 Directors".

13 A PARTICIPANT: "A recessed Board of Directors".

14 MS. BERNSTEIN: It was not four years ago; it was  
15 three years ago. It was the McCarthy Board; so, it had to have  
16 been in the end of '83 for the '84 year.

17 MR. SMEGAL: That is where the funding went to 305 the  
18 first time.

19 CHAIRMAN MENDEZ: Tell him how do you want that  
20 language to read.

21 MR. SMEGAL: I think it should read, "a recess --

22 MR. BAKER: It is not correct; I will correct it.  
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1 CHAIRMAN MENDEZ: Let's see if we can come up with  
2 some language. "Mr. Smegal argued that a recess for the  
3 Board for you" -- I guess it is for LeaAnne.

4 MR. SMEGAL: "Several years" -- can we just say  
5 "several years ago".

6 CHAIRMAN MENDEZ: "Several years earlier and asked for  
7 \$3.5 million." Just correct that language; okay, Tim? That  
8 was all I found. I do not know if anyone else found anything.

9 MR. SMEGAL: A little earlier, page three does not  
10 have a number on it. I am sorry; there is a page three. Down  
11 near the end we have a voice vote, I guess, on approving --  
12 whatever it was we were voting on. I did not vote on it; I  
13 abstained.

14 CHAIRMAN MENDEZ: We were voting whether you were  
15 there or not.

16 MR. SMEGAL: No, there was a motion made and seconded  
17 -- do you want acceptance of a report -- right. I think I --

18 A PARTICIPANT: It is the auditor's report.

19 MR. SMEGAL: That is right, and I did not vote on  
20 that, and I indicated during our meeting that I did not want to  
21 vote until I saw them sign off on their audit.

22 CHAIRMAN MENDEZ: "On a voice vote, the motion was

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1 approved with an abstention by Mr. Smegal."

2 MR. SMEGAL: Thank you.

3 CHAIRMAN MENDEZ: Did you have that, Tim?

4 MR. BAKER: Yes.

5 CHAIRMAN MENDEZ: Are there any other additions or  
6 corrections?

7 (No response.)

8 CHAIRMAN MENDEZ: None appearing, the minutes are  
9 approved. The next matter is the mid-year budget review. At  
10 this time, I would like to have Mr. Bayly -- there he is. Mr.  
11 Bayly, would you introduce your guests for the day?

12 MR. BAYLY: Thank you, Mr. Chairman. I am happy to.  
13 With me is David Richardson who is acting as our Comptroller.  
14 I am hopeful that he will be able to answer all questions you  
15 might have about the mid-year budget review, and he will  
16 certainly be able to assist me in answering more precisely than  
17 I otherwise might be able to do so. Any questions you might  
18 have about the various line items here?

19 CHAIRMAN MENDEZ: The way I propose to do this -- go  
20 through the budget review -- I think it is fairly -- the  
21 amounts that have been expended are fairly self-explanatory. I  
22 think the area that we really need to cover is what have not

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1 been expended and what is essentially an allocated or  
2 denominated as unallocated. I would prefer to work from what  
3 has been denominated as "Attachment D", pages 24 and 25. Would  
4 that be a fair --

5 MR. BAYLY: I think that would be helpful to the  
6 Committee.

7 CHAIRMAN MENDEZ: Does the remainder of the Committee  
8 agree with that proposal?

9 (No response.)

10 CHAIRMAN MENDEZ: Where I invite the Committee's  
11 attention is Column 9, Attachment D, page 24. I hope the  
12 remainder of you out there have the materials and can follow  
13 along. Let's go through -- I do not really want to talk about  
14 the overall lines. I want to go right into the specifics,  
15 right into the lines.

16 The first one I want to talk about is "Basic Field  
17 Programs" It reflects that there is 8.6 million dollars there.  
18 Why has that not been -- it is reflected as being unencumbered  
19 and what are <sup>we</sup> going to do and is that going to be expended.

20 MR. BAYLY: Mr. Mendez, this money is earmarked for  
21 expenditure; however, because it is not dedicated pursuant to a  
22 grant agreement, it is identified as unencumbered. In fact,

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1 what this refers to is funding for those programs that have  
2 been subjected to what is known popularly as "short term  
3 funding". All of the money is dedicated in the sense that we  
4 expect to expend on those programs. It is just accounted for  
5 differently because there is not a year-long grant document or  
6 agreement that covers this money.

7 CHAIRMAN MENDEZ: Briefly, what I propose to do is go  
8 through each one of these lines and later -- so that we just  
9 get everybody sort of up to speed -- later, you can all ask  
10 questions about it. If that meets with the Committee's  
11 approval, we will just go through it that way.

12 MR. BAYLY: Mr. Chairman, I wonder if to situate the  
13 Committee, I might not mention this preliminarily. This is, of  
14 course, the mid-year mark and we are considering it now several  
15 months later.

16 The 1987 mid-year mark indicated that 39% or slightly  
17 more of appropriated money had been expended. In 1986, that  
18 mid-year mark was 41.7%; in '85, it was 32.7% -- that is, at  
19 that mid-year mark. In 1987 to date, 62% of the money has been  
20 expended, and that is compared with -- I will leave it at 62%  
21 has been expended. 54.2%

22 CHAIRMAN MENDEZ: That is through what period?

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1 MR. BAYLY: That is to the end of last month; is that  
2 right.

3 MR. RICHARDSON: Yes, sir.

4 MR. BAYLY: Through the end of May.

5 CHAIRMAN MENDEZ: Through the end of May. When will  
6 the May monthly report be completed?

7 MR. BAYLY: By June 20th, but I will turn to Mr.  
8 Richardson for that. I do not know if you have read the  
9 minutes from prior meetings, but I have expressed a great deal  
10 of concern over the last period of time that we were not  
11 getting our monthly notes out. Your first promise to me is  
12 going to be when you are going to turn out the monthly budget  
13 review or budget documents so that we have -- with that  
14 emphasis, tell me when.

15 MR. RICHARDSON: The budget reviews will be completed  
16 and in each Committee member's hands by the 20th of each month.

17 CHAIRMAN MENDEZ: In our hands?

18 MR. RICHARDSON: It will be in your hands at that  
19 time. We will mail them so you will have them in your  
20 possession.

21 CHAIRMAN MENDEZ: You will mail them out about the  
22 15th, by the 15th or 16th?

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1 MR. RICHARDSON: Yes, sir.

2 CHAIRMAN MENDEZ: That will be the month following the  
3 completion of the previous month?

4 MR. RICHARDSON: That is correct.

5 CHAIRMAN MENDEZ: Today is the 26th -- where is May's?

6 MR. RICHARDSON: May has been completed. Because of  
7 the Board meeting and the preparation of this, it has not been  
8 finalized. That can be mailed to you by Monday. If you would  
9 like to see it, it is available for your review today in the  
10 Comptroller's office.

11 CHAIRMAN MENDEZ: Does that meet with everybody else's  
12 on the Board satisfaction? I hope it does. Let's get back to  
13 the scheme of things so we can get out of here by noon. Next?

14 MR. BAYLY: The next line item is "Native American  
15 Programs and Components". That amount of money, some \$400,000,  
16 includes a \$200,000 Board carryover. That money, I expect,  
17 will be expended within the next two months.

18 Principally pursuant to a conversation and  
19 correspondence I have had with NAILS, Mary Trimble Norris, what  
20 we have had proposed was several -- three, in fact -- proposals  
21 for the expenditure of this money. I am speaking with Mary  
22 Trimble Norris at the present time, and I expect most all of

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1 this money up to about \$350,000 could well be expended if we  
2 proceed to enter into an agreement with such proposals as a  
3 revolving fund with additional training funds for "Native  
4 American Programs and Components" as well as for --

5 CHAIRMAN MENDEZ: We have a meeting scheduled for the  
6 last of August. Are you going to have that all finalized by  
7 then?

8 MR. BAYLY: I fully expect so. In fact, I expect to  
9 meet with representatives of the "Native American" programs in  
10 early August and after that I expect to have a proposal that I  
11 will be able to report upon to the Board.

12 CHAIRMAN MENDEZ: A proposal or signed contracts?

13 MR. BAYLY: I say I expect to be able to report that  
14 we will have entered in an agreement to spend the money for  
15 training, as well as for some more particularized programs.

16 CHAIRMAN MENDEZ: The next line is "Migrant Programs  
17 and Components".

18 MR. BAYLY: The amount of money is once again  
19 reflected by short-term funding. This money is essentially  
20 spoken for, and I expect it will be expended by the end of the  
21 year. It is the same as the "Basic Field Program" -- eight  
22 million dollars. It is accounted for in the same fashion.

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1 CHAIRMAN MENDEZ: "Program Development".

2 MR. BAYLY: A million dollars of the "Program  
3 Development" line we foresee will be expended on law school  
4 clinics. Proposals from law schools have been received by the  
5 Corporation and are now being reviewed by our reviewing team.  
6 I foresee, having consulted with Mary Higgins and Charlie  
7 Moses, that we will have made our selection within three to  
8 four weeks and will forthwith enter into an agreement. That  
9 million dollars I am confident will be spoken for with a  
10 month's time or so.

11 The remaining amount of money is being held for the  
12 comparative studies that we expect to do with the voucher and  
13 the contract sites. The Corporation expects within a few weeks  
14 -- I would say two weeks -- to identify the other sites at  
15 which we hope to replicate the study that has been conducted in  
16 Texas and be able to give you further details, final details,  
17 of what we are doing with this at the August meeting.

18 In addition, there is a certain amount of money -- and  
19 I may have to turn to Mr. Richardson for this -- that is  
20 identified with our private attorney project. I do not know  
21 whether he has that.

22 CHAIRMAN MENDEZ: Let me ask you a question,  
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1 Mr. Bayly. Do you anticipate that you will have any carryover  
2 at the end of the year out of this line?

3 MR. BAYLY: I do not expect any appreciable carryover  
4 in this line at the end of the year. I think I can flatly say  
5 I do not expect any carryover at all in this line.

6 CHAIRMAN MENDEZ: "Supplemental Service Provision" --  
7 you have the "Field Programs".

8 MR. BAYLY: The "Supplemental Field Programs" has a  
9 \$30,000 unencumbered balance at the present time. That is  
10 available for pro bono projects, essentially, and the  
11 Corporation is now entertaining one substantial proposal and a  
12 second, I understand, is about to be submitted to us. I would  
13 expect that within another two months that this money will be  
14 <sup>expended</sup> accepted as well. The \$50,000 in the "Reggie Fellowship" line,  
15 I expect will be expended, but not before the calendar year is  
16 over. I do not think that will be expended in this year. That  
17 may very well be carried over.

18 CHAIRMAN MENDEZ: What is this about?

19 MR. BAYLY: This money is essentially close-out money.  
20 It was held in reserve to make sure we could wind down the  
21 "Reggie Program". My recollection is that by the end of  
22 calendar year '87 and the beginning of calendar year '88, we

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1 had expected or foreseen that everything that needed to be done  
2 would be accomplished. This money is being held to make sure  
3 that we have enough money to conclude that program and the  
4 follow-up, the aftermath you might call it, of the Reggie  
5 Programs.

6 CHAIRMAN MENDEZ: "Training Development and Technical  
7 Assistance" is \$753,000. We have several reports at that the  
8 Board meeting this afternoon, and depending on what the Board  
9 is, is that my understanding that you have some requests based  
10 on that?

11 MR. BAYLY: Yes, sir, that is correct. There are a  
12 number of projects and programs to which this money can be  
13 applied. I can tell you now in brief what I expect some of the  
14 proposals are, or if you prefer Mr. Chairman, we can take it up  
15 at the full Board session this afternoon.

16 CHAIRMAN MENDEZ: What is the pleasure of the  
17 Committee?

18 MR. SMEGAL: I would like to hear briefly what he has  
19 in mind.

20 MR. BAYLY: There is the matter, first and foremost it  
21 seems to me, of additional NITA training. The National  
22 Institute of Trial Advocacy conducted a training session in New  
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1 Orleans not too very long ago, and so overwhelmingly  
2 enthusiastic was the response to it and so successful was it,  
3 that it seems to me that an excellent use of this money is to  
4 provide a similar training event at the end of the summer, the  
5 beginning of the fall for programs who were unable to be  
6 included in the program that was held in New Orleans.

7           Doing a program of that magnitude would call for the  
8 expenditure in the neighborhood of some \$300,000 because what  
9 we do is we subsidize the participation of program attorneys.  
10 We pay the lion's share of the transportation, the lodging; we  
11 also pay, of course, for the course and the materials.

12           Another use of this money has to do with new  
13 technologies. That will, it seems to me, be more fully  
14 explained to you when there is discussion later on about  
15 the CALR report and the training task force. In particular, I  
16 have in mind a proposal won from Professor Taubman at Harvard  
17 and others having to do with the implementation of new  
18 technologies with the computer that we have supplied to the  
19 field.

20           CHAIRMAN MENDEZ: That is part of the training task  
21 force, and I see Dan Rathbun back there. That is part of Dan's  
22 thing.

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1 MR. BAYLY: We can pass over that if you like.

2 CHAIRMAN MENDEZ: Yes, without putting some dollars on  
3 it, just go ahead.

4 MR. BAYLY: The next then, of course, is the  
5 Corporation's initiative having to do with computers. The  
6 staff has made a recommendation that a seminar or a training  
7 session be held in the very near future, within the next many  
8 months, to make sure that all of our grantees have the training  
9 that is necessary to use the computers they have been supplied  
10 as efficiently and as effectively as possible.

11 I notice myself in having visited a couple of the  
12 field program offices that the computers were either not being  
13 used or they were not being used as completely or as frequently  
14 or as effectively as possible. The comments I heard is that:  
15 "Well, we have gotten this hardware, but we really do not know  
16 how to use it; we do not know how to integrate it with the work  
17 we are doing; we really do need a bit of training."

18 I want to say, of course, that the Corporation remains  
19 sensitive to the concerns of the Congress in not using training  
20 or not using any aspect of this initiative to try to impose  
21 timekeeping or functional accounting upon the programs in light  
22 of what the Congress' concerns have been.

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1           We are careful and alert to that, but it seems to me  
2 at the same time we can assist the programs in making the  
3 largest use of the computers and give them the option of using  
4 it for whatever approved uses are available to them.

5           Another sizeable segment of interest is the  
6 computer-assisted legal research implementation. It might be  
7 premature of me to jump ahead and talk about that until you  
8 have heard about it, but we certainly have proposed that a  
9 substantial amount of money be put to one side until it is  
10 decided how we are going to go about implementing whatever  
11 recommendations are accepted by the Board.

12           Finally, I would like to point out we have already  
13 expended about \$40,000 on the training event that was held at  
14 the Gillis Long Center in New Orleans.

15           CHAIRMAN MENDEZ: Just to make sure that we have the  
16 record complete, of that \$753,000, \$400,000 is a carryover that  
17 was committed for timekeeping and functional accounting. Since  
18 we are not going to implement that this year, we probably ought  
19 to release that.

20           MR. BAYLY: Yes, Mr. Mendez, that accounts for the  
21 largest number of dollars in this line. We have been holding  
22 that money, expecting or hoping to hear from the GAO and from

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1 the Congress. As the year draws to a close and we have not  
2 heard from them and cannot predict that we will, it seems to me  
3 that we ought to redistribute that money among some of these  
4 other proposals that you have just heard me mention to you.

5 CHAIRMAN MENDEZ: All right. Let's turn to other --

6 MR. SMEGAL: Excuse me, Mr. Mendez. Mr. Bayly, the  
7 \$300,000 training program that you started off referring to,  
8 how many individual program attorneys would that involve?

9 MR. BAYLY: Up to 300.

10 MR. SMEGAL: It would be a group of 300 that would  
11 need that kind of training?

12 MR. BAYLY: That is what we aim to do. The last  
13 training session I was able to accommodate, it seems to me  
14 about 50 field attorneys. That left in the neighborhood of 250  
15 or more programs without the opportunity to send someone for  
16 training. Some of the programs were critical and some were  
17 bitterly critical of having not had the opportunity.

18 I understand their unhappiness, and I understand the  
19 enthusiasm expressed by all, whether they attended or not, for  
20 this kind of training. That is what led me to make a  
21 suggestion that the Corporation support something of this sort.

22 CHAIRMAN MENDEZ: I think we should do someplace in  
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1 the two to three hundred. I think we should give the programs  
2 an opportunity and maybe allocate a couple hundred thousand or  
3 something in that area.

4 MR. SMEGAL: Is there a facility big enough to do this  
5 with 300 people?

6 MR. BAYLY: I understand if it is done in two shifts,  
7 on two occasions of 150 each, we ought to be able to do it that  
8 way.

9 MR. SMEGAL: So, you are looking at about \$1,000,  
10 including the cost of the program and transportation.

11 MR. BAYLY: Yes, sir.

12 CHAIRMAN MENDEZ: Let's have a little bit of a  
13 discussion about this. I did not want to get into this too  
14 much now, but we will. How was that handled in New Orleans?  
15 What were the costs? How were the costs generated and expended  
16 and that sort of thing?

17 MR. BAYLY: I see Mario Gaboury; I was about to call  
18 on him, but he does not seem to be nodding that he wants to be  
19 heard, Mr. Chairman, but he knew a bit more about it than I  
20 did. I cannot tell you precisely how the costs were accounted  
21 for.

22 MS. BERNSTEIN: Pepe, the concern that I have is that

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1 -- and I voice this to Clark when he is scheduling the meetings  
2 and so forth -- this whole thing seems to be convoluted in that  
3 we are meeting this morning prior to the time we are going to  
4 receive the reports this afternoon.

5 I just wondered if there is any way to just identify  
6 where we are and so forth and to defer any further action until  
7 an appropriate time at the Board meeting. We are all basically  
8 going to be here anyway, and that would obviate the need to  
9 take everything disjointedly, which is, I think, going to be  
10 confusing for everybody.

11 MR. SMEGAL: I do not have any problem with that,  
12 Pepe. I do have one other comment, though. Back in Nashville,  
13 I had mentioned conversations I had with Senator Simpson and  
14 Commissioner Nelson about somehow getting involved in the  
15 Immigration Act of 1986. I have not seen anything on that,  
16 although my recollection of that meeting and reading the  
17 minutes convinced me that there was enthusiastic support by at  
18 least Mr. Durant.

19 I am wondering, John, whether any of this money might  
20 go to that kind of training -- training, i.e., of those who are  
21 out there trying to process. I know we cannot -- there are  
22 some limitations on what we can do as Legal Services lawyers

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1 directly in delivering legal services to illegal aliens, but  
2 there seems to be an area in there where we might be doing some  
3 training of paralegals or others that might be assisting these  
4 QDEs, for example. Has there any thought been given to that?

5 MR. BAYLY: We have given it considerable thought. We  
6 have invited comment from the field; we have invited comment  
7 from the bar. I have myself an enthusiasm for doing that sort  
8 of work, but there are so many statutory and regulatory  
9 prohibitions that I think it is difficult for the Corporation  
10 to expend much money in any direction.

11 As I said once before, the money that we expend might  
12 be directed towards advising the bar, the private bar, that  
13 this is going to have to be largely a pro bono  
14 responsibility of theirs.

15 I am also rather convinced that the changes made by  
16 the Reform Act for legal services providers that are financed  
17 by us will be felt in calendar year '88 more than at the  
18 present time and that some money should probably be earmarked  
19 for providing education to field programs about their enlarged  
20 or expanded responsibilities, obligations and opportunities.  
21 At the present time, I do not think that there is too much that  
22 we can do.

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1 MR. SMEGAL: It seems to me that either you or someone  
2 in the General Counsel's office had done a memo -- am I correct  
3 in this recollection -- a memo of what we might do under the  
4 Reform Act. Did we not have that several months ago? There  
5 was some areas of expanded activity for Legal Services?

6 MR. BAYLY: There were, but it was essentially letting  
7 the bar know what was their responsibility.

8 MR. SMEGAL: Are we doing that?

9 MR. BAYLY: We had done nothing very much in that  
10 respect, but I must say that it is not because we have made  
11 overtures to the bar; rather, that we have not heard -- and I  
12 am speaking now of the ABA. They have been very cooperative to  
13 an extent, but they have not come to us and given us the kind  
14 of direction, frankly, that I kind of expected that they would.

15 We told them what we thought our limitations were; we  
16 told them what we would try to do, but I really have not heard  
17 back from them.

18 MR. VALOIS: What about the Pro Bono Section of  
19 the ABA? What, if anything, have they done are you aware of?

20 MR. BAYLY: I attended a couple of meetings at which  
21 this and similar issues were debated. I think it is fair to  
22 say that the ABA itself was not entirely certain of how the

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1 issue should be addressed by them. I do not mean to say there  
2 is a lack of concern or there is a lack of understanding, but  
3 there were many different views about it. I am not really  
4 entirely sure whether the ABA has come to a unanimous view of  
5 how they want to address this issue.

6 CHAIRMAN MENDEZ: What is we allocate, let's say,  
7 \$25,000 to do that? Would you think that that would be  
8 sufficient to do the educational process?

9 MR. SMEGAL: It depends on what the education is. If  
10 the education is an enlightenment of Legal Services Corporation  
11 grantees of what they can do by way of representing illegal  
12 aliens who are now temporary residents as a result of having  
13 made application, that is one thing.

14 But if you are going to start training or providing  
15 some training for paralegals to process the applications, for  
16 example, I do not think we can do that. I do not think that  
17 falls under the direction of legal services -- prohibition. I  
18 think we would need a lot more than \$25,000.

19 MR. VALOIS: Tom, it seems to me we are talking about  
20 contributing money. I really have not heard any evidence,  
21 testimony or anything else about exactly what the need is and  
22 how many hours it takes. Processing forms -- does that really

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1 require training?

2 CHAIRMAN MENDEZ: For instance, in Denver, they have  
3 four groups that are doing that. Correct me if I am wrong,  
4 Dan, the Legal Aid group is not one of those four. There are  
5 four nonprofit groups in Denver that are authorized to provide  
6 this service without expenditure, and I do not think Legal Aid  
7 is doing that as one of the four. The Justice Information  
8 Center and Catholic Relief Services are two of them, but I do  
9 not know who the other two are, but I did not think Legal Aid  
10 was one of them.

11 A PARTICIPANT: I think that is essentially correct,  
12 Pepe. I do think that Colorado Rural Legal Services in some  
13 instances is certainly providing information to people about  
14 the provisions of the new immigration law and in some instances  
15 assistance with the restrictions under the LSC Act is providing  
16 representation to the certain categories of aliens. I think  
17 that is permissible.

18 CHAIRMAN MENDEZ: Why don't we pass this over for a  
19 few minutes and then I would like to have the field make some  
20 comments about whether they think that is an appropriate area  
21 for us to be expending money.

22 MR. SMEGAL: Pepe, I did not mean to raise it now. If

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1 it seems more appropriate to do this afternoon after John has a  
2 little more time, I would be happy to have it come up then.

3 CHAIRMAN MENDEZ: I would like to pass over this and  
4 maybe discuss it at the end of this meeting, but I would like  
5 to continue with that and give everybody an opportunity to  
6 think about it at least a little bit, in a little bit more  
7 detail. John, would you pass to the next area, unless there  
8 are any other questions.

9 (No response.)

10 MR. BAYLY: Turning to other support -- and, in  
11 particular, "National Support", "State Support" and  
12 "Clearinghouse". The money in the "Remaining Unencumbered  
13 Balance" column, which is number (9), is all accounted for by  
14 short-term funding. Once again, this is dedicated money that  
15 is being expended monthly because it is not pursuant to a  
16 year-long grant agreement. It is identified as remaining  
17 unencumbered money.

18 "Special Law School Grants Money", Number 6 under  
19 "Other Support", refers to the money that the Corporation has  
20 been charged by Congress with administering and providing to  
21 Drake and Loyola Law Schools. I expect that that will be  
22 substantially spent at the end of the fiscal year, but that is

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1 not money that we can move about.

2 CHAIRMAN MENDEZ: Speaking directly and specifically  
3 on that, my recollection is that there was a statutory  
4 provision in there that we were to audit. Before the end of  
5 this fiscal year, I want to have an audit of that and I want to  
6 have the Deans of those two law schools in and advise us what  
7 they are doing and how they are expending those funds.

8 MR. BAYLY: We will invite them to appear, Mr. Mendez,  
9 at the August meeting, and we expect to have an audit completed  
10 by that time.

11 MR. SMEGAL: I understood you allocated on 1 and 2.  
12 Is that the same thing this balance on "Clearinghouse"?

13 MR. BAYLY: I am sorry?

14 MR. SMEGAL: The "Clearinghouse" balance -- did you  
15 lump that in with "National Support" and "State Support" as  
16 being allocated shortly?

17 MR. BAYLY: Yes, that is correct.

18 CHAIRMAN MENDEZ: Page 25, "Management &  
19 Administration".

20 MR. BAYLY: The money that corresponds with "Number 1,  
21 Board of Directors" is being spent down in such a fashion that  
22 it ought to be consumed at the end of this fiscal year.

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1 CHAIRMAN MENDEZ: Is that for just the Board itself?

2 MR. BAYLY: For the Board itself; that is correct --  
3 travel and other expenses, accommodations, correspondence and  
4 that sort of thing.

5 The "Executive Office" -- I expect that \$200,000 of  
6 that amount, more than what you see here, will have been  
7 consumed by the end of the year. It will have been consumed on  
8 a variety of studies that have been undertaken and will be  
9 commenced within the next six to eight weeks.

10 It will be also expended in part on the publication  
11 that I expect Ms. Bozell will be beginning to put out once a  
12 quarter for the Corporation. It is being expended as well on  
13 additional personnel that is being hired in the Executive  
14 Office.

15 I think those are the three categories of expenses,  
16 generally, that I would identify to you as consuming the  
17 additional \$200,000.

18 CHAIRMAN MENDEZ: The question I have under "Executive  
19 Office" is where do salaries come out of that?

20 MR. BAYLY: Let me turn to Mr. Richardson.

21 MR. RICHARDSON: Salary lines are included in the  
22 total. The \$148,000 that has been spent through March, of

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1 course, is for the six-month period and what Mr. Bayly is  
2 saying is the additional money that is left unencumbered will  
3 be spent in the fashion of hiring new people --

4 CHAIRMAN MENDEZ: How many salaries are included in  
5 this "Executive Office"?

6 MR. BAYLY: A dozen or more, I would expect; Mr.  
7 Mendez, I do not know offhand.

8 CHAIRMAN MENDEZ: It cannot be that much. This total  
9 is too small for having a dozen.

10 MR. BAYLY: It is about ten people.

11 CHAIRMAN MENDEZ: That is too small; it cannot do it.

12 MR. RICHARDSON: If you will look at "Attachment E" on  
13 page 26, you have the functional expenses reported per  
14 division, and you will see how much the salaries are in the  
15 Executive Office. To date, it is \$125,000.

16 CHAIRMAN MENDEZ: Turn off all of the mikes. Let's  
17 take about a three-minute recess and see if we can get these  
18 things straightened out.

19 (A short recess was taken.)

20 CHAIRMAN MENDEZ: If there is too much feedback, let  
21 us know; and we will adjourn this thing.

22 Under the personnel columns, "Personnel Compensation"  
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1 under "Executive Offices", it really does not sound to me like  
2 that is right, John. If you have five officers there and a  
3 bunch of secretaries, that just does not -- I know that you  
4 guys are not well paid, but that tells me you are not as well  
5 paid as I thought because that averages \$12,500 for six months.  
6 I know that even our staff people that are a secretarial make  
7 more than that.

8 MR. BAYLY: Let me review this with Mr. Richardson, if  
9 I may. If we could pass this over, I will come back to it if  
10 you would like later on, but I think that is -- let me review  
11 it, if I may.

12 CHAIRMAN MENDEZ: Let's go to "General Counsel".

13 MR. BAYLY: The money appropriated to the work of the  
14 General Counsel's office is being spent down in an expected  
15 fashion. The reason that the unencumbered balance is as large  
16 as it is is because of the reserve set aside to satisfy a trial  
17 court judgment, I think was the amount of \$400,000 or so -- for  
18 \$500,000 -- and that matter is pending appeal. It explains the  
19 comparatively large size of that figure.

20 I think "Policy Development Communications" is being  
21 spent as expected, and I do not foresee any sort of carryover  
22 there. "Management Services" I would say the same -- that has

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1 to do with rent, utilities and that sort of thing. Again, that  
2 is being spent down in a regular and expected fashion. I do  
3 not foresee a carryover for that.

4 "Monitoring, Audit & Compliance" appears to have a  
5 sizeable unencumbered balance, but in the second half of the  
6 fiscal year, monitoring visits doubled in many months and in  
7 some months, trebled. That has consumed that balance at a far  
8 faster rate than previously. In addition, the Monitoring,  
9 Audit & Compliance Division has begun some training sessions  
10 and that, too, has eaten into the amount. I do not foresee a  
11 sizeable carryover there. By "sizeable", I mean more than  
12 \$100,000 -- say, \$50,000 to \$100,000.

13 The Comptroller's Office actually may run out of  
14 money, and some from line 9 which is "Unallocated Reserve" may  
15 have to be put in the "Comptroller" line as the Comptroller's  
16 Office brings on more staff.

17 "Field Services" -- again, I expect it will have no  
18 carryover. They have brought on a considerable number of new  
19 people to work there. Finally, I have been speaking about the  
20 "Unallocated Reserve".

21 CHAIRMAN MENDEZ: That was the portion, I believe,  
22 pursuant to Mr. Wallace's motion last time. It was placed in

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1 "Unallocated Reserve".

2 MR. BAYLY: Yes, that is correct>

3 CHAIRMAN MENDEZ: For you to determine what you wanted  
4 to do with it.

5 MR. BAYLY: There are a few things that we will want  
6 to do with it. One of the things we want to do with it is to  
7 transfer some of it to the Comptroller's Office. We also  
8 expect -- I expect that we will begin a study of modest  
9 proportions, but one which will nonetheless cost some money, to  
10 review our own computer capacity inhouse. Also, we have other  
11 smaller expenditures in such things, for instance, as the Drake  
12 and Loyola audits.

13 Let me ask Mr. Richardson -- if I may, Mr. Mendez --  
14 if there is anything I have overlooked here; if there is  
15 anything I should add. I think that would complete my  
16 submission, Mr. Chairman.

17 CHAIRMAN MENDEZ: Does any member of the Committee  
18 first have any questions on the general --

19 MR. SMEGAL: If I understood correctly, the May  
20 numbers are available; could we have those this afternoon?

21 MR. RICHARDSON: Yes, sir.

22 MR. SMEGAL: Great.

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1 CHAIRMAN MENDEZ: Bring enough copies for the Board.  
2 I will tell you what. Bring about 60 copies, I suppose. What  
3 I would prefer -- I do not know about everyone else -- I would  
4 prefer you to bring it in this format right here. Are you sure  
5 that you have them done?

6 MR. RICHARDSON: Yes, sir, they are done. You may  
7 want to just share them with the Board at this time?

8 CHAIRMAN MENDEZ: Are they verified?

9 MR. RICHARDSON: Yes, sir.

10 CHAIRMAN MENDEZ: Share them with everybody.

11 MR. BAYLY: Mr. Mendez, Mr. Richardson says only that  
12 they are not in as presentable a form as he might ordinarily  
13 have liked, but that does not seem to me to be inhibiting to  
14 providing them.

15 CHAIRMAN MENDEZ: That is fine. We will get those,  
16 and we will get everybody copies today. By the way, I want to  
17 tell you that it is a pleasure working with you gentlemen.

18 MR. BAYLY: Thank you very much.

19 CHAIRMAN MENDEZ: Finally, somebody that really  
20 understands what my questions are for a change.

21 MR. BAYLY: May I add, Mr. Chairman, that when I cited  
22 those percentages to you at the beginning of our responses, I

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1 want to make clear -- Mr. Richardson reminded me that it might  
2 have been ambiguous. That is for the "Management &  
3 Administration" portion.

4 CHAIRMAN MENDEZ: "Management & Administration" -- the  
5 37/40?

6 MR. BAYLY: Yes, sir.

7 CHAIRMAN MENDEZ: 39/42?

8 MR. BAYLY: 41/32 -- yes.

9 CHAIRMAN MENDEZ: Tom, you and I have had most of the  
10 questions. Let's ask the remainder of the Committee first if  
11 they have any other questions, and then we will come back to  
12 us.

13 MR. EAGLIN: What was your remark just now?

14 CHAIRMAN MENDEZ: Do you want to re-explain it?

15 MR. BAYLY: When I spoke earlier about previous years'  
16 percentages of expenditures at mid-year, I was speaking about  
17 "Management & Administration".

18 CHAIRMAN MENDEZ: For the six months.

19 MR. EAGLIN: All right.

20 CHAIRMAN MENDEZ: Paul, do you have any other  
21 questions?

22 MR. EAGLIN: No.

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1 CHAIRMAN MENDEZ: Hortencia? LeaAnne, do you have any  
2 questions? Tom?

3 MR. SMEGAL: No more.

4 CHAIRMAN MENDEZ: Any other Board members have any  
5 questions?

6 (No response.)

7 MR. SMEGAL: Will Mr. Richardson be here this  
8 afternoon? You will be with us?

9 MR. RICHARDSON: Yes, sir, I will.

10 CHAIRMAN MENDEZ: We will take public comment now or  
11 public questions.

12 A PARTICIPANT: Mr. Mendez, I just have one question.

13 CHAIRMAN MENDEZ: Would you please come forward and  
14 identify yourself.

15 A PARTICIPANT: My name is Bob Clyde. I am the  
16 Co-Chair of the Funding Criteria Committee of the Project  
17 Advisory Group and a Director from Youngstown, Ohio -- Program  
18 Director.

19 Mr. Mendez, we very much appreciate also seeing the  
20 mid-year review and the monthlies that are now issuing, the  
21 April monthly and one that will be released again today for  
22 May, but had started asking you, as you know, as early as last

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1 October when Martha and I first appeared before the Board as to  
2 whether monthly financials and quarterly financials would issue  
3 from last July.

4 I think there has been a regular exchange on that  
5 issue, and we wonder if there is still the capacity to produce  
6 monthlies from last July, as well as quarterlies. It is mostly  
7 historical but can be used for comparatives.

8 CHAIRMAN MENDEZ: I know. You are new on the block;  
9 so, I do not know if you are going to be able to do that. Tell  
10 us, Dave, whether you can do that or not or whether it is worth  
11 the time and the effort to go ahead and do that.

12 MR. RICHARDSON: I would suggest that it is probably  
13 not worth the time and effort. There are some quarterly  
14 reviews which, of course, I have not prepared but yet I could  
15 go through and review them and make them available. As far as  
16 the monthly review, when you have the quarterly, you are  
17 getting the compilation; so, there is probably no need for a  
18 monthly review process to go back for two years.

19 CHAIRMAN MENDEZ: Can you tell me why you need it?

20 MR. CLYDE: It is not so much that it is critical for  
21 us to understand what happens or what happened on a monthly  
22 basis. I think there is some value for comparative purposes.

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1 President Bayly has spoken of comparing mid-year this year with  
2 mid-year last year, and I think for the same reasons, we could  
3 use the monthlies or quarterlies.

4 I am not demanding it; I am just wondering if it was  
5 still possible to produce them.

6 CHAIRMAN MENDEZ: We are trying -- I mean I have been  
7 harping on this forever, but I am not sure that it is worth our  
8 effort to go back and do that. If you can really show me that  
9 there is likely some fraud or some other thing that makes it  
10 necessary, I will tell him that he has to go do it; otherwise  
11 -- I do not know if anybody else has any other view on that.  
12 Thank you, Bob.

13 If he can get something up and if it does not take  
14 anything or if we have something around, we will do it; but to  
15 specifically do the computer run and that sort of thing, I do  
16 not want him to have to go to -- I do want it out monthly, and  
17 I made that very clear, and you understand that. That is your  
18 highest priority. Mr. Bayly understands that that is my view,  
19 too.

20 MS. BERGMARK: Did Mr. Richardson say there were some  
21 earlier quarterly reviews?

22 MR. RICHARDSON: Yes, madam, there are.

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1 MS. BERGMARK: That would be available?

2 MR. RICHARDSON: Yes.

3 MS. BERGMARK: That would be perfectly satisfactory.

4 CHAIRMAN MENDEZ: Can you vouch for the correctness of  
5 those?

6 MR. RICHARDSON: Not at this point; not without a  
7 critical review of them.

8 CHAIRMAN MENDEZ: Can you get them -- I will tell you  
9 what. You and John sit down; and if you think it is worth your  
10 time to do it, do it. If you do not think it is worth your  
11 time to go back and run through them, that is fine. Send  
12 Martha -- in fact, I do not know if you have met Martha yet.

13 MR. RICHARDSON: I have not; I will make sure to do so  
14 today..

15 CHAIRMAN MENDEZ: Make sure that you introduce  
16 yourself; make sure that you talk to Bob, as well, and advise  
17 them of what, after you have had a chance -- he is new on  
18 board; we have to give him a little bit of time, but, at least,  
19 we are getting something out here -- and advise them one way or  
20 another. Send a copy to the remainder of the Board, to the  
21 whole Board, as to what your position is on that, whether it is  
22 worthwhile. That should take care of it.

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1 MR. CLYDE: Thank you.

2 CHAIRMAN MENDEZ: Gentlemen, I wish to compliment you.  
3 If there is nothing further -- are there any other public  
4 comments?

5 (No response.)

6 CHAIRMAN MENDEZ: Lunch! We are adjourned -- hearing  
7 no objection.

8 (Whereupon, at 11:55 o'clock a.m., the meeting of the  
9 Audit and Appropriations Committee was adjourned.)

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