



BOARD OF DIRECTORS

## RESOLUTION

### RISK MANAGEMENT OVERSIGHT

**WHEREAS**, as part of its ongoing risk management responsibilities, Management has identified the principal risks facing the Legal Services Corporation ("LSC") as set forth in a risk matrix attached hereto as Exhibit A; and

**WHEREAS**, the Audit Committee of the Board of Directors ("Board") of the LSC has reviewed and discussed the risk matrix and the assignment of the risk areas identified therein to Board committees for the purpose of oversight;

**WHEREAS**, the Audit Committee has recommended that the Board adopt the assignment of risk areas to Board committees for oversight as set forth in the attached matrix;

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby adopts the assignment of risk areas to Board committees as set forth in the attached matrix and directs Management to report periodically on indicated risk areas to the specified committee on a schedule to be determined by each committee in consultation with Management.

**Adopted by the Board of Directors  
On October 22, 2013**

A handwritten signature in black ink, appearing to read "John G. Levi", written over a horizontal line.

**John G. Levi**  
*Chairman*

Attest:

A handwritten signature in black ink, appearing to read "Ronald S. Flagg", written over a horizontal line.

**Ronald S. Flagg**  
*Vice President for Legal Affairs,  
General Counsel, and  
Corporate Secretary*

<b>RISK TO LSC RESOURCES – PEOPLE</b>							
<b>Risks</b>			<b>Strategies</b>	<b>Who is responsible?</b>		<b>Date of last review</b>	<b>Date of next review</b>
	<b>Probability</b>	<b>Severity</b>		<b>Management</b>	<b>Board</b>		
<b>Board Leadership and Governance</b> -- Potential for problems	L	H	<ul style="list-style-type: none"> <li>• Good information flow from management (including legal, financial, programmatic information) and from the OIG and outside auditors</li> <li>• Training of board</li> <li>• Orientation of new board</li> <li>• Evaluations/self-assessments</li> <li>• Sufficient staff support</li> <li>• Staying abreast of best board governance practices</li> <li>• Staying abreast of stakeholder and client concerns</li> <li>• Periodic review of governing documents to assure compliance and relevancy</li> </ul>		Board, Chairman, Gov. & Performance Review Com.		
-- Board Transitions	M	M	<ul style="list-style-type: none"> <li>• Board transition plan</li> <li>• Board orientation</li> </ul>		Board, Chairman, Gov. & Performance Review Com.		
<b>Management Leadership Transitions</b> -- President	H	M	<ul style="list-style-type: none"> <li>• Presidential transition plan</li> </ul>	President	Gov. & Performance Review Com.		

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	<b>Probability</b>	<b>Severity</b>		<b>Management</b>	<b>Board</b>		
-- Other senior leadership changes	M	M	<ul style="list-style-type: none"> <li>• Transition plan</li> </ul>	President	Gov. & Performance Review Com.		
<b>Management/IG Relations</b> -- Potential for problems	M	H	<ul style="list-style-type: none"> <li>• Communicate, coordinate, cooperate</li> <li>• Regular meetings</li> </ul>	President	Audit Com.		
<b>Management Leadership Performance</b> -- Preventing leadership problems	L	H	<ul style="list-style-type: none"> <li>• Cohesive, effective management team</li> <li>• Emphasis on high standards</li> <li>• Regular communications with board, staff, grantees, public, OIG</li> <li>• Regular performance evaluations</li> </ul>	President	Gov. & Performance Review Com		
<b>Conflicts of Interest/Ethics Violations</b>	L	M	<ul style="list-style-type: none"> <li>• Training on ethics code</li> <li>• Reminders, emphasis on ethics</li> </ul>	Ethics Officer	Audit Com.		

<b>RISK TO LSC RESOURCES – FUNDING</b>							
<b>Risks</b>			<b>Strategies</b>	<b>Who is responsible?</b>		<b>Date of last review</b>	<b>Date of next review</b>
	<b>Probability</b>	<b>Severity</b>		<b>Management</b>	<b>Board</b>		
<b>Adequacy of Basic Field Funding</b> -- Insufficient funding to accomplish LSC’s mission of providing equal access to justice	H	H	<ul style="list-style-type: none"> <li>Public education</li> <li>Strengthen congressional relationships</li> <li>Develop stronger data to support funding requests, including data on outcomes and economic benefits of legal aid</li> </ul>	Government Relations/ Public Affairs (GRPA) Director	Finance Com.		
<b>Adequacy of MGO Funding</b> -- Insufficient Management and Grants Oversight funding	H	H	<ul style="list-style-type: none"> <li>Strengthen congressional relationships</li> <li>Emphasize quantifying return on investment from oversight funding</li> <li>Emphasize grants oversight function</li> <li>Respond to and implement GAO recommendations</li> </ul>	GRPA Director	Finance Com.		
			<ul style="list-style-type: none"> <li>Continue to assess MGO expenses to reduce any unnecessary duplication and inefficiencies</li> </ul>	Vice President for Grants Management (VPGM)			

<b>RISK TO LSC RESOURCES –ASSETS</b>							
<b>Risks</b>			<b>Strategies</b>	<b>Who is responsible?</b>		<b>Date of last review</b>	<b>Date of next review</b>
	<b>Probability</b>	<b>Severity</b>		<b>Management</b>	<b>Board</b>		
<b>Internal Fraud</b>	L	H	<ul style="list-style-type: none"> <li>• Effective internal controls</li> <li>• IG oversight</li> <li>• Annual corporate audit</li> </ul>	Treasurer	Audit Com.		
			<ul style="list-style-type: none"> <li>• Staff training on ethics</li> </ul>	Ethics Officer			
<b>Internal Financial Controls</b> -- Failures at LSC	L	H	<ul style="list-style-type: none"> <li>• Management accountability</li> <li>• Annual audit</li> <li>• Board oversight</li> <li>• Regular review/update of Accounting Manual</li> </ul>	Treasurer	Audit Com.		
<b>Litigation</b> -- Employment	M	M	<ul style="list-style-type: none"> <li>• Regular training of managers</li> <li>• Clear-cut policies and uniform application</li> </ul>	Human Resources Director	Ops. & Regs. Com.		
			<ul style="list-style-type: none"> <li>• Effective negotiation and use of releases</li> </ul>	Vice President of Legal Affairs (VPLA)			
<b>Integrity of electronic data/information</b> -- Potential for Problems -- Security of electronic data	L	H	<ul style="list-style-type: none"> <li>• Effective system back-ups</li> <li>• Effective disaster recovery</li> <li>• Regular staff training</li> <li>• Maintain qualified IT staff</li> <li>• Effective document and system security</li> <li>• Maintain up-to-date technology</li> </ul>	Chief Information Officer (CIO)	Ops. & Regs. Com.		

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<b>Accuracy of grantee data</b> -- Potential for Problems	L	H	<ul style="list-style-type: none"> <li>Reliability testing (electronic analysis)</li> <li>Clear guidance/training on grantee reporting</li> <li>Clarify and better report “Other Services” data provided by grantees</li> <li>Self inspections</li> </ul>	Office of Information Management (OIM) Director	Ops. & Regs. Com.		
			<ul style="list-style-type: none"> <li>CSR/CMS program visits</li> </ul>	OCE Director			
			<ul style="list-style-type: none"> <li>Technology assistance</li> </ul>	OPP Director			
<b>LSC Records Management</b> -- Potential for Problems	L	M	<ul style="list-style-type: none"> <li>Update records management policy, including statement on the handling of confidential information</li> <li>Train staff in new policy</li> <li>Effective FOIA procedures</li> <li>Stay abreast of best practices</li> <li>Maintain effective computer back-ups</li> <li>Maintain effective security on electronic information access</li> </ul> (continued on next page)	CIO VPLA	Ops. & Regs. Com.		

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	<b>Probability</b>	<b>Severity</b>		<b>Management</b>	<b>Board</b>		
			<ul style="list-style-type: none"> <li>• Improve internal access to key records</li> <li>• improve public access to records</li> <li>• Ensure compliance with legal requirements</li> </ul>				
<b>Preservation of LSC interest in grantee property -- Potential for loss</b>	L	L	<ul style="list-style-type: none"> <li>• Maintain up to date Property Acquisition Manual</li> <li>• Remind grantees of LSC policy</li> <li>• Pursue remedies as necessary</li> </ul>	VPLA	Ops. & Regs. Com.		
<b>Natural Disasters or interruptions of normal operations</b>	L	H	<ul style="list-style-type: none"> <li>• Effective COOP plan</li> </ul>	Chief of Staff	Ops. & Regs. Com.		
	L	H	<ul style="list-style-type: none"> <li>• Computer network back-up</li> </ul>	CIO			

<b>RISK TO LSC RESOURCES – GRANTEES</b>							
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	<b>Probability</b>	<b>Severity</b>		<b>Management</b>	<b>Board</b>		
<b>Grantee Oversight by LSC &amp; IPAs</b> -- Preventing lapses	M	H	<ul style="list-style-type: none"> <li>• Rigorous Compliance oversight</li> <li>• Improved IPA oversight (provide recommendations to OIG)</li> <li>• Maintain comprehensive procedures manuals</li> <li>• Well-defined workplans for program visits</li> <li>• Careful review of grantee reports to LSC</li> <li>• Communications between offices</li> <li>• Internal training</li> <li>• Regular communications with programs</li> <li>• Monitoring media reports</li> </ul>	VPGM	Ops & Regs. Com. Prom. & Prov. For Del. Of Legal Serv. Com.	q	
<b>Interpretations of regulations by LSC Staff</b> -- Preventing inconsistencies	L	H	<ul style="list-style-type: none"> <li>• Joint meetings and trainings</li> <li>• Joint work groups by topic</li> <li>• Feedback from grantees</li> </ul>	VPGM	Ops & Regs. Com.		

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<b>Grantee Operations</b>			<ul style="list-style-type: none"> <li>• Rigorous selection process for grantees</li> <li>• Enforcement of regulations</li> <li>• Grant assurances</li> <li>• Grant conditions</li> <li>• Advisories</li> <li>• Program letters</li> <li>• Oversight visits</li> <li>• LSC Resource Information</li> <li>• Training of grantee staff</li> <li>• Performance Criteria</li> <li>• Outreach to local boards</li> <li>• Local board education</li> <li>• Outreach to Access to Justice community in region</li> <li>• On-site assessment to encourage competition</li> <li>• Review/redefine services</li> <li>• Seek interim provider</li> <li>• Work with programs to improve compliance and make it less likely</li> </ul>	<b>VPGM</b>	<b>Prom. &amp; Prov. For Del. Of Legal Serv. Com.</b>		
-- Major misuse of grant funds	M	H					
-- Failure of leadership	L	H					
-- Failure of internal controls	M	H					
-- Lack of board oversight	M	H					
-- Leadership transitions	H	M					
-- Restriction violations	M	H					
-- Poor records management	M	M					
-- Poor Quality legal services	L	M					
-- Need to replace program	L	H					

*(continued on next page)*

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			that they will violate restrictions or otherwise require the imposition of sanctions				
			<ul style="list-style-type: none"> <li>• Periodic review of regulations</li> <li>• OLA opinions</li> </ul>	VPLA			

## **Responsibilities for Risk Management**

### Board of Directors

- Sets strategic goals and objectives, adopts annual operating budget, and approves risk management plan.
- Reviews operational reports to monitor progress towards goals as defined in *Strategic Directions* and assure compliance with organizational requirements.
- Adopts and establishes policies and regulations.
- Reviews the organization's risk management plan (RMP).
- Maintains working relationship with members of Congress.
- Board Committees to review implementation of RMP.

### President

- Has overall responsibility for the effective implementation of the RMP.
- Assigns staff to design and carry out risk management activities.
- Assigns staff to perform annual review of the risk management activities.
- Approves all grants for the Corporation.
- Executes major contracts for the organization.
- Keeps the Board apprised of emerging threats and opportunities facing the organization.
- Leads the Executive Team in periodic review and update of the risk management plan.
- Gives final approval to the plan.
- Maintains effective relationship with members of Congress and staff.

### Vice President for Legal Affairs

- Serves as advisor to the Board of Directors in legal matters, consulting outside counsel on an as needed basis.
- Advises senior staff on contracts; reviews contracts on an as needed basis.
- Monitors implementation of risk management program.
- Recommends any necessary modifications.

### Vice President for Grants Management

- Supervises oversight of grantee operations and compliance.

### Treasurer/Comptroller

- Establishes, conducts, and maintains internal controls for financial transactions.
- Purchases D&O insurance.

### Executive Team

- Oversees organization-wide effort to protect the vital assets of LSC
- Convenes periodically to review the Corporation's priority risks and corresponding risk management strategies.

### Office Directors

- Review and recommend modifications to corporate risk management program.
- Supervise implementation of risk management strategies within their area of responsibility.