

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

OPEN SESSION

Friday June 12, 1998

1:22 p.m.

750 First Street, N.E.
Washington, D.C. 20002

BOARD MEMBERS PRESENT:

Maria L. Mercado, Chair
•F. William McCalpin
Hulett H. Askew
Thomas F. Smegal, Jr.
Nancy H. Rogers

STAFF MEMBERS PRESENT:

John McKay, President
Ernestine P. Watlington
Doreen Dodson

PRESENTER:

David Richardson

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MOTIONS: 3, 17

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CHAIR MERCADO: I'd like to welcome everyone to the Finance Committee meeting and our additional board members that are visiting. Thank you for being here. We do have quorum. And the agenda -- the only addition that I would like to do is that after number 3 or number 4, if we could just put a review of the expenses through May of '98. And then other than that, it would --

MR. SMEGAL: Is that 3a or do you want to --

CHAIR MERCADO: Yeah, 3a is fine. Okay. And with that, we'll entertain a motion to approve the agenda.

M O T I O N

MR. SMEGAL: So moved.

CHAIR MERCADO: All in favor?

(Chorus of ayes.)

CHAIR MERCADO: Okay. The full of the minutes of the committee meeting actually can not be approved since Tom was not here at that meeting. I guess we'll have to --

MR. MCCALPIN: We'll have to move it anyway

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1 MR. SMEGAL: Well, I can't move it, though
2 because I wasn't there.

3 MR. MCCALPIN: She can move it.

4 MR. SMEGAL: She can move it? Could I second?

5 CHAIR MERCADO: To the chair?

6 MR. MCCALPIN: Sure.

7 MR. SMEGAL: All right.

8 CHAIR MERCADO: Okay. The chair moves.

9 MR. SMEGAL: Can I -- well in that case, if it
10 requires a second, I'll second.

11 CHAIR MERCADO: Okay, all those in favor.

12 (Chorus of ayes.)

13 CHAIR MERCADO: Thank you, Mr. McCalpin, for
14 giving us our Robert's Rules of Order here.

15 Item number 3 is review projection of the
16 expenses for the remainder of FY '98, including term
17 budgetary adjustments enacting the president's
18 recommendation for consolidated operating budget
19 allocations. And Mr. Richardson, our treasurer and
20 comptroller, will do that presentation.

21 MR. RICHARDSON: Thank you, Madam Chairman.
22 For the record, my name is David Richardson. I'm a

1 comptroller and the treasurer of the corporation. I
2 have provided to each of you a copy of the memo that's
3 dated June 10th. And it is a report on the operating
4 expenses and projections for fiscal year '98. The
5 committee, each quarter, reviews the expenses through
6 whatever quarter that it may be -- and this year it
7 happens to be to mid-year budget -- and then projects
8 expenses through the remainder of the year.

9 The president is authorized to make internal
10 budgetary adjustments on behalf of the corporation.
11 The Inspector General is also authorized to make
12 internal budgetary adjustments on his office's behalf,
13 and then we report those to you at this time. The
14 information that is before you does not need any board
15 approval because there is no consolidated operating
16 budget reauthorizations or reallocations within the
17 budget.

18 What I have done is try to explain what some
19 of the adjustments are. And in the memo, you'll see
20 that I've described -- the first attachment is the
21 consolidated operating budget. Columns 1 through 5
22 represent the budget as you passed it at the annual

1 board meeting.

2 Column 6 does show the adjustments that, in
3 this particular case, the president has made within the
4 management administration budget. And column 7
5 represents the revised consolidated operating budget
6 for management administration.

7 Attachment B, and we can look at that a little
8 bit later, but that does show the office's revised
9 budget categories as they now stand with the revisions.
10 Within the -- the money that is available for us to
11 reallocate is mainly from areas where we've had staff
12 attrition, where we were projecting new hires that were
13 delayed for one reason or another. So we've been able
14 to free up that money for other operational needs.

15 And as you'll see with the memo, we've
16 identified two particularly key areas -- actually three
17 key areas where we need money. One is the board of
18 directors. Because of the regulatory process, we're
19 going to have to do some additional advertising in the
20 Federal Register because of the new regulations that
21 are coming on board that we're advertising there to put
22 them out before the field for comment. So, there's an

1 additional amount of money that's needed for that.

2 Within the General Counsel's Office, there is
3 a significant amount of money needed for some pending
4 actions that are going on in the corporation. There's
5 some funding decisions that are before us and we
6 anticipate some cost in hiring attorneys to help with
7 those particular situations. So, we have moved \$92,000
8 from throughout the budget into the budget of the
9 General Counsel.

10 The other area where money was needed is
11 actually a decision because we saw that we did have
12 some money that was freed up from program operations.
13 And with the hiring of some program officers being
14 delayed, we've also lost a couple of program officers
15 recently due to attrition who've moved on to other
16 positions.

17 So, there was some money available there and
18 the decision was made to enter into a second or a third
19 phase of our grants information management system. So,
20 money was moved from program operations into the
21 information technology to accommodate the technology
22 needs of the program services that are being overseen:

1 the contracting and the making sure of the technology
2 needs through the office of information technology.

3 The money is coming from the executive office.
4 Again, that's mainly because of delays in hiring
5 people. We've had some people out sick, so there is --
6 actually one person who's out on disability. So, the
7 money that would have normally funded those salaries --
8 that salary has now been able to move throughout the
9 corporation to support other activities.

10 Same thing with their government relations.
11 We have now staffed up to a level of five and we have
12 budgeted at, earlier in the year, but we have budgeted
13 at different salary levels that were paid. And there
14 was some delay in hiring people. Just trying to get
15 with Mauricio coming into the office, getting his --
16 jumping in feet first and the different things that are
17 going on in the appropriation process and things on the
18 Hill, it delayed the approval of hiring or of the
19 additional personnel.

20 Within administration, there is a similar
21 circumstance where there was a delay in hiring some new
22 people and we're going to be doing that in the next

1 quarter. Comptroller's office -- we have reduced some
2 of the cost that we have incurred, so there's some free
3 money there. And, of course, in the program
4 operations, there's a significant amount of money
5 because of -- mainly staff attrition.

6 I might mention here also that even though
7 we're moving \$62,750 to other budgets, we have
8 increased travel and consulting a little bit. Simply
9 because with the people that have left, we've had to
10 hire a few consultants to step in for the state
11 planning process and help there. And this summer, we
12 hope to do some additional travel due to some
13 compliance reviews and also the competition initiative.

14 CHAIR MERCADO: For the program operations,
15 will we have the funding to do that additional -- it's
16 already accounted for?

17 MR. RICHARDSON: Yes. It's already accounted
18 for here. Within the office of inspector general,
19 there's a few adjustments. They're very minor. So
20 it's mainly, again, due to some personnel compensation
21 and benefits adjustments and so forth, but that they
22 were very minor, indeed.

1 Yes, sir?

2 MR. SMEGAL: Mr. Richardson, my copy of the --
3 maybe not only my copy, maybe all of them. The
4 memorandum of June 10, page 3 has an incomplete
5 paragraph where you're explaining the program
6 operations and I was looking for the \$62,000. And
7 somehow or other, the remainder of that paragraph did
8 not get produced on the top of the next page. The top
9 of the next page goes on to another subject, mainly the
10 office of inspector general.

11 MR. RICHARDSON: Okay. I will correct it.

12 MR. SMEGAL: I even need a few more. I don't
13 need to know it, but I think you want to correct your
14 page 4 to include the rest of that paragraph.

15 MR. RICHARDSON: Yes. We'll do that. As far
16 as proceeding, we can look at the revised budget. The
17 page that is shown is consolidated operating budget
18 worksheet for fiscal year 1998. And the delivery of
19 legal assistance where there is no changes, of course,
20 in that area, the money is earmarked for the basic
21 field programs that are especially emergency funds.

22 The Court of Veterans Appeal is a pass-through

1 fund, of course. The Americorps funds and then the
2 grants from other funds available that we allocated
3 last year, there was no changes in those.

4 MR. SMEGAL: This is the attachment to your
5 June 12 memo? The worksheets, you're talking about?

6 MR. RICHARDSON: The June 10th.

7 MR. SMEGAL: Oh, this is the June 10th.

8 MR. RICHARDSON: Yes.

9 MR. SMEGAL: Okay. All right, I see. Thank
10 you.

11 MR. RICHARDSON: And actually, that is a lead-
12 in that I could go right into revealing where we stand
13 at the end of May. Because the memo that is dated June
14 12th, today's date, attachment A -- The first seven
15 columns of this particular worksheet does show the
16 exact same numbers that are reported to you in the
17 revised budget. The expenses through May for the
18 delivery of legal assistance is \$276,573,000. And
19 there's a remaining amount of \$619,000 there and that
20 is money that is earmarked for those particular areas.

21 Within the corporate management
22 administration, the total budget is \$9.7 million.

1 We've spent \$5.886, and there's a remaining amount of
2 \$3,825,000 that is broken down into management
3 administration, has an \$8,079,000 budget. We've spent
4 \$4,930,000 with the remaining balance of \$3,000,148.
5 And the inspector general has a budget of \$1,633,000
6 and has spent \$956,000 to date. So, there's \$677,000
7 that's remaining in his budget.

8 The funds that we've collected to date, we
9 have allocated \$300,000 of our interest income and
10 grant recovers and so forth to the budget. We have
11 collected through May, \$173,760. We're a little behind
12 at this point, but we do anticipate picking up some
13 money there and it'll be very close to the projection
14 that we made for the year.

15 Attachment B shows you the percentages that
16 each budget has spent to date. All are in line with
17 where they should be at this point. We have spent --
18 this period represents two-thirds of the year, or 67
19 percent of the year. And we've spend 61 in management
20 administration and 58.5 percent in the inspector
21 general.

22 There's really nothing out of line with the

1 exception of capital expenditures. And that's because
2 we -- those were front-loaded at the first of the year
3 because of purchasing of equipment and software. And
4 we do anticipate, even though we spent 85 percent of
5 the money to date, that we will not be over budget at
6 this point. Everything will be within budget.

7 MR. SMEGAL: David, could you explain to me
8 again why the interest income in attachment A, page 2
9 is carried as a negative entry?

10 MR. RICHARDSON: Okay. When we look at the
11 remaining funds, we've allocated \$300,000 to the
12 budget. We've only collected \$173,000, so we need to
13 collect \$126,000 to break even with what we've already
14 allocated to this year's budget.

15 MR. SMEGAL: No, I understand that. But where
16 is the \$300 -- where is the negative balanced out by
17 positive in the budget elsewhere?

18 MR. RICHARDSON: When you look at column 4, it
19 is actually buried in the adjustments with the Court of
20 Veterans Appeal, Americorps, and the adjustments from
21 the budget. We had added \$300,000 into the operations
22 of the management administration. As you see, we've

1 got in appropriation \$7.1 million and we had money that
2 was earmarked from last year, for furniture and
3 equipment of \$379,000 --

4 MR. SMEGAL: Right.

5 MR. RICHARDSON: -- and then the \$600,000 is a
6 compilation of the \$300,000 of interest and grant
7 recoveries and \$300,000 of additional money that we had
8 available.

9 MR. SMEGAL: Okay. Thank you.

10 CHAIR MERCADO: Does anybody have any
11 questions? Additional questions? Other board members
12 may ask --

13 A PARTICIPANT: I don't think she can --

14 (Laughter.)

15 CHAIR MERCADO: David, our questions really
16 don't need to take actions on either of these.

17 MR. RICHARDSON: We do not.

18 CHAIR MERCADO: Okay. Our next item on the
19 agenda is testimony regarding the budgetary needs for
20 FY 2000.

21 MR. RICHARDSON: At this meeting, we had
22 asked the executive director from PAG -- I think is his

1 title -- Harrison McIver, to appear before us and give
2 us testimony of what the program sees as the year 2000
3 needs for the program. He had notified -- he has
4 notified me earlier in this week that he would not be
5 speaking to the committee at this time.

6 They have not formulated a budget mark and we
7 will be working with PAG and representatives of PAG and
8 MLADA at -- in the future to come back to you in
9 September with a budget mark. So at this point, there
10 is no activity on that particular item.

11 CHAIR MERCADO: Okay. Any other business
12 before the committee? Yes?

13 MS. DODSON: May I ask a question?

14 CHAIR MERCADO: Yes, you may. Come up here
15 and -- so that they can get you on the record.

16 MS. DODSON: My name is Doreen Dodson. Just a
17 clarification. When you were going over the
18 consolidated operating budget, the item under general
19 counsel -- the additional money for, I think you said
20 pending actions, fund-raising decisions and hiring
21 attorneys to work with specific situations -- what does
22 that really mean?