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LEGAL SERVICES CORPORATION

MAR 22 1994

Executive Office

BOARD OF DIRECTORS
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

March 10, 1994

3:00 p.m.

4:45

San Francisco Hilton and Towers
333 O'Farrell
Plaza Ballroom
San Francisco, CA 94102

Diversified Reporting Services, Inc.

918 16TH STREET, N.W. SUITE 803

WASHINGTON, D.C. 20006

(202) 296-2929

COMMITTEE MEMBERS:

Maria L. Mercado, Chair
John T. Broderick
Douglas S. Eakeley
Thomas F. Smegal

BOARD MEMBERS PRESENT:

Hulett H. Askew
LaVeeda M. Battle
John G. Brooks
Edna Fairbanks-Williams
F. William McCalpin
Nancy H. Rogers
Ernestine P. Watlington

STAFF MEMBERS PRESENT:

Alexander D. Forger, President
Martha Bergmark, Executive Vice President
Patricia D. Batie, Corporate Secretary
David Richardson, Treasurer and Comptroller
Victor Fortuno, General Counsel
Edouard Quatrevaux, Inspector General
Gerry Singesen, Transition Team

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P R O C E E D I N G S

(4:45 p.m.)

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CHAIR MERCADO: We're going to start.

MR. FORGER: Ladies and gentlemen, would you join us please? It's now 3 o'clock and we are --

CHAIR MERCADO: Is it 3 o'clock?

MR. FORGER: It must be 3:00.

MR. EAKELEY: We're halfway to Hawaii if it's 3:00.

CHAIR MERCADO: I would like to go ahead and call the meeting for the Audit and Appropriations Committee to order, and at this time note that we do have a quorum for the meeting. Both Mr. Smegal, Mr. Broderick, and Mr. Eakeley, who are members of the committee are present.

I would at this time entertain a motion for the approval of the agenda.

M O T I O N

MR. FORGER: So moved.

CHAIR MERCADO: Is there a second?

MR. EAKELEY: Second.

CHAIR MERCADO: Is there any discussions of any of the items in the agenda? Any changes, corrections, omissions?

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1 (No response.)

2 CHAIR MERCADO: Hearing none, all those in favor of
3 approval of the agenda?

4 (Chorus of ayes.)

5 CHAIR MERCADO: Opposed? Abstentions?

6 (No response.)

7 CHAIR MERCADO: Motion carries. I hope everyone
8 has had an opportunity to read the minutes of the January
9 27th, 1994, meeting. Were there any corrections or additions
10 to those minutes?

11 M O T I O N

12 MR. SMEGAL: I move the approval of the minutes.

13 MR. EAKELEY: Second.

14 CHAIR MERCADO: Any further discussion?

15 (No response.)

16 CHAIR MERCADO: Hearing none, all those in favor?

17 (Chorus of ayes.)

18 CHAIR MERCADO: Opposed? Abstention?

19 (No response.)

20 CHAIR MERCADO: Motion carries. We will at this
21 time have with us some guests, and let me preface this with
22 saying that the board has tried to get a panel of client

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1 representatives to meet with us and discuss with us the type
2 of initiatives that they would like to see happen with fiscal
3 '94 and '95 in client services and in the delivery of legal
4 services in partnership with the attorneys and the staff and
5 the national office as far as the client community is
6 concerned.

7 I know we tried to do this at the last board
8 meeting and had difficulty getting people to present at the
9 panel.

10 Today we are very fortunate to have with us Alicia
11 Rodriguez, who is a client representative of the Legal Aid
12 Foundation of Los Angeles, and her interpreter is going to be
13 Tomas Olmos; and Ronald Rosello, president of the National
14 Organization of Client Advocates. And I know that the other
15 president was unable to be here at that panel, but was
16 invited.

17 If we could have you up here. As you know, this is
18 the new board of Legal Services, and we're all very concerned
19 in making sure that the work that Legal Services delivers is
20 the work that in fact is set in partnership with the client
21 community and client advocates as to how they see that their
22 local Legal Services programs ought to prioritize cases.

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1 And we are asking you to give us input and
2 direction on how you see that we can best provide legal
3 services to poor people in this country.

4 PRESENTATION BY ALICIA RODRIGUEZ

5 MS. RODRIGUEZ (through interpreter): I want to
6 thank you for the invitation to address this committee. You
7 are to be commended for recognizing the important role that
8 clients can and should play in the shaping of initiatives and
9 strategies developed for the benefit of clients.

10 Just because you are poor and unemployed, or maybe
11 uneducated does not mean that we are not capable nor
12 interested in assuming the responsibility for helping to
13 solve our problems.

14 We do not want to be patronized by merely being
15 recipients of a handout. Fortunately, the dedicated staff
16 provided through Legal Services programs have recognized the
17 importance of client empowerment.

18 I urge this board to underscore client empowerment
19 as the underlying premise in the delivery of legal services.

20 Consistent with the concept of client empowerment,
21 I urge this board to recognize the tremendous untapped
22 potential available through lay advocacy. We recognize that

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1 even with major increases in funding, there will not be
2 sufficient resources to fund necessary staff.

3 However, clients and client organizations are
4 readily available and eager to undergo training to help share
5 this responsibility. There are many forms of advocacy which
6 do not require an attorney. In Los Angeles, we have had much
7 experience and success in this area.

8 In particular, we have learned that we can be
9 extremely effective in helping clients maneuver through the
10 bureaucratic maze of government agencies which have been
11 established for their benefit, but which are structured to
12 deprive clients from entitled benefits.

13 Another area that needs serious attention is the
14 growing immigrant community in California, many of whom are
15 eligible for citizenship. Citizenship courses are necessary
16 to allow this community to have a voice, not only to express
17 their needs, but also to defend themselves from unfair
18 attacks.

19 I would urge the board to develop lay advocacy
20 programs and materials, to encourage Legal Services programs
21 to implement such programs, and even to set aside funding for
22 this purpose.

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1 I would finally urge in the strongest terms
2 possible that this board do everything possible to increase
3 funding for legal services. As a member of the board of
4 LAFLA and an active member of the client advisory council for
5 the East Los Angeles office, I am very much aware of the long
6 hours and extra effort staff devote in order to provide
7 services to as many eligible clients as possible.

8 For example, LAFLA has increased its caseload by 24
9 percent over the past two years without any increase in staff
10 or resources. Even so, every client served represents six
11 eligible clients who were rejected, solely due to lack of
12 resources.

13 And we'll entertain any questions, if you like.

14 CHAIR MERCADO: Ms. Rodriguez, one of the things
15 that we particularly were looking at was to see how your
16 particular client organization -- you say you have a client
17 counsel that assists the legal services -- how do you help
18 them set priorities? How is that done in your community?

19 MS. RODRIGUEZ (through interpreter): We are
20 observing an increasing need on behalf of the senior citizens
21 in our community, especially with regard to government
22 benefits, Social Security, and health care.

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1 CHAIR MERCADO: And how is it that the client's
2 counsels help them?

3 MS. RODRIGUEZ (through interpreter): It is often
4 our experience that these clients have a great need, but due
5 to lack of resources and staffing, staffing are not available
6 to help these clients, and we take it upon ourselves to help
7 represent these individuals through the government agencies.

8 MR. EAKELEY: This is not a question, but an
9 observation. I think it would be very helpful for us to
10 collect examples such as the ones that Ms. Rodriguez
11 mentioned of effective client advocacy programs that could in
12 turn teach us a little bit about client training programs as
13 a very important way to expand the reach of the delivery of
14 legal and lay services to help poor people help themselves.

15 MS. RODRIGUEZ (through interpreter): The L.A.
16 Client Advisory Council is composed of 24 members of the
17 community. And attorneys from the East L.A. staff have
18 trained us to help clients in representing them.

19 And she believes that replicating that model, that
20 example in legal services throughout would be a great benefit
21 for everyone.

22 MR. EAKELEY: Is there a write-up of that? Is

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1 there something in writing already that we can take with us,
2 or should we ask our staff to explore this further?

3 INTERPRETER: I don't believe there is anything
4 that summarizes or describes the various programs. At this
5 point, it's been ad hoc, clients and various offices doing it
6 as they can, and that's why I believe that an effective way
7 is to do it having some organization to coordinate or
8 consolidate the materials that are available and to share
9 them with programs throughout the country.

10 CHAIR MERCADO: You stated that some of the staff
11 attorneys or staff in the Los Angeles Legal Services program
12 has trained you. Aside from the attorneys and the legal --
13 and the East L.A. office, have you received any kind of
14 assistance from the support centers, from the Western Poverty
15 Law Center or any other support centers of that nature on
16 particular issues that you work on?

17 MS. RODRIGUEZ (through interpreter): No. Strictly
18 from the staff of Legal Aid.

19 CHAIR MERCADO: Ernestine and then Edna.

20 MS. WATLINGTON: These are some of the things that
21 Edna and I will be working on with some of the staffers to
22 help us do some research of some of the things that different

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1 clients are doing around, and this is what -- we felt there's
2 a lot of clients doing a lot of effective things.

3 We just need to know what it is and develop a
4 process whereby we can find this out and share with others,
5 assist them in trying to duplicate those things in other
6 areas. And it's very difficult.

7 And we feel that this is a very important part that
8 we want to play here because we are aware every day that the
9 need of clients is changing and the communities is changing
10 and we need this from this level to really work and help
11 assist the board in looking at those client issues and what
12 is being done and what can be duplicated.

13 MS. FAIRBANK-WILLIAMS: The question I was going to
14 ask is as a Client Council member, do they go to the welfare
15 office and to any other office with the other person as a
16 buddy system?

17 We do that in Vermont. Our low-income advocacy
18 council, if somebody is in trouble, they don't have a chance
19 to get to a lawyer or if it's something we can solve
20 ourselves, we don't go to a lawyer. We just do the buddy
21 system. Somebody that knows something goes to the office.
22 Do you do the buddy system?

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1 MS. RODRIGUEZ (through interpreter): Yes. I have
2 personally accompanied or represented a number of clients to
3 the welfare office. In particular, I am also the president
4 of a resident association of Estrada Courts. And the tenants
5 there often run into these types of problems, either through
6 lack of language or denied benefits.

7 And I am in a position due to the training that I
8 received, not only from Legal Aid, but also through HUD
9 training programs, so I'm in a position where I can help them
10 through those agencies.

11 MR. BRODERICK: Madam Chairman, I just have a
12 question. Alicia, in your own situation, can you tell me
13 very briefly what your training consisted of and how many
14 clients you're able to help or the council is able to help on
15 an annual basis.

16 MS. RODRIGUEZ (through interpreter): I believe in
17 the last year, we probably helped approximately 50
18 individuals.

19 MR. BRODERICK: I'm curious also what Alicia's
20 training has been. What allows her to provide this
21 assistance?

22 MS. RODRIGUEZ (through interpreter): We received

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1 training in how to reach supervisors of welfare offices where
2 clients have been denied benefits, either due to lack of
3 language or just through bad treatment by the workers. And
4 it's important to reach the supervisors who are going to be
5 in a position to change that, knowing the system of -- how
6 the system works.

7 Also, there is a situation where clients are being
8 forced to transfer from MediCal to other health care
9 programs.

10 MR. BRODERICK: Thank you.

11 CHAIR MERCADO: Are there any specific
12 recommendations that you have as far as what this board can
13 do on a national level as far as client representation is
14 concerned?

15 MS. RODRIGUEZ (through interpreter): Yes. We need
16 funds so we can continue the work.

17 (Laughter)

18 MR. BRODERICK: Can I ask, on that topic, what sort
19 of national coordination is there emanating from this board
20 on client involvement in legal services matters? Is there
21 any coordinated program nationally?

22 MS. RODRIGUEZ (through interpreter): I believe

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1 there is in that I know that I have been able to participate
2 in a number of trainings.

3 CHAIR MERCADO: And she said that there were a lot
4 of other people that needed additional training. There are a
5 lot of clients that are interested in training.

6 INTERPRETER: Yeah, and she has run into other
7 clients who have also had the same experience.

8 MS. BATTLE: I have one question. I was real
9 interested in the fact that because of the training that
10 you've received, you've been able to help over 50 people last
11 year. As a result of the help that you gave to those people,
12 did they still need lawyers, or did you help to solve their
13 problems for them?

14 MS. RODRIGUEZ (through interpreter): Yes. We were
15 successful in doing it without the assistance of any lawyers
16 from Legal Aid, but I must admit that we did threaten them
17 that if the problem wasn't solved, that we were going to
18 bring in the Legal Aid lawyers.

19 (Laughter)

20 MS. BATTLE: Oh, okay. That's very helpful to us,
21 thank you.

22 CHAIR MERCADO: If there's not any other questions,

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1 I thank you, Ms. Rodriguez, for presenting your testimony to
2 us.

3 And by all means, at any point in time, if your
4 client organization or members of your community want to give
5 us any ideas of what we ought to do on a national level,
6 please send that to us, to our president, Mr. Forger, or our
7 chairman, Mr. Eakeley, or any of us, so that we can discuss
8 it and develop that further.

9 MS. RODRIGUEZ (through interpreter): Okay. Thank
10 you.

11 CHAIR MERCADO: Thank you. Mr. Rosello.

12 PRESENTATION OF RONALD ROSELLO AND ROSIE NEWSOME

13 MR. ROSELLO: Good afternoon. I would like to
14 bring up Rosie Newsome, the vice president to the Project
15 Advisory Group, to assist me with this presentation, please.

16 I was elected the president of NOCA, National
17 Organization of Client Advocates, in the past conference with
18 the National Alliance for Defendants Association. And I
19 assumed this role four months back.

20 One of the things that I was told to do was to
21 speak about the initiative that clients can have and an
22 involvement with the Legal Services Corporation and the local

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1 programs.

2 One of the things that had stopped while Reagan and
3 Bush were President was the fact that training had stopped
4 for client board members, a key issue. Years ago, when I was
5 the past president of Bronx Legal Services, the LSC's
6 monitors came by and asked a tough question to me: How do
7 you go about recruiting board members?

8 Well, I fooled them. I answered the question
9 correctly, and I said that the program picks out a group of
10 agencies, and the agencies appoint the board member to the
11 program.

12 They looked shocked. They said this 25-year-old
13 young man knew too much about the Legal Services Corporation
14 and how board members were appointed.

15 The other thing is meaningful involvement of
16 clients in setting local priorities. For years, programs
17 have taken on in the area -- from New York have always passed
18 on the same priorities year after year. Where proper
19 training comes in, the client can review the statistics of
20 the program and look at that and determine what the
21 priorities are to be set.

22 Only the clients themselves know what the

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1 priorities are in the community. In some communities, it
2 could be housing; in other communities, it can be welfare;
3 another community, it could be issues with the educational
4 system.

5 Each year, time after time, priorities change.

6 Another problem that we saw was the recruitment of
7 attorneys. The clients are always left out on the type of
8 attorney that needs to be brought in, not a person that is
9 sensitive to the needs of the client, but a person who
10 understands the plight of the client.

11 The other problem was the outreach from the Bar
12 Association Law School for the enhancement of pro bono
13 activities. For years, we've been told that we need to go
14 out to the private sector and recruit attorneys who would
15 then give time and effort, whereas the Legal Services local
16 programs couldn't put in time and effort into that sphere.

17 Clients too there know the priorities and are best
18 able to talk to those attorneys about looking for involvement
19 from them.

20 Utilizing clients' expertise. The lady that spoke
21 before me is correct. Sometimes it's a client that is the
22 best advocate for that person.

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1 I myself have been trained as a housing court
2 mediator in New York City, a whole new sphere. In New York
3 City, the housing court is not a court of law. It's a court
4 that's not even administered under the state court. It's
5 administered under the mayor's office.

6 They took four of us, they trained us on housing
7 protocol -- not housing law, but protocol, how to best
8 resolve a resolution problem between a tenant and a landlord
9 without going before a judge and getting a decision where 99
10 percent of the time it would be an eviction or money that is
11 owed.

12 Other places, too, is administrative hearings and
13 welfare and rights, Social Security, SSI, where a lawyer is
14 not needed, where an advocate can be best listening to the
15 case.

16 We talked about training. Many clients who become
17 board members don't understand program governance, resource
18 and allocation and decisionmaking, and expansion of other
19 resources. NOCA in the three years that it came about offers
20 certain envision.

21 One, we offer to provide a national newsletter to
22 report on status on what's happening with the local programs

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1 and the national level.

2 Two, to help develop a human and technical resource
3 bank so that programs, like in California, will know that
4 there is a national program out there that's there for the
5 enhancement and development of other client training.

6 And last, to develop a technical support file that
7 identifies specific and geographical location of people with
8 technical support and network.

9 At this point, I'm going to allow Ms. Newsome to
10 add on some stuff.

11 MS. NEWSOME: Thank you. I would just like to
12 acknowledge and let everyone know in this room that Ron was
13 duly elected to be the president for NOCA. The \$15,000 that
14 was given to NOCA during the negotiation was to be signed by
15 the president.

16 Eugene Calanudi at that time was the president. He
17 is no longer the president. This is our president now. And
18 without funds, without training, we are a national
19 organization.

20 We are listed in every state. All states do not
21 have client counsel. Those that are not involved with client
22 counsel, we as clients are out there to try and reach them.

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1 We have no funds to reach them.

2 Whatever we undertake to do, we have to approach
3 PAG, Project Advisory Group, and they are not financially
4 able to support NOCA on a full scale.

5 What Ron is sitting here saying to this board is
6 something that has been said or we have passed out literature
7 to this board. They have an agenda, they have a memo that
8 was sent month before last. If you don't have it, we will
9 see that it's in your hand by tomorrow.

10 We need to be able to meet with every creed, race,
11 regardless to whatever status they are. There is always, as
12 the lady was sitting here talking, we need to be able to
13 network with her. We need to be able to network with her
14 clients.

15 She says she has 24 members. Northern Indiana has
16 250 members. Gary and Annapolis have close to 900 members.
17 They are independent. But they are a group. We are not here
18 for power struggle. We are here as a group of poor people
19 which has no race, creed or color. We are all needing to be
20 independent.

21 We are independent, just don't have anything to
22 support it.

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1 Now, we have tapes that were done by LSC as board
2 training. We do board training with our clients, we do
3 advocacy work. We work in nursing homes, we pick up people
4 from nursing homes. We go and take them to sign up to get
5 their light bill, gas bill reduced. We take them to get
6 their taxes done.

7 We train different ones to go to food stamps and
8 represent a client. You know, you take a pro bono attorney,
9 he probably has never heard of how to go and get Social
10 Security. And believe you me, the hearing officer probably
11 don't want to see him anyway because they know he's there for
12 25 percent of what you're going to get.

13 A client can do it, but how can they if you can't
14 train them? I can train the people in northern Indiana
15 because of the fact we have bake sales, which is called a
16 grassroots fundraising.

17 But how much fundraising can you get? You can't do
18 it by using Legal Services' name because that's a violation
19 to LSC's act, because you can't get funds to match with their
20 funds from northern Indiana's program. That's my program.

21 You have to do it on the outside. So we do it as
22 client counsel. But what we are trying to do is to get this

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1 board to give us sufficient funds. Give us the funds, first,
2 that you've already given us.

3 Then put us in your budget. Give us an opportunity
4 to gather our sources, as you all have gathered your Legal
5 Services sources. They have to report to you because you're
6 that umbrella, you're that direction.

7 This is what NOCA is trying to do and wants to do
8 for all of their people out there that don't know where to
9 go.

10 As Ronald said, we want to have a bank of all of
11 our skilled people, from wherever. We have people out there
12 that's qualified to do certain jobs. We have clients that
13 can do that, but they don't reach back.

14 There's Rosita from Macon, Georgia; there's Marian
15 Hathaway; there's Ann Bailey. We've got plenty of them.

16 MR. ROSELLO: You have Rose Santos here.

17 MS. NEWSOME: Peggy Santos.

18 MR. ROSELLO: There are plenty of people out there
19 that have the experience. The problem is that we don't have
20 the network, and that's what we need, the network. For too
21 long, the clients have remained silent, and as Ms. Newsome
22 said, independent.

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1 Now comes the time where we need to unite and have
2 one grassroots organization that represents clients as a
3 whole.

4 MS. NEWSOME: We're open to any questions.

5 CHAIR MERCADO: I was just real curious as to what
6 kind of -- those of you that have been around for a long
7 time, and I understand you were using separate funding from
8 Legal Services, but what kind of grassroots organization,
9 when you're dealing with particular that affected poor people
10 in general?

11 I mean, did you do other kinds of network with
12 other organizations other than Client Council
13 representatives?

14 MR. ROSELLO: The program is open to everybody.
15 The NOCA is open to everybody. We network with everybody and
16 anybody that wants to network with us, whether it's welfare
17 rights, SSI groups, people from the Board of Education, PTA.

18 MS. NEWSOME: ALR.

19 MR. ROSELLO: ALR, Alliance for Legal Rights. We
20 network with everyone. We began our grassroots back three
21 years ago. Am I right, Rosie?

22 MS. NEWSOME: Right, right.

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1 CHAIR MERCADO: Does anyone have any questions?

2 MR. BRODERICK: Madam Chairman, I have a question.

3 CHAIR MERCADO: Yes.

4 MR. BRODERICK: What I'm trying to resolve in my
5 own mind is the role of client advocate, and how that might
6 assist in the delivery of legal services.

7 And that is, can someone enlighten me on what
8 percentage of legal needs currently serviced by lawyers, and
9 maybe not well served in some cases by lawyers who are
10 inexperienced in a given area, could be better serviced by
11 adequately funded and trained client advocates? Can someone
12 enlighten me on that topic?

13 MR. ROSELLO: I can tell you from the housing court
14 sphere in New York, where we have one of the highest turnover
15 of attorneys. Once the attorney gets the training, he
16 leaves. Two or three years down, he gains the litigation
17 experience. He walks out the door.

18 What happens to the next client that has a housing
19 case? Well, here's where one of the programs that we devised
20 where we have housing court mediators. Mediators are not
21 going to go anywhere.

22 This is what I do for a living. I mediate cases.

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1 The percentage you're talking about? Eighty percent of
2 people go unrepresented in court.

3 MR. EAKELEY: I think, John, it's fair to put it in
4 terms of there's a client community out there that can
5 enhance and supplement the legal services that are currently
6 being delivered by Legal Services programs and lawyers.

7 And our task, I think, is very much to find the
8 best way not only to solicit client input, and starting with
9 Edna and Ernestine, but also to turn around and find a way to
10 involve and support the client community because ultimately
11 they are our clients.

12 MS. FAIRBANK-WILLIAMS: I'd like to answer your
13 question as far as Vermont is concerned. Of the clients that
14 are trained in Vermont and the CAP directors have allowed us
15 to train the outreach workers and so on, I would say that we
16 take a third of the cases and solve the problems before they
17 ever go through the Legal Aid door.

18 CHAIR MERCADO: Preventive.

19 MS. NEWSOME: Okay, and to answer your question,
20 what happens, our client starts on a local level of being
21 trained anyway. When they first come in to Legal Services,
22 when they -- some of the people really find out there is a

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1 Legal Services in the city, is an organization will send them
2 to represent them on an advisory council, which is the very
3 first thing that starts with Legal Services.

4 They set a priority which moves from the advisory
5 council to your board. Your board is one-third clients
6 either way it go.

7 From there, those clients come in contact with the
8 outside clients who is not on that board. They become
9 members of the Client Council, and they in turn meet with
10 churches, whatever, and get interested clients, and then
11 start their own training because with the cutback, Legal
12 Services said there wasn't any money to support Client
13 Council.

14 There used to be, but there is none anymore.
15 That's what's being said in northern Indiana. So that's how
16 Legal Services become involved.

17 There is a lot of attorneys that will dial clients'
18 numbers and ask them at home, I have a client whom I'm not
19 going to be able to go with this morning. They're going to
20 be evicted, or they need food stamps, or they should have
21 gotten their welfare check. Do you think you can take them
22 to see about it?

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1 Well, after we had threatened to sue our welfare,
2 it had gotten to the place that when they see a client walk
3 in, it was just the same as seeing an attorney walk in.

4 And we have a book out that was put out by our
5 support center for clients, "You and the Law." And it's
6 layman's terms on what your rights are. And we take that
7 book with us.

8 In that book, it tells you when you open it, we are
9 not saying that you are no lawyer. We are not saying that
10 you can act as a lawyer, but these are your rights and things
11 that you have a right to. And as a client, you can add what
12 you want to it.

13 Then, if that don't work, then you can get a
14 lawyer. So they will give it to you. But you've got to
15 train the people that they can do this, because they're
16 afraid of being evicted if he don't listen to you. But I
17 seem to have a very good relationship with all judges.

18 MR. EAKELEY: I'd want you for my lawyer, Rosie.

19 (Laughter)

20 MS. NEWSOME: So that is how we are tied in with
21 Legal Services. That's how Client Council became Client
22 Council, through Legal Services. So it's not something that

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1 the clients built. It's something that was built up through
2 Legal Services. They might not have wanted it to get as big
3 and strong as it did, but it's there now, and we're just
4 asking that you all support it.

5 CHAIR MERCADO: If there aren't any other
6 questions, I want to thank Ms. Newsome and Mr. Rosello for
7 addressing us, and again, I do urge you to be in contact with
8 us as we develop program priorities for client involvement
9 and client partnership with Legal Services.

10 MR. ROSELLO: At this time, I'd like to thank the
11 board and the president of the board for the contract that we
12 just signed, which is for \$15,000.

13 CHAIR MERCADO: Thank you.

14 MR. FORGER: Wish it were more.

15 MS. NEWSOME: Thank you.

16 CHAIR MERCADO: If there are any other client
17 representatives in the community that we didn't have
18 scheduled on the panel, and you needed to make a comment or a
19 recommendation, please feel free to do so at this time.
20 Otherwise we'll move on to our next item on the agenda.

21 (No response.)

22 CHAIR MERCADO: Hearing none. Okay, we will at

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1 this time go to Item 4 to review the audited financial
2 statements of fiscal year '93 from Grant Thornton. Mr.
3 Quatrevaux.

4 PRESENTATION OF EDOUARD QUATREVAUX

5 MR. QUATREVAUX: Thank you, Madam Chair, members of
6 the board. You have each in a green-and-white striped
7 envelope an audit report on our financial statements from
8 Grant Thornton for the fiscal year 1993.

9 These were received late Monday. No action is
10 required on your part. My suggestion would be that you read
11 it at your convenience, and we'll be back in Washington next
12 month. We certainly take any questions if that's acceptable
13 to you.

14 I'd also like to get some feedback as to whether or
15 not you would like the audit manager to make a presentation
16 on the report in Washington next month.

17 MR. FORGER: We would like the inspector general to
18 make a report at our meeting next month on the management
19 aspect.

20 CHAIR MERCADO: Yes. Yes, we would, and if it's
21 possible to also have someone from Grant Thornton present
22 also in case the board members have some questions. I would

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1 request that the board review this document, and any
2 particular comments that you have on the document, that we be
3 prepared to discuss that at the next board meeting.

4 And Mr. Quatrevaux, if you want to share some of
5 your thoughts beforehand also as well so that we can discuss
6 them, we'd be glad to accept those earlier.

7 MR. QUATREVAUX: Very good. Thank you, Madam
8 Chairman.

9 CHAIR MERCADO: Thank you.

10 Mr. Richardson. For members of the committee, you
11 received as part of your committee book, committee guidelines
12 and timetables that are being proposed for modification.

13 I don't know whether you've had time to review
14 them, whether any of you have had any particular points. I'm
15 not sure from looking at this, Mr. Richardson, without having
16 the benefit of the prior guidelines, to know what changes
17 were made. And perhaps between you and Mr. Singesen, I guess
18 you could tell us.

19 There are several items that I have questions on,
20 but maybe if you could do a general overview, then we could
21 go over the specifics.

22 MR. SINGSEN: Ms. Mercado, the guidelines that you

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1 have in front of you are the ones that have been previously
2 approved. They haven't been changed.

3 CHAIR MERCADO: Okay.

4 MR. SINGSEN: There is a schedule attached to them,
5 and it's been updated to the current period. That's -- let's
6 see, that begins on page 28. That's not part of the
7 guidelines as they were presented and adopted by the board a
8 couple of years ago. That's a current version of the
9 timetable that was adopted then.

10 What we propose as today's --

11 CHAIR MERCADO: Just to clarify, though, the
12 guidelines were not adopted by this board, is all I'm saying.

13 MR. SINGSEN: Not by the current board.

14 CHAIR MERCADO: That's right, okay. I just wanted
15 to be clear on that because I know that we had not discussed
16 them or gone over them, and I know that the last date that it
17 has that they were approved here was March 9, 1992.

18 So other than the changes that were made back then,
19 are there any other additional changes that are being
20 recommended now?

21 MR. SINGSEN: Not today.

22 CHAIR MERCADO: Not today?

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1 MR. SINGSEN: Not today.

2 CHAIR MERCADO: Okay.

3 MR. SINGSEN: Our intention was to begin with a
4 discussion with the committee of the relationship between the
5 staff and the committee with regard to expenditures in the
6 corporation, the development and adoption of budgets, and the
7 review of budget performance, which is a central part of the
8 committee's function, and then to come back at the next
9 meeting with some specific proposals for modifications which
10 we think will enable the committee to work better and the
11 management of the corporation to carry out its
12 responsibilities better.

13 But today our intention is to review the rules as
14 they now pertain so that you will all be clear about what you
15 can expect from the staff, when you can expect it, and how
16 your role of oversight of the corporation's management and
17 staff through the budget is facilitated by the reports that
18 you receive.

19 If you would like, we can begin with that.

20 CHAIR MERCADO: That's fine.

21 PRESENTATION OF GERRY SINGSEN

22 MR. SINGSEN: The guidelines themselves are on

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1 pages 12 to 27 of the committee book for today's meeting. I
2 want to direct your attention to several parts of them and
3 explain quickly what the process is like.

4 The basic budget, the consolidated operating
5 budget, which you adopted for the corporation a month ago
6 after deliberations, is the place that the guidelines begin
7 and the place that your control over the corporation's
8 activities begins.

9 The format for that consolidated operating budget
10 is on pages 18 and 19 of the committee book. And what I want
11 to direct your attention to is less the specifics that run
12 across the top because all that says is the appropriation and
13 the carryover and any special money that's available
14 producing the budget, but the level of detail for the line
15 items, because the budget modification guidelines work
16 through rules about whether the line items, whether it's
17 basic field programs, regional training centers, or the board
18 of directors' budget, can be changed without the approval of
19 the committee and the board.

20 And the rule is that in almost all situations, they
21 cannot. So that when you adopt the COB, having chosen the
22 specific line items that will be in the COB, you are also

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1 determining the level of control you're placing on the
2 management.

3 If you want greater control, you would have more
4 line items because the staff's ability to make changes, the
5 president's ability to make changes within the COB is limited
6 to changes that are within a specific line item.

7 The other parts of the standard package of
8 information that are presented here are right after the
9 outline of the consolidated operating budget.

10 Page 20 shows you a form I think you're familiar
11 with already, the detailed explanation by division within the
12 corporation and by line item, expenditure category --
13 personnel, communications, and the like. Occupancy costs,
14 which we've spent a good deal of time talking about, is a
15 line item there.

16 And this is information you'll be provided
17 regularly that shows you spending up to the end of a month --
18 in this case, for example at this meeting, up to the end of
19 January, which you can use to review the performance of the
20 corporation.

21 And then the third item starts on page 21. It is
22 the COB work sheet. And of course, the first thing to say is

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1 that the work sheet is not the COB. It's the tracking of
2 expenditures and performance against the COB. It changes
3 during the year while the COB doesn't change because it's
4 adopted at the beginning of the year, and it is the control
5 document that you've put into place for managing the
6 performance of your staff.

7 You can modify the COB by decision at any time, but
8 the work sheet enables you to see what's been happening
9 against your budget.

10 So those are the basic tools. Now, the rules that
11 go with the tools are spelled out in the budget modification
12 guidelines, and they start with the idea that each quarter,
13 the staff of the corporation will conduct an internal budget
14 review, examine expenditures through the quarter, the half-
15 year -- for example, expenditures at the end of March are the
16 half-year, mid-year point, and see how the performance of
17 expenditures is running against the budget categories.

18 The staff will then present to you a report on the
19 mid-year budget review, which will include, if there are any
20 needed, recommendations about modifications in the
21 consolidated operating budget.

22 The staff may, on the other hand, simply report to

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1 you how expenditures are running according to plan, and that
2 no modifications are required.

3 There are two kinds of changes that are standard.
4 the first does not require the committee or the board's
5 approval. That's an internal budgetary adjustment, that is,
6 a change within a single COB line item.

7 For example, a decision to spend more on supplies
8 and less on computers within the administration budget. The
9 president has the authority under the procedures, and this is
10 on pages 18 and 19 -- I'm sorry, that's the wrong page --
11 it's paragraph 4 of the guidelines on page 13.

12 The president has the authority without the board's
13 special approval prior to the act to make modifications
14 within single COB lines, and then to report those changes.

15 If a new activity is undertaken or a substantial
16 curtailment is done, that may lead to a decision that the
17 board has to be consulted. It could even lead to a
18 requirement for reprogramming under the legislation.

19 Now, the second type of change is the adjustment
20 between COB lines. That's described in paragraph 5. And
21 here is where the president's authority in the guidelines
22 stops.

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1 The president can propose a change, based on the
2 internal budget review and operating conditions to date. The
3 committee reviews that proposal. If the committee approves,
4 it passes the recommendation on to the board, and if the
5 board approves, a change in a COB line item is made.

6 Prior to that, however, the president lacks the
7 authority to change a COB line item, moving money, as it
8 were, from one to another.

9 There are two exceptions. One, there is a category
10 in the management and administration budget called "Special
11 contingency funds." This year we've got a little over
12 \$200,000 in that category.

13 And under the guidelines -- this is in paragraph 8,
14 the president on his own may make a change from that category
15 into another category in the budget, even though it would be
16 a change in a COB line item, because the money's coming out
17 of the special contingency fund line item.

18 We have \$202,000 in that line this year. If our
19 expenditures on the activities of the board, for example,
20 were to appear to be likely to exceed the budgeted funds, the
21 president could take money from the special contingency fund
22 and make it available to the budget for the board.

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1 MR. FORGER: Or ask each board member to
2 contribute.

3 MR. SINGSEN: Yes. There is a lot of precedent for
4 that, actually.

5 The second exception arises in the paragraph that
6 deals with unanticipated needs for immediate reallocations
7 between board meetings. This is in paragraph 7 of the
8 guidelines.

9 I don't know that this has actually ever happened
10 quite the way it's described here, but should there be an
11 emergent need to change a COB item and no contingency funds
12 to call on, the president can propose by memo a change in a
13 COB item.

14 It goes to all board members. The committee is
15 then convened in a meeting under the Government and Sunshine
16 Act, and if the committee approves the proposed reallocation,
17 it goes into effect subject to subsequent board meeting
18 revocation. But the committee has the power to approve such
19 a change under the guidelines in an emergent situation.

20 Now, we have in front of you today the report, it
21 starts on page 33, on expenditures for the first four months
22 of this year. And Mr. Richardson, as he has done at other

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1 meetings, is going to take you through that report, if you
2 will, as an example of the kind of information that the
3 guidelines say you will be routinely presented.

4 PRESENTATION OF DAVID RICHARDSON

5 MR. RICHARDSON: Thank you, and for the record, my
6 name is David Richardson. I'm the treasurer-comptroller of
7 the corporation.

8 Starting on page 34, there is a memo that precedes
9 it, but basically 34, you'll see that there is a "Statement
10 of funds available and fund balance." This is a new
11 statement. This is in addition to those statements that are
12 normally prepared and provided in your monthly review.

13 We have internally developed this, with Mr.
14 Singesen's help, and we will provide this each month to you.
15 This is one of the little changes that we will come forward
16 with in the future.

17 But basically, you've got how the budget was
18 allocated. You see that there's a "Management and
19 administration," the "Board initiatives," and the "Grant
20 funds" with the total appropriation, under Roman numeral I.

21 Under Roman numeral II, we have "Funds not
22 allocated" to the budget. We have projected what you were

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1 giving when we were passing the budget and what we have
2 collected to date.

3 At this point, you'll see that we have projected
4 \$526,000 and we actually have received in-house already
5 \$427,000.

6 And then we have added a line, Roman numeral III,
7 for the "Fund balance deficit reduction plan," showing the
8 process and where we stand as of January 31st in this
9 process.

10 The final year-end deficit was \$2.561 million. We
11 have allocated through the '94 appropriation \$848,000, and
12 then the total of funds not allocated to date, \$427,000, for
13 a total funds allocated to the reduction at this point of
14 \$1,275,000. It shows the deficit as of January 31st of
15 \$1,285,000, almost \$1,286,000.

16 But that will show you the process and also the
17 progress we're making on the other income and also the
18 deficit reduction.

19 When we have an adjustment to the budget, we could
20 reflect it in Roman numeral I as amounts allocated if we're
21 bringing money from the outside, and we'll develop that
22 reporting practice to you.

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1 MR. BRODERICK: David, could I interrupt you for a
2 minute?

3 MR. RICHARDSON: Yes, sir.

4 MR. BRODERICK: Looking at page 34, Roman numeral
5 II, does the current state of the record on actual versus
6 projected in any way change your view of projected?

7 MR. RICHARDSON: I've always thought that I should
8 try to project conservatively, therefore leaving some room.
9 Last year, for instance, I projected \$300,000. We only
10 collected like 290, as I recall, 280.

11 Actually, I feel that this is a bit low this year.
12 I think we will get a little bit more -- more, for instance,
13 in the interest. You'll see that we have interest income
14 projected of \$200,000. We've got basically \$88,000 in four
15 months. Yes, I think that's low.

16 Grant recoveries, we've already recovered more than
17 I've projected. So yes, I do feel that that is low in the
18 total looking at this whole picture.

19 MR. BRODERICK: And any excess goes to deficit
20 reduction?

21 MR. RICHARDSON: That is correct. That's our
22 current plan.

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1 MR. BRODERICK: Great.

2 MR. RICHARDSON: If the board sees a need in the
3 future to tap that for a particular resource, it can be done,
4 and then it would be shown. In Roman numeral I, we would
5 show that allocation.

6 MR. BRODERICK: Thank you.

7 CHAIR MERCADO: Mr. McCalpin.

8 MR. McCALPIN: I think maybe you've answered the
9 question, but I didn't hear John or you very well. Are you
10 saying that whatever comes in under Roman II is in fact going
11 to go to the deficit reduction plan automatically? If it's
12 526, there will be another 100,000 reduction in the deficit?
13 If it's 626, it will be 200? That automatically flows to
14 deficit reduction without any further action?

15 MR. RICHARDSON: Without allocation, yes, sir. The
16 board could allocate that money for current operations, but
17 yet --

18 MR. McCALPIN: But did the board take an action
19 saying that any unallocated funds will go to deficit
20 reduction?

21 CHAIR MERCADO: No, there hasn't been any action
22 taken to that effect.

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1 MR. RICHARDSON: No, sir. Absent any action to
2 move the money to an allocated process, it would
3 automatically go to the deficit reduction.

4 MR. SINGSEN: This is a technical answer, and I
5 want to say it in a less technical way. What we're effecting
6 here is the fund balance on your balance sheet. If you've
7 got the money, it reduces the deficit. If you spend it, then
8 it doesn't.

9 You don't need to make a decision to change your
10 balance sheet. On the other hand, you could decide, as you
11 know, to do any number of things other than simply have the
12 money used to reduce the deficit.

13 Remember that a large part of the deficit is an
14 accrual in a liability account, so that having the asset,
15 which you will have if you have these recoveries, offsets
16 balances against the fund balance.

17 You still have the cash. It hasn't gone anywhere
18 when it reduces the deficit in this process.

19 MR. McCALPIN: Okay, thank you.

20 MR. RICHARDSON: Okay, we'll move to Attachment B,
21 and this again is an additional reporting mechanism that
22 we've developed, which summarizes the budget, again by

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1 category, showing under Roman numerals the delivery of legal
2 assistance.

3 For instance, we had the appropriation of \$366
4 million. There was an allocation approved by the board of
5 \$874,000 approximately, and then the other funds, the Court
6 of Veterans Appeal money, of \$790,000, for a total budget for
7 the delivery of legal assistance of \$367,914,000.

8 To date, as of January 31st, there is contracts for
9 that money that has gone to the field programs in the amount
10 of \$364,684,000, leaving a balance of \$3.229 million.

11 The majority of that money is for short-term funded
12 programs. If we go back into Attachment C, where we're
13 reviewing the consolidated operating budget, I can identify
14 what lines those are and I could also tell you which programs
15 that may be involved with the short-term funding, but there
16 is much less money available for the board's use than \$3.2
17 million.

18 Within the support, I won't go all the way across
19 again with the lines, but we have a total budget approved of
20 \$22,796,000; spent to date, column 5, is \$22,470,000, with a
21 remaining balance of \$326,000.

22 Under the corporate management and administration,

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1 there's two lines involved. You've got a total of
2 \$10,590,000. To date, we have expended \$3,324,00, with a
3 total amount remaining of \$7,266,000.

4 In each case, we have column 1, 2, and 3, adding or
5 equaling what is reported in column 4. Column 5 is the
6 amount of expenses. Subtracting 5 from 4, and you will get
7 the balance of 6.

8 What we have done with the Roman numerals, and then
9 A, you'll see in "Field Programs" -- let's turn the page, if
10 you don't mind, to 36, where you'll see a breakdown of the
11 field programs.

12 The summary information that you see, Roman numeral
13 I and A, are the same that are on the Attachment B. Now
14 we're showing the additional breakdown: your "Basic field,"
15 your "Native American component," your "Migrant," "Special
16 Emergency Funds," and "U.S. Court of Veterans Appeals."

17 All of those add up -- it's one of the unique
18 reporting -- in this particular budget. When you normally
19 add figures, you're adding down. This one adds up.

20 MR. McCALPIN: Why would there be \$800,000
21 presently unallocated to basic field programs?

22 MR. RICHARDSON: It's not completely unallocated.

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1 There is one program in the basic field component that is on
2 a short-term funding.

3 MS. FAIRBANK-WILLIAMS: Month to month.

4 MR. RICHARDSON: Month to month, quarterly, yes.

5 And there is an amount of \$744,000 that we have for that
6 program.

7 MR. McCALPIN: I see.

8 MR. RICHARDSON: There is only \$73,479 as a
9 contingent, any money that is not allocated for any specific
10 purpose at this time.

11 To aid you, what I will do will be add an
12 additional footnote in next month's reporting so that you
13 will have that information. So when you review it, you'll
14 see that there's only \$73,000 left for the board that they
15 could take action on.

16 CHAIR MERCADO: Ms. Rogers.

17 MS. ROGERS: Yes. Could you do the same thing for
18 the board initiatives and tell us whether there are
19 commitments there, on page 38?

20 MR. RICHARDSON: Absolutely. We will do it for
21 each line. We will add a footnote for each line, because the
22 majority of the money, even though it shows remaining at this

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1 point, are allocated to programs.

2 MS. ROGERS: Is that true of the board initiatives,
3 too? Is that already allocated?

4 MR. RICHARDSON: Yes, it is. Under the board
5 initiatives, you have three elements, and let me turn to get
6 the correct amount. There's \$360,000 in that line at this
7 point. There's \$85,000 that is for the presidential search.
8 There's \$15,000 that's just been awarded to NOCA.

9 The remainder of that money, the \$260,000, is your
10 competition initiative. And I can give you a full breakout
11 of that next month in the reporting.

12 MR. SINGSEN: Just one small technical
13 clarification. The money due to the program on less than
14 full-time funding is clearly targeted for that program and,
15 assuming we don't defund the program, will go there.

16 The money in the board initiatives category that's
17 set aside for the comparative demonstration project is much
18 more subject to our own planning and replanning, so that
19 should we make decisions that affect the rate or the purpose
20 of an activity we're running in the board initiatives area,
21 like the comparison demonstration project, it would have an
22 immediate effect of releasing funds.

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1 We've got much more flexibility between our plans,
2 which are our plans, and a program's plans to keep in
3 business, which certainly they have with the program.

4 CHAIR MERCADO: I think that part of the concern is
5 that these board initiatives that are noted in this budget
6 were not board initiatives that this board approved or
7 reviewed or considered. And so part of the concern from the
8 board is to look at what perhaps we may have differences of
9 opinion on what we think the initiatives ought to be.

10 I thought it was rather curious that on the sample
11 that you gave us of the recommended budget document for '91,
12 they had \$997,000 in board initiatives, compared to our
13 \$100,000 this year for board initiatives.

14 I'm not sure what they did with it, but in any
15 event, I noted that we didn't have as much flexibility to
16 come up with creative ways of delivering legal services.

17 MR. RICHARDSON: I can answer that quickly for you.
18 Of the 950, 260 of it is still remaining. That was the
19 initial money set aside for the pilot project on the
20 competition initiative. And certainly we had asked for much
21 more than that in our '96 budget request also -- excuse me,
22 '95 at this point.

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1 CHAIR MERCADO: Yeah, I just don't want to mislead
2 our field programs, the people in the client community, that
3 we've spent all this money with these initiatives that we had
4 nothing to do with.

5 MR. RICHARDSON: Just to continue, I'll go down
6 through -- we went through the "Basic field." The "Native
7 American component." You'll see that there's \$152,000 there.
8 There is one program that's on a reimbursable contract.

9 So there's \$104,000 left in that line for that
10 contract. There's a \$47,918 contingency that it's
11 unallocated for any program or purpose at this time.

12 Under the "Migrant Component," there is an amount
13 of \$18,000, that is -- I'm sorry, \$64,000. \$57,989 of that
14 is the FY-93 and 94 funding for the state of Kentucky for a
15 migrant program.

16 So there is \$6,206 there that is not designated for
17 any purpose at this point.

18 Within the "Special Emergency" line, there was an
19 original budget of almost \$36,000. \$17,800 has been spent to
20 date. There's an \$18,000 balance.

21 I am aware that there is approximately a \$23,000
22 refund to the corporation that is coming in later this year

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1 that will be accrued into the statements, so right now we
2 have approximately \$42,000 that we could use for the
3 California earthquake victims and potential relief there once
4 the request for proposals and their different documentation
5 comes in.

6 MR. McCALPIN: Do I understand that what you're
7 going to do from here on is tell us how much of the remaining
8 funds are committed and how much are subject to possible
9 board action?

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

11 CHAIR MERCADO: Go ahead.

12 MR. RICHARDSON: Okay. In the U.S. Court of
13 Veterans Appeal, that money is certainly allocated for that
14 total project. There is no money left there in a
15 contingency.

16 In the "Supplemental service," we have the "Law
17 school" money. Of course, the RFPs have gone out on that,
18 and we won't know if there is any additional funds left until
19 we get those RFPs in and reviewed and make the grants to
20 determine if there is any money left.

21 In the "Supplemental field," you see that all the
22 money that was budgeted has been allocated for that purpose.

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1 In the "Support," you'll see that there is
2 remaining funds of \$326,000. Of that, I will go down to the
3 "National support." You'll see that there is a balance there
4 of \$176,000.

5 There has been discussion with OSBUC in regards to
6 training programs and different initiatives that they would
7 like to undertake. I am not sure of any request for that
8 money that's been finalized and sent into the corporation.

9 At one point, there was discussion that they would
10 need a grant of approximately \$70,000, but in checking with
11 the Office of Program Services staff last week, they had not
12 received the grant request.

13 So all of that money is available at this point.

14 In the "State support," there's \$149,000. There is
15 five new state support centers that are \$20,000 each that are
16 -- and they're for Puerto Rico, Virgin Islands, District of
17 Columbia, Micronesia, and Guam. There will be proposals
18 coming on those to set up state support centers in those
19 areas.

20 So that leaves \$49,825 that there is no -- there is
21 a contingency that there is no stated purpose at this time.

22 Certainly within the "Management and

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1 administration," when we were talking before about the
2 reallocation of funds and the budget modifications, there are
3 none to be brought for you at this time.

4 The budget for "Management and administration," the
5 \$10,229,000, we have spent to date \$3,255,000. So remaining
6 for operations in the next eight months is \$6,900,000.

7 I might add here, when we do look in March, each of
8 the directors will review their budgets, they will prepare
9 the next six months' projections, and then they will present
10 to my office for further review of the president, if there is
11 any particular change in experience, operating experience,
12 where there will be a need for an internal budgetary
13 adjustment.

14 Within the reallocations, I can see at this point
15 that there is a possibility for one. And that is in the
16 board of directors, we do feel that there will be additional
17 monies needed for the operations for the remainder of the
18 year.

19 Now, this is one of the elements of the review that
20 I normally complete with you. Also when we look at the
21 "Management and administration," you'll see that, for
22 instance, in the Attachment C, we'll then go to Attachment D,

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1 and within the board of directors, you'll see that so far we
2 have spent through January \$94,000.

3 And this will give you the breakout by budget
4 category. As far as the "Consulting services," that's the
5 attendance fees that we pay you as a board and also pay our
6 court reporter. And if there is any special speakers that
7 you bring in or attendees that we need to pay, that would
8 come out of this particular line.

9 Also the "Travel," that's for you and the court
10 reporter and the special speakers that you have.

11 Since the late hour, I will ask you if you would
12 like for me to go through each line. I don't believe it
13 would be necessary at this point.

14 MR. BRODERICK: David, I have a question. And my
15 recollection is probably faulty on this, but I do know at one
16 point some months ago, I raised the topic of how we account,
17 at least in these spreadsheets, for occupancy cost, and that
18 it seemed to me somewhat arbitrary to put it all under one
19 category or basically under one category, and that we should
20 somehow allocate that through each department in the
21 corporation.

22 And I thought we had agreed that we were going to

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1 do that. I'm not correct on that, obviously.

2 CHAIR MERCADO: At another board meeting that you
3 were not at, it was changed again because of accounting, and
4 I think that our auditors really were recommending that it
5 was better for us to allocate it in one chunk.

6 David might explain it a little bit better.

7 MR. RICHARDSON: In setting up our audit review and
8 continued review for a year-end audit, it is much better to
9 charge it to one line.

10 However, what we are going to do is, each quarter,
11 when we do an internal budgetary review, we will make an
12 allocation for the operations of administration, for rent, if
13 we can bring out supplies, telephone, and those type of
14 costs, insurance, that we would normally pay in one lump sum,
15 but then we'll break it out and show the allocation of how
16 much it is costing for the operations of every office.

17 And we will do that in March, we'll do it in June,
18 and we can also do it at year end to show you what it has
19 cost for the full year of operations.

20 MR. BRODERICK: All right, thank you.

21 CHAIR MERCADO: Are there any questions that people
22 have regarding -- we've actually gone into Item 6. I know we

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1 started out with Item 5, and David just --

2 MR. McCALPIN: We haven't finished Item 5.

3 MR. RICHARDSON: We haven't, yes. The reason we
4 did that is we did want --

5 CHAIR MERCADO: We started with 5 and then at this
6 point, the committee is not going to take any action on that
7 item, but I would like both for the committee members and
8 members of the board, if you have any recommendations or
9 suggestions on these guidelines, although they were approved
10 in '92, it wouldn't hurt us to review them and see whether or
11 not they in fact will work for us.

12 MR. RICHARDSON: That's true. There are a couple
13 of things that do need to be changed. We can work on those
14 internally and get you a draft of that very quickly, and then
15 whatever changes that you would like to make, we could
16 incorporate also for the next meeting.

17 CHAIR MERCADO: That would be good.

18 And then on Item 6, in reviewing the Expense and
19 Revenue report for the first quarter, through January 31st of
20 '94, all we really need to do from your perspective is just
21 to accept the report, the quarterly report that you're
22 submitting.

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1 MR. RICHARDSON: That is correct, because at this
2 point, there is no budget modifications recommended.

3 CHAIR MERCADO: I would entertain a motion for
4 that.

5 MR. BRODERICK: So moved.

6 MR. SINGSEN: Madam Chair, just a procedural point.
7 I think there is no need for a motion in the sense that all
8 that's being done is a report on expenditures to date. And
9 since no modifications are being made and the like, I don't
10 think historically that there's been any need for a motion on
11 this matter.

12 CHAIR MERCADO: So you mean we don't even need to
13 accept your report? Is that what you're saying?

14 MR. SINGSEN: I don't think so, but I mean we'd be
15 delighted to have your acceptance.

16 MR. BRODERICK: Madam Chair, can I ask you a
17 question?

18 CHAIR MERCADO: Yes.

19 MR. BRODERICK: Are we looking -- with reference to
20 Item 6, are we looking at Attachment E?

21 CHAIR MERCADO: No, we're looking at Attachment C
22 and D -- and E, actually.

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1 MR. BRODERICK: Let me ask, based on the review,
2 and I'm looking at Attachment E on page 41, is there any
3 reason at this point for this board to be concerned that
4 allocations are inconsistent with where they should be at
5 this point? Is there anything you gentlemen see that should
6 be of concern to us?

7 MR. RICHARDSON: Within the allocations, no, sir.
8 But I do say that with one caveat, and that is that we do see
9 -- I see a need for additional money that will have to be
10 transferred to the board of directors for operations.

11 That will create some adjustment, but there's
12 nothing at this point that's --

13 CHAIR MERCADO: Well, and you know, and part of the
14 reason that I think that -- and he just mentioned it a few
15 minutes ago, but I think people forget this, is that we're
16 using the funds that are allocated for the board of directors
17 to pay for the presidential search, to pay the consulting
18 firm, the travel. You know, everything that is related to
19 that is coming out of our line item.

20 So when you look at it and if it -- you know, it's
21 not that you've done that much travel or that much consulting
22 or whatever. It's that a big chunk of it is going for a

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1 presidential search, and it's coming out of our --

2 MR. RICHARDSON: Okay, Madam Chair, if I can
3 correct. It is not coming out of the board's budget. It's
4 coming out of board initiatives.

5 CHAIR MERCADO: Board initiatives, right.

6 MR. RICHARDSON: Right, but what I'm talking about
7 is the board's budget itself. We budgeted two-day meetings,
8 and now we've gone to three- and four-day meetings. That's
9 the reason we will need additional money and not for the
10 presidential search at this point.

11 MR. BRODERICK: David, do you know what we're
12 talking about? What's the magnitude of that number?

13 MR. RICHARDSON: I do not as yet. I have not sat
14 down with Ms. Beatty, we've not researched the different
15 cities that we're going to to see if we need additional costs
16 there.

17 The original budget was built on the concept of the
18 board schedule was set out on January 6th, and of course it
19 was modified later. So when we do the first quarterly
20 review, we will then go in and see how much additional money
21 will be needed.

22 At this point, it's not critical. With the

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1 transition ongoing in the corporation, there should not be a
2 problem for funding the board's operations at all.

3 CHAIR MERCADO: If we don't have any other
4 questions, then we'll go ahead and just accept your report.

5 MS. FAIRBANK-WILLIAMS: You did say that the next
6 paperwork that you sent out, you would have the things on the
7 bottom that explain the budget better or a skipper paper that
8 tells us where all this money is?

9 MR. RICHARDSON: Yes, Ma'am. I will put a footnote
10 to any remaining funds that will show that they are
11 designated by the legislation for a particular program and
12 the monies that are remaining that could aid the board in
13 developing different initiatives or awarding to different
14 programs within those disciplines.

15 CHAIR MERCADO: What I would like to do at this
16 time, Items 7 through 10 would take us probably about an
17 hour, an hour and a half to complete. And I realize that
18 most of the people that are in this room, or at least from
19 the board members anyway, are either two hours or three hours
20 ahead of this time schedule.

21 And what I would recommend is that we meet in the
22 morning at 8 o'clock to try and get those items taken care of

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1 in the morning.

2 And Mr. Smegal had to leave our committee. And
3 your committee starts at 9:00, I know. And we're just going
4 to have to move very quickly through those items.

5 Hopefully, if we're all a little fresh and we're
6 alert, it will probably go faster.

7 MR. FORGER: Do you really believe it would take an
8 hour to complete these four items?

9 MR. SINGSEN: The only item that's going to take --
10 well, there are two items that will take a little time. The
11 first is the discussion of what's been heard about the
12 response to the budget request on the Hill.

13 And the second is the discussion of the principles
14 involved in considering how to respond to the president's
15 \$500 million budget proposal.

16 And my estimate is that the two together will take
17 us the better part of an hour. There is one short, remaining
18 piece of the budget modification guidelines discussion as
19 well, which is the scheduling part. And we need a few
20 minutes for that. If we do it faster, that's great.

21 MR. FORGER: I thought the first would only be 10
22 minutes or so.

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1 MR. SINGSEN: I think that's probably about right.

2 MR. FORGER: Or maybe seven.

3 (Laughter)

4 MR. SINGSEN: How much do you plan to talk, sir?

5 MR. FORGER: Five.

6 CHAIR MERCADO: I would entertain a motion to
7 recess until the morning at 8 o'clock.

8 M O T I O N

9 MR. BRODERICK: So moved.

10 CHAIR MERCADO: By consensus, we'll go ahead and
11 recess till the morning to cover Items 7 through 10.

12 (Whereupon, at 6:10 p.m., the meeting was
13 adjourned, to reconvene at 8:00 a.m., Friday, March 11,
14 1994.)

15 * * * * *

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