

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

OPEN SESSION

Friday, March 7, 1997

2:15 p.m.

Legal Services Corporation
750 First Street, N.E.
Washington, D.C. 20002

COMMITTEE MEMBERS PRESENT:

Maria L. Mercado, Chair
John T. Broderick Jr.
Thomas F. Smegal Jr.

BOARD MEMBERS PRESENT:

Maria L. Mercado
John T. Broderick Jr.
Thomas F. Smegal Jr.

STAFF PRESENT:

Edouard R. Quatrevaux, Inspector General
David L. Richardson, Treasurer and Comptroller
Joan Kennedy, Director of Administration and Human
Resources
Pat Layfield, Senior Auditor, OIG

Diversified Reporting Services, Inc.

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P R O C E E D I N G S

1
2 CHAIR MERCADO: Why don't we go ahead and open
3 the meeting for the Legal Services Corporation's
4 Finance Committee. And I would entertain a motion to
5 approve the agenda as submitted.

M O T I O N

6
7 MR. BRODERICK: So move.

8 MR. SMEGAL: Second.

9 CHAIR MERCADO: Those in favor?

10 MR. BRODERICK: Aye.

11 MR. SMEGAL: Aye.

12 CHAIR MERCADO: Opposed?

13 (No response.)

14 CHAIR MERCADO: Has everyone had an
15 opportunity to read the minutes of the January 5, 1997,
16 meeting? Are there any additions or corrections to the
17 minutes?

M O T I O N

18
19 MR. SMEGAL: I'll move their approval as
20 submitted.

21 MR. BRODERICK: And I will second that.

22 CHAIR MERCADO: Those in favor?

1 MR. BRODERICK: Aye.

2 MR. SMEGAL: Aye.

3 CHAIR MERCADO: Opposed?

4 (No response.)

5 CHAIR MERCADO: The next item in our agenda is
6 the presentation of the report of Thompson, Cobb,
7 Bazillo & Associates on their audit of the
8 Corporation's Fiscal Year 1996 Financial Statements.
9 And our Inspector General, Edouard Quatrevaux, is here
10 with --

11 MR. QUATREVAUX: Let me introduce --

12 CHAIR MERCADO: Sure.

13 MR. QUATREVAUX: -- Chair, to the Finance
14 Committee, Pat Layfield, who is the senior auditor with
15 the OIG. Been with us for about a year and has headed
16 up the project of Corporation's annual financial
17 statement audit this year. As you know, we perform
18 that particular audit by contract, and she will
19 introduce to you the audit firm that performed the
20 audit for us this year. And they will present the
21 results, and I don't anticipate any questions at the
22 moment so if you will excuse me, I will leave and come

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1 back.

2 CHAIR MERCADO: To the Provisions Committee,
3 right? MR. QUATREVAUX: Correct.

4 CHAIR MERCADO: So that if we need you for an
5 emergency, we'll --

6 MR. QUATREVAUX: Correct. Well, I plan on
7 being back fairly quickly I hope.

8 CHAIR MERCADO: Thank you. Yes. Ms.
9 Layfield.

10 MS. LAYFIELD: Good afternoon.

11 CHAIR MERCADO: Welcome.

12 MS. LAYFIELD: As Mr. Quatrevaux said, my name
13 is Pat Layfield. I was in charge of the project for
14 the contract with Thompson, Cobb, Bazillo & Associates.
15 Before I introduce you to the firm, may I ask, do you
16 all have copies of the audit? You should have received
17 them in the mail.

18 MR. SMEGAL: I left mine in my briefcase. I
19 did receive it, and I have reviewed it.

20 CHAIR MERCADO: You may have mailed mine in
21 the --

22 MR. SMEGAL: I would like another copy only

1 because I have a question.

2 MS. LAYFIELD: Right. This is the third year
3 that Thompson, Cobb, Bazillo & Associates have
4 performed the financial audit of the Corporation under
5 contract with the Office of Inspector General. I'd
6 like to introduce to you, Mr. Ralph Bazillo, who is the
7 engagement partner from the firm and his associate, Mr.
8 Dennis Ramprashad, who managed the audit on behalf of
9 the firm. With the introductions completed, I'd like
10 to turn the meeting now over to Mr. Ramprashad for
11 presentation of the financial statements and the audit.

12 CHAIR MERCADO: Welcome.

13 MR. RAMPRASHAD: Good afternoon. I'm just
14 going to basically walk you through the statement and
15 highlight certain things. It is an audit for year
16 ended September 30, 1996, and we're presenting
17 comparative numbers for 1995. And as Pat mentioned, we
18 are also the auditors for 1995. And the package you
19 have, that includes the basic financial statement, a
20 report on the internal control structure, and a report
21 on the Corporation's compliance for the laws and
22 regulations.

1 If you would turn to the third -- fourth page
2 from the cover, "In the Independent auditor's
3 opinion" -- it does not have a page number. We are
4 expressing an opinion in the last paragraph here on the
5 financial statement, and basically we're saying you've
6 been presented fairly in all material respects. In the
7 following page, we're presenting the balance sheets,
8 '96 and '95. The first item "Cash," we notice a large
9 reduction in the cash, and you will notice for '96,
10 throughout this statement there in the assets,
11 liabilities and revenue and expenses, the numbers may
12 appear significantly small, and that's due mainly to
13 the reduction in the appropriation from 400 million to
14 278 million.

15 The only -- in the asset section, there's
16 reduction in cash. That's the only significant item
17 that we can reduce there. Moving down to liabilities
18 and fund balances, you'll notice the grants and
19 contracts receivable is reduced correspondingly with
20 the cash. One item I'd like to point out there is the
21 lease liability of \$552,815, and that's mainly due to
22 the reduction in space and the costs associated with

1 the reduction.

2 Unless you have any question on this page,
3 I'll move on to the next page, to the statements of
4 revenues -- support revenue and expenses and changes in
5 fund balances. The first line "Current Year Federal
6 Appropriation" shows the appropriation 400 million
7 versus 278, and that results -- that contributed mainly
8 to reduction in total support and revenue. The next
9 line, "Expenses" under "Program Activities, Grants, and
10 Contracts," again significantly reduced, and that's due
11 to reduction in appropriation which is detailed in the
12 notes on 7 and page 8.

13 The next line "Supporting Services" reduced by
14 300 million -- 3.6 million approximately, and that's
15 due mainly to -- as a result of the reduction in
16 appropriation the Corporation had to reduce its working
17 force. The reduction is mainly due to costs associated
18 with that. Moving down the line to the third line up,
19 I'd like to point out that excess -- that line reading
20 "Excess Deficiency of Support and Revenue over
21 Expenses," the Corporation had a positive number of
22 796,369 versus a negative 360, which is a significant

1 improvement. Although the appropriation had decreased,
2 expenses were kept low also, resulting in a positive
3 net number. And that helped to eliminate the negative
4 deducted from the prior year in the undesignated.

5 MR. SMEGAL: The prior deficiency was
6 primarily the result of the double rent?

7 MR. RAMPRASHAD: The severance associated with
8 -- booked all that in '95. It happened about the end
9 of the year. I believe 700 and some million dollars.
10 And the following page, page 4, "Statement of Cash
11 Flows," you're showing cash flow from operating
12 activities, net cash used in operating activities for
13 '96, 11 million approximately. Net decrease in the
14 cash, 11. And again this is the result of a reduction
15 in the appropriation.

16 CHAIR MERCADO: Now, in some of -- I just
17 wanted to go back and just check with you, and it can
18 be either page 4 at the very first line "Excess
19 Deficiency of Support and Revenue over Expenses."

20 MR. RAMPRASHAD: Uh-huh.

21 CHAIR MERCADO: In some of those categories,
22 there were funds that were appropriated to do, for

1 example, particular contracts, like one of them in the
2 IG's office when they weren't able to complete their
3 contract until the following year. I mean, I'm
4 assuming that those are the excess funds that you're
5 talking about, right, that carry over? Or do you know?
6 No? I mean that would be part of the money. If they
7 have \$250,000 still in reserves because the contract
8 cannot be fulfilled until the following year although
9 they've already initiated and --

10 MR. RAMPRASHAD: Yes. Some of that, it can
11 contribute to this.

12 CHAIR MERCADO: I mean -- what I'm trying to
13 clarify is this isn't necessarily excessive revenue
14 that hasn't already been committed. For example, the
15 study that IG had already committed, I think, for
16 \$200,000 -- \$250,000

17 -- even though the funds were not expended through the
18 work had already begun and will be expended this Fiscal
19 Year, but it did show it as an excess of revenue. I
20 mean I'm -- I don't want -- I guess I'm trying to
21 clarify that the figures don't show that we're not
22 using up the money that we have. We are. It's just

1 that that money hasn't physically been spent. It's
2 been committed.

3 MR. RICHARDSON: If you look at page 2, and
4 look at the fund balance, you'll see that there is in
5 the designated area, 265,000 for designated. That is
6 for the computer projects that were ongoing at that
7 time, plus a couple of grants that had not been
8 finalized at that time. And then the undesignated is
9 the amount of money that is available to go into this
10 year's operations.

11 CHAIR MERCADO: Okay. That's what I was
12 trying to figure out is, you know, how much of that
13 money is actually excess and what money is already
14 committed to the contracts. Thank you.

15 MR. RAMPRASHAD: Continuing on, on page 5,
16 starts with the notes to the financial statement, and
17 basically the notes are explaining items in the
18 financial statements. I'd like to point out the lease
19 liability note 4, on page 7, explaining the reasons for
20 the lease liability.

21 MR. SMEGAL: Now, this references a date
22 beyond this -- the date of this audit -- December 2,

1 1996, which is subsequent to the September 30, 1996.
2 So what you've done is reconstructed a circumstance and
3 then gone back and treated it as far as the audit
4 through September 3rd.

5 MR. RAMPRASHAD: Mostly costs were known by
6 the times -- by the end of the year, so we included it
7 because they were known at that time.

8 On page 8, note 7, detail all the grants and
9 contract expenses.

10 MR. SMEGAL: Let me stop you on note 6.

11 MR. RAMPRASHAD: Okay.

12 MR. SMEGAL: There's -- and this may be just
13 grammatical or may be stylistic, but there's two grants
14 which are referenced, and the way they're identified or
15 the way that the operative language with respect to the
16 money is different in the second paragraph. And it
17 seems to me if this is a draft that to be consistent
18 with what you said about the National Service Grant in
19 the first paragraph, that the second paragraph with
20 respect to Veterans Appeals, that grant should have a
21 slight modification of the last sentence which is
22 during the year, and it seems to me to be consistent

1 with the prior paragraph. What is should read is
2 "During the year the Corporation had received the
3 grant," and then "and distributed 485,000" -- striking
4 "of the grant monies" -- continuing -- "distribute
5 485,000 to qualifying grantees and applied the other to
6 administrative expenses."

7 The way it reads now, it's a little bit
8 confusing, and I had to read it twice, and it is
9 inconsistent in that language with which the way you
10 structured the prior paragraph where you use language
11 as I am suggesting you might use it here. Now, it's no
12 big deal. It is grammatical only.

13 CHAIR MERCADO: But it does make it clearer.
14 I mean I see what you're saying.

15 MR. SMEGAL: I think it does. I think it
16 makes it clearer. In the first instance, you didn't
17 receive the grant. You received slightly less than the
18 grant, and you explained how it was distributed. In
19 the second one, you received the grant, and then you
20 distributed it as indicated. Do you understand what
21 I'm saying?

22 MR. RAMPRASHAD: Yes. I understand what

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1 you're saying. Yes. We can make that change on the
2 final.

3 MR. SMEGAL: Okay. Thank you.

4 MR. RAMPRASHAD: Yes, we'll address that.

5 MS. LAYFIELD: This is a final report that
6 you're looking at, so I think we could address it maybe
7 next year.

8 MR. SMEGAL: Oh. This is a final? Oh.

9 MS. LAYFIELD: And make note, but this is a
10 final signed report.

11 MR. SMEGAL: Oh, I see.

12 MS. LAYFIELD: On behalf of the IG.

13 MR. SMEGAL: I will -- oh, boy. It's not a
14 particularly significant observation.

15 CHAIR MERCADO: It doesn't change the
16 substance.

17 MR. SMEGAL: Oh, no.

18 MR. RAMPRASHAD: Page 9, note 8, detail all
19 the management and administrative expenses. Again,
20 it's reflecting the reduction in personnel costs.

21 MR. SMEGAL: Going back to that AmeriCorps
22 program, is there some reason why the grant was

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1 different than what we actually received by 1500 or
2 \$1600 -- \$1900?

3 MR. RAMPRASHAD: The total amount of the grant
4 was not used. There was -- that amount was remaining.

5 MR. SMEGAL: Well, where does that end up
6 because the amount that you show on page 8, note 7, is
7 of the lesser amount, 658,901. So we got a carryover
8 somewhere of \$1900?

9 MR. RAMPRASHAD: It's in the paragraph.

10 MR. SMEGAL: Okay.

11 MR. BRODERICK: Somebody explain to me on page
12 9, the explanation for the dramatic difference in
13 travel and transportation.

14 MR. SMEGAL: We stopped doing audits.

15 MR. BRODERICK: Is that what it is? Is that
16 what it is, the audits?

17 CHAIR MERCADO: Monetary compliance.

18 MR. SMEGAL: Right. Go on.

19 MR. RAMPRASHAD: All right. Bringing
20 attention to the next page after page 11; it does not
21 have a number. And that's a report of the
22 Corporation's compliance with laws, regulations and

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1 contracts and grants. And the last -- the second --
2 I'm sorry -- yeah -- the last of second paragraph
3 saying that it's also that this disclosed no instances
4 of noncompliance that are required to be reported here
5 and on the government audit standards.

6 The following pages, two pages, is our report
7 on the internal control structure. And on page 14,
8 last sentence in the last second paragraph, it's saying
9 we noted no matters involving the internal control
10 structure and its operation, and we consider it to be
11 material weaknesses.

12 MR. BRODERICK: You don't, however, in this,
13 you don't provide an independent opinion on the quality
14 of the internal control structure itself?

15 MR. RAMPRASHAD: This is our report on it, and
16 if we have noted any weaknesses, we include them in
17 this report if they were significant. Alternatively,
18 if there weren't, we would issue a separate letter --
19 management letter. But we did not note anything that
20 was considerable weakness to be reported.

21 MR. BRODERICK: You were told what it was.
22 You didn't independently verify that it was being

1 utilized consistently, but you didn't find any
2 irregularities from what was described here; is that
3 what you're saying?

4 MR. RAMPRASHAD: Yes. That concludes our
5 presentation on the statement unless you have any
6 questions.

7 CHAIR MERCADO: The -- no. I just noticed the
8 -- I don't know what page we'll call it -- it's the
9 statement by itself before you -- the last statement,
10 which basically says that there isn't any opinion as to
11 whether or not the Corporation is in compliance with
12 certain provisions of laws, regulations, contracts, and
13 grants. Basically, you're just doing the financial
14 audit, rather than an audit of whether or not there's
15 compliance of regulations and so forth?

16 MR. RAMPRASHAD: We did look at compliance
17 features and the like, and we found a large rating. We
18 looked at it and extracted compliance features.

19 CHAIR MERCADO: Okay.

20 MR. BRODERICK: Madame Chairman?

21 CHAIR MERCADO: Yes.

22 MR. BRODERICK: We're not required -- it's not

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1 a law -- to audit for compliance with laws,
2 regulations, contracts, and grants applicable to the
3 Corporation? It's the responsibility of the
4 Corporation management to do that. These independent
5 auditors look at it and didn't find any irregularities,
6 but they didn't specifically audit for that.

7 MR. BAZILLO: If I may add to this. We aren't
8 required to audit for compliance because of our
9 commissions, but as we need to, to give an opinion on
10 the financial statements, but not in order to give you
11 complete coverage on laws and regulations. So that's
12 why the restriction.

13 MR. BRODERICK: I understand. No, I
14 understand what you did. I'm just wondering whether we
15 should be doing more than what we've done or what if we
16 don't see any need to do that. I take it there's no
17 legal obligation on the part of the Corporation to have
18 that independently audited.

19 CHAIR MERCADO: Other than through our --
20 other than the management and administration aspect
21 which is what they're auditing. The bulk of the money
22 of the Corporation goes to the grantees and they have

1 their own independent auditors, and we have a whole
2 system and procedure set up as far as monitoring
3 compliance with statutes and regulations as to whether
4 or not they comply because this only deals our
5 management and administration budget. And we're not
6 really as a Corporation doing the programmatic work
7 that the grantees in the field are doing so that they
8 at least wouldn't apply to us necessarily.

9 MR. BRODERICK: But with respect to whether
10 Corporation management is compliant with laws,
11 regulations, contracts, and grants applicable to the
12 Corporation, at this level, we do not and are not
13 required to have an independent audit done to ensure
14 that compliance is maintained?

15 CHAIR MERCADO: Well, I mean this is the
16 audit, and they do review for compliance as far as the
17 regulations --

18 MR. RAMPRASHAD: We have looked at the
19 Corporation's monitoring.

20 MR. BRODERICK: And you're satisfied?

21 MR. RAMPRASHAD: Yes. Those are included in
22 the scope of our audit.

1 MR. BRODERICK: All right. Thank you.

2 CHAIR MERCADO: Any other questions?

3 MR. BRODERICK: No.

4 CHAIR MERCADO: Does anyone have any
5 additional comments or questions?

6 MR. BRODERICK: None. Thank you.

7 MR. RAMPRASHAD: You're welcome.

8 CHAIR MERCADO: Thank you. I would entertain
9 a motion.

10 M O T I O N

11 MR. SMEGAL: I'll make it. Approve the
12 auditor's report.

13 MR. BRODERICK: Second that.

14 CHAIR MERCADO: The motion has been made and
15 seconded to approve the financial audit for Legal
16 Services Corporation, FY 1996 Financial Statements.
17 All those in favor?

18 (A chorus of ayes.)

19 CHAIR MERCADO: Opposed?

20 (No response.)

21 CHAIR MERCADO: Motion carries.

22 We will now review and consider the

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1 Corporation's FY '97 Budget and Expenses for January 1,
2 1997. Our comptroller, David Richardson, will address
3 us on this point.

4 MR. RICHARDSON: Yes.

5 CHAIR MERCADO: Welcome.

6 MR. RICHARDSON: For the record, my name is
7 David Richardson, that again, met the court reporter so
8 she can get the name.

9 I apologize that the budget itself was not in
10 the Board Book. It was sent separately, and we will
11 correct that in the next session for the Board so that
12 you'll have it. As far as expenses, we are in line
13 with where we should be. Actually, we've been under at
14 this point. We're 33 percent through the year, and in
15 total, management has spent 32 percent of their funds.
16 The IG is right at 34 percent and with a total of 32.3
17 percent for the total Corporation.

18 I will look at Attachment "A," page 1, and
19 brief you as to the expenses here. In regards to the
20 delivery of legal assistants, we see we have remaining
21 budget of \$19 million. That's made up of the
22 difference from the basic field program where we have a

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1 budget of \$274,500,000. We've given contracts to date
2 of 256 million, almost 700,000, so there's a remainder
3 of about \$17.8 million there that is left, and that is
4 restricted at this point for the continuation of the
5 grant programs. There are still some funding decisions
6 that had to be made as the financial statements were
7 closed.

8 In the Special Emergency Fund, you see that
9 there was 23,800. We've awarded 10,000 of those
10 through January 31st, so there's a balance of 13,000,
11 almost \$600. It's my understanding that probably in
12 the next weeks because of the flooding that we've had
13 recently, that this money will go to those particular
14 areas, and maybe, for instance, some of the grant
15 recoveries may also be expended in those areas because
16 there is a serious need there. Within the Court of
17 Veterans Appeal, we have a budget of 709,000. Grants
18 were made last week for the majority of this money, so,
19 again, as of January, they were not made. But at the
20 next reporting, you'll see that most of that money has
21 been contracted for. Same thing with AmeriCorps, the
22 458, and those grants have not been finalized as of

1 this date.

2 Within management and administration, you'll
3 see that we have a total budget of \$9.4 million. That
4 includes 7.692 for management and 1.744 for the
5 Inspector General. Management has spent to date,
6 2,445,000, approximately, so there's a remaining
7 balance of \$5.2 million. And then the IG's office has
8 a budget of 1.744. He's spent 603,000 to date, so
9 there's a remaining budget of 100 -- or \$1,140,000.

10 The next page, page 2, shows you the interest
11 that we have earned with the miscellaneous income and
12 grant recoveries. We have already allocated \$200,000
13 of the money into this year's budget, and as you see,
14 we've collected 102,000 of it in the four-month period,
15 so we're in good shape there at this point.

16 Attachment "B" gives you a breakdown as to the
17 amount of money that we have for office, how much was
18 expended, the revised balance. I have put in a box the
19 amount of the revised budget that we're looking at.
20 For instance, the Board of Directors, 142,400; as of
21 January, you had expended 28,800, so there's a
22 remaining budget of \$113,000.

1 MR. SMEGAL: The first column and the second
2 column are identical.

3 MR. RICHARDSON: That is correct. I had
4 collapsed a column there. We use this throughout the
5 year, and there was no revisions to the budget at this
6 point, so I just collapsed two. And actually in
7 retrospect, I probably should have hit that column off
8 so it just -- so that it wouldn't be printed identical.
9 We will do that next time.

10 CHAIR MERCADO: Although sometimes there are
11 changes, though.

12 MR. RICHARDSON: When there are, we'll show
13 what the beginning balance was, any changes, and then
14 the resulting balance. So we'll show you all three
15 when there are changes. And I might add, there are
16 changes within, for instance, the Executive Office, as
17 far as shifting money from a temporary -- or from
18 personnel into a temporary personnel area because we've
19 had one employee leave. We've hired a temporary person
20 to replace them so we've made an internal allocation,
21 but there's no reallocation of monies between budget
22 lines so there's no increase in the budget, you know,

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1 one got decreased in the other.

2 But as you see as you look down through, a 33
3 percent of the year, the only one that would be over is
4 the almost 37 percent -- almost 38 -- for Human
5 Resources. And that's actually because of the
6 construction that we have paid for through the first
7 four months, and, of course, the construction will be
8 for the 11th floor, and what we've done here on the
9 10th floor in combining our offices, so that money will
10 be fronted and you'll see less expense throughout the
11 remainder of the year.

12 CHAIR MERCADO: Now, on that same line, the
13 Administrative/Human Resources, there's a negative of
14 15,928. What is that for?

15 MR. RICHARDSON: There was an original amount
16 booked in this line for a commission to a realtor that
17 should have gone against the liability for -- that we
18 just had reported because of the NAAG lease. It's not
19 recognized as an expense this year, but it will go
20 against the liability of drawing down and paying out
21 the liability for the expense we've already incurred.

22 MR. SMEGAL: You call that an accrual column?

1 You've got some other items in there.

2 MR. RICHARDSON: It's actually -- right.
3 There's a reversal. An accrual is normally an
4 addition. In this particular case, it's a reversing
5 entry that we have made.

6 MR. SMEGAL: But the other two items further
7 down are accruals?

8 MR. RICHARDSON: Yes, sir. Just small
9 expenses that were recognized the first week in
10 February where we paid checks and had amounts to be
11 paid. And we included them to recognize the expense
12 for January.

13 Attachment "C" will show you the expenses by
14 budget category within each office. Nothing really
15 striking here, but as you see, for instance, in the
16 Board of Directors, your fees and court reporting fees
17 for the first four months were 14,000; travel, 12,000;
18 and then the communications was 1,200, and just other
19 operating was about 600. The two major items here,
20 we'll look at Management and Administration or at Human
21 Resources. You'll see the 637,000. That's for the
22 rent and the build out that we've had to incur. And

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1 the 87,000 is the supply cost and insurance and the
2 one-time cost that we have up front, mainly with the
3 insurance, the larger portion of that.

4 Then when you look in Information Technology,
5 there's an amount of 103,000 for capital expenditures,
6 and that is for some computers and printers that were
7 purchased to maintain our efficiency within the
8 Corporation and move forward with our technology
9 program. Within the other category, we've paid 32,000
10 of the lease cost that we had budgeted. I think we had
11 budgeted \$87,000, and we've paid 32,000 of that through
12 the first four months. And this --

13 CHAIR MERCADO: Did you take -- oh, I'm sorry.
14 Go ahead.

15 MR. RICHARDSON: I was just going to say that
16 this 2,444,000 will then go -- it matches back with
17 column, Revised Requirement, for Management
18 Administration on Attachment "B," and also it would be
19 the same amount as shown on Attachment "A." So it
20 rolls forward to get more detailed as we go down
21 through.

22 CHAIR MERCADO: And you decided, I guess,

1 you're formatting separately for IG expenses, right?

2 MR. RICHARDSON: Yes. There's --

3 CHAIR MERCADO: I suppose in the same line?

4 MR. RICHARDSON: Right. We'll look down. For
5 instance, Attachment "B" gives you the total budget
6 that we currently have by budget category, personnel,
7 and so forth. So you see our budget for Management
8 Administration is 7.692, the expenses through January
9 7, 224. Then you've got the amount spent in each
10 budget category. It was a bit redundant to report the
11 IG over on Attachment "C" because the same information
12 would have been translated over in Attachment "D."
13 Attachment "E" shows you his budget, the amount of
14 expenses through January, and his unexpended balance.

15 MR. SMEGAL: Is there some reason -- are you
16 over on "E" now? Like I'll tell you what.

17 MR. RICHARDSON: Yes, sir.

18 MR. SMEGAL: I'm sorry. Are you at "E"? Have
19 you got to "E" yet?

20 MR. RICHARDSON: I'll answer any questions you
21 may have.

22 MR. SMEGAL: Okay. Well, it may be that you

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1 can't answer this. I notice Consulting is the only
2 item on the IG's budget which is above a third. And
3 Consulting got lumped in the beginning of the first
4 four months' end?

5 MR. QUATREVAUX: Yes, and some of it
6 represents commitments and accruals. For example,
7 development of the audit information management system
8 or AIMS, that's completely contained -- I hope it's
9 completely contained in there. We don't have any
10 additional expenses. But, yes, the Corporate audit and
11 the expenses that we did have in the first quarter on
12 the tech project, so we're running -- we're on target.
13 It's not a concern.

14 CHAIR MERCADO: Would this include, Mr.
15 Quatrevaux, the consulting that occurs in auditing
16 grantees as well?

17 MR. QUATREVAUX: Yes. We --

18 CHAIR MERCADO: Is that part of that fund or
19 under a different fund?

20 MR. QUATREVAUX: Yes. Let me explain that
21 what to say yes, I mean it's the special audits that
22 we're conducting right now. We do have some -- under

1 contract -- some consultants, monitors, that supplement
2 our audit teams. Some of them are from Cotton and
3 Company, and I think one or two of them are people --
4 well, just audit people, I guess. Also included in
5 there, are the expenses for the Corporation's annual
6 financial statement audit on which you just got a
7 report.

8 CHAIR MERCADO: Well, I was just trying to
9 figure out since the IG took over the responsibility
10 for overseeing the audits of the grantees, and that's
11 why I was wondering why in those categories. I mean
12 that was part of the reason that the expenses were up
13 front.

14 MR. QUATREVAUX: Yes.

15 CHAIR MERCADO: Rather than at the end of the
16 expenses.

17 MR. QUATREVAUX: Yes.

18 CHAIR MERCADO: Any other questions.

19 MR. SMEGAL: No.

20 MR. BRODERICK: No.

21 CHAIR MERCADO: Are there other items that you
22 want to flag to us?

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1 MR. RICHARDSON: There is nothing unusual at
2 this point to report other than we have made a few
3 internal budgetary adjustments, and when we come back
4 at midyear, we'll detail those to you, but they're
5 mainly because of some personnel changes that have
6 occurred where we've hired some temporary employees
7 into permanent positions and vice versa, where we've
8 lost a regular employee and we've hired a temporary to
9 take up the slack while a decision was made to hire a
10 regular employee.

11 MR. BRODERICK: David, how many full-time
12 employees are there now?

13 MR. RICHARDSON: Including the IG, I think
14 there's 84, 85, in that area. I can give you --

15 MR. SMEGAL: You have 93 slots; 84 are filled?

16 MR. RICHARDSON; We have --

17 MR. SMEGAL: 93 spots; 84 are filled?

18 MR. RICHARDSON; There's 93 in the next year's
19 budget.

20 MR. SMEGAL: Oh.

21 MR. RICHARDSON: There's 86 in this year's.

22 CHAIR MERCADO: That includes the IG and the

1 management?

2 MR. RICHARDSON: That includes the IG.
3 There's 18 in the IG for next year.

4 CHAIR MERCADO: The -- as far as the -- pardon
5 me. I was wanting to get a motion from one of you guys
6 if you didn't have any other questions on approving the
7 report up to now for the FY '97 Budget and Expenses.
8 Who is going to be the brave person?

9 M O T I O N

10 MR. SMEGAL: I'll so move.

11 CHAIR MERCADO: Okay. Motion --

12 MR. BRODERICK: And I will be delighted to
13 second that.

14 CHAIR MERCADO: Motion has been made and
15 seconded to go ahead and accept the report of the
16 Consolidated Operating Budget Expenses through January
17 31 of '97. All those in favor?

18 (A chorus of ayes.)

19 CHAIR MERCADO: Opposed?

20 (No response.)

21 CHAIR MERCADO: Our next item on the agenda is
22 the presentation of the staff report of the

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1 Corporation's Office Space Planning. And I believe at
2 our last meeting, we had requested that Management and
3 Administration and Inspector General get together and
4 figure out how we could most efficiently and
5 effectively and financially handle our space and yet
6 not feel like we're rats in a maize so to speak, I
7 guess, and still live within our budget, I think. So
8 we're ready to hear your recommendations.

9 MS. KENNEDY: Madame Chairman, good afternoon,
10 Committee Members. I'm Joan Kennedy of the Office of
11 Administration and Human Resources, for the record.

12 You'll recall at your last meeting, we
13 reported to you on our lease activity, both on the 11th
14 floor and the subsequent construction that we were
15 achieving on the 10th floor, and we reported that we
16 had leased out, or sublet, all of the space on the 11th
17 floor, with the exception of a small pocket of space in
18 the northwest corner of the building, which we, at that
19 time, were actively marketing and attempting to lease.
20 Based upon the request that you all made at the last
21 committee meeting, we stopped the marketing of that
22 space and began to assess our needs, Corporation-wide,

1 Management and Administration as well as the Office of
2 Inspector General, and what role that remaining space
3 might be able to play in the expansion needs that both
4 portions of the Corporation had at that time, the
5 Office of Inspector General and Management and
6 Administration.

7 And I think we reported at that time that the
8 Inspector General does have expansion needs. And at
9 that time we had no space with which to grow. Any
10 additional staff that were to come on board in
11 Management and Administration, there literally was not
12 an office in which they could have been housed. And so
13 in the interim since your last meeting, Management and
14 staff and OIG staff have met. We've talked with the
15 architects that we've hired from
16 Travelco Real Estate Services, and we've gotten some
17 assessments from them of how that space can be
18 utilized, how it can be configured as a possible option
19 that we've identified of the OIG relocating from the
20 10th floor to the 11th floor. After the architects had
21 calculated all of the core factors and done the other
22 kinds of calculations that are necessary to determine

1 exactly what the net rental square footage is in that
2 space, it was substantially less than what we had
3 originally expected it to be.

4 There was some fairly legitimate reasons for
5 that. When we had the entire floor, we had much --
6 fewer hall space and corridor space factored into the
7 equation. Now that we have a multi-tenant floor on 11,
8 we've had to make access accommodations by the addition
9 of hall space and corridors to allow them entranceways
10 to meet the codes -- the building code requirements.
11 And so we now have on that floor, 5655 square feet
12 remaining instead of the original 6500 that we had
13 projected. And the reduction in the net real area is
14 due to the core factors that are now calculated into a
15 formula.

16 Our last meeting with the architects was this week.
17 And we talked about the final design for that floor if,
18 in fact, the Office of Inspector General were to
19 relocate there, and I think Mr. Quatrevaux can speak
20 best to that.

21 MR. QUATREVAUX: Thank you. As Joan
22 indicates, we've been working with the architect to

1 take a look at it, and as she said, it turns out to be
2 about a thousand square feet less than what was
3 originally estimated, thus not as much as ideally we
4 would like to have. It's also, as Joan indicated, you
5 know, it's what's left over, and it's what other people
6 didn't take, and it's not the best space in terms of
7 location or configuration. There is also the aspect of
8 moving which is, of course, an experience most people
9 would like to avoid.

10 Be that as it may, despite all those factors,
11 I mean I'm still considering taking that space simply
12 because of the benefit that it provides to the
13 Corporation as opposed to leasing additional space at
14 the same time we're trying to dispose of space. The
15 potential savings to the Corporation are too
16 significant for me to ignore. My concern is that, as
17 you know, we are trying to present Congress with a
18 different structure in our budget request for '98. And
19 we don't know, of course, what they're going to do with
20 that. And I am reluctant to commit to a move, knowing
21 that it's going to involve, for one thing, build-out
22 expenses. It's going to involve additional rent

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1 expenses to the degree that we pay it, and I'm
2 reluctant to make that commitment before knowing what
3 Congress is going to do. If Congress doesn't honor our
4 proposed change, I may have to put just partitions in
5 the conference room and stack people on top of one
6 another. So I think that's the situation as it exists
7 today.

8 As I said, you know, I would like to help
9 reduce the Corporation's lease expenses. And we're
10 going to do that. It's that right now we have this
11 uncertain condition regarding the appropriation,
12 whether or not we're going to have the funding where we
13 can do that.

14 CHAIR MERCADO: How does -- I don't know
15 whether either you all or Mr. Richardson could respond
16 to this. Because of the tenuous situation with
17 Congress right now as far as whether or not we'll
18 actually have the funding to keep that space for next
19 year, what, if any, is our loss in just, you know,
20 taking a wait-and-see for, you know, the next couple of
21 months as far as our not actually having it leased to
22 anyone? Do you know?

1 MR. RICHARDSON: It's only an opportunity at
2 this point because we do not have a tenant in hand.
3 So, you know, if we wasted next month, we would be able
4 to calculate it, but in most cases, even if we got a
5 tenant in the next month, because of having to have an
6 architect draw out the plans cost it out, get bids on
7 it, you're looking at five months. You're looking at
8 October -- September, October -- before we can do
9 anything.

10 MR. QUATREVAUX: And I neglected to mention --
11 just reinforcing David's point -- we also have
12 operational considerations -- right -- expecting
13 sometime in the next two months to receive 250 audit
14 reports from the first round of this new system,
15 bringing AIMS on line at the same time. It's -- my
16 experience has been it's not best to attempt to move or
17 to implement a new system during peak periods.

18 MR. BRODERICK: How many people in the IG's
19 office now?

20 MR. QUATREVAUX: There are 15 now, as
21 David indicated. There are 18 in the '98 budget
22 request. There are 16 positions and I think two

1 additional ones in the '98 request.

2 CHAIR MERCADO: So realistically, in order for
3 any tenant to come in, the Corporation is going to have
4 to spend "X" dollars in build-out expenses for whoever
5 it is, whether it's the IG or whether it's somebody
6 else in how you're going to negotiate those leases.

7 MS. KENNEDY: And it would vary depending upon
8 the configuration you use or whoever the tenant was.
9 And we've asked, based upon the configuration that
10 we've been discussing in our conversations with the
11 OIG, the architect to prepare some rough estimates of
12 what construction costs would be. We did talk in our
13 meeting earlier this week about a construction time
14 line. And assuming that a commitment were made this
15 month, we'd be talking two to three weeks to draw up
16 plans. We'd be talking a month to a month and a half
17 to do the actual construction based upon the
18 configuration we now have. So we're probably talking
19 somewhere midsummer before the space would be ready for
20 occupancy.

21 MR. BRODERICK: Joan, what sort of cost are
22 you talking about?

1 MS. KENNEDY: Well, we don't even have a cost
2 estimate now. Based upon my experience with the other
3 kinds of costs we've had here with the other
4 construction, I would say we're talking anywhere
5 between 60 and \$80,000, but I don't know that. I'm not
6 an architect, and so I'm just guessing based upon my
7 experience with the other construction.

8 MR. QUATREVAUX: I think it's -- correct me if
9 I'm wrong -- I would think that space is going to be
10 difficult to lease, more difficult certainly than the
11 space you've already leased.

12 MS. KENNEDY: Well, I don't think so.

13 MR. SMEGAL: It is internal; is that the
14 reason?

15 MS. KENNEDY: No. There's quite a bit of
16 perimeter space. It is in a northwest corner of the
17 building. It is 11th floor. It has a "C" and "N"
18 view. And what the professional --

19 MR. QUATREVAUX: She means thrilling.

20 MR. KENNEDY: I put "view" in quotation marks.
21 But what the professional real estate people tell us,
22 it is not a difficult piece to lease. It does -- it is

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1 down a long corridor, and some may find that
2 unattractive. But I don't think there will be too much
3 difficulty leasing it. The longer we wait, however,
4 the more it delays our opportunity to get that space
5 leased out and get the relief -- the financial relief -
6 - that would result from it. Because Mr. Quatrevaux is
7 absolutely correct. The best option for the entire
8 Corporation would be for us to be able to do the --
9 have the OIG utilize that space.

10 MR. RICHARDSON: The other point, too, about
11 it, as far as waiting, is the building in front of us
12 that's being constructed will be direct competition, a
13 new building, for 6,000 square feet. And that's due
14 sometime next spring.

15 MS. KENNEDY: So our best option is to get out
16 front of everybody else so that we won't have to be
17 competing with them.

18 CHAIR MERCADO: Have you all discussed in your
19 discussions where you're talking about the build-out
20 plans, was there any discussions about how those
21 expenditures would be allocated as far as budgets,
22 whether OIG or Management or fifty-fifty or what you

1 would do? Did it even get to that point?

2 MS. KENNEDY: Yes. We did have some brief
3 discussion about that even this week. And one option
4 that was on the table was the option -- and correct me
5 if I'm misstating here -- was the option of Management
6 and Administration fronting the construction cost for
7 the project. And --

8 MR. QUATREVAUX: As an inducement to the
9 prospective tenant?

10 MS. KENNEDY: Yes. As an inducement to a
11 prospective tenant. And to continue to pay the rent on
12 that space until such time as the work priorities were
13 completed and the OIG was able to -- without too much
14 infringement on the flow to relocate. That was one
15 option.

16 MR. BRODERICK: Well, the recommendation, I
17 guess, is if we wait a period of time, see what
18 develops. That makes the most sense.

19 MR. QUATREVAUX: I don't really know what's
20 best for the Corporation's total view. It's hard for
21 me to know that because I think there you've got to get
22 into probabilities in being able to lease this space,

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1 and that sort of thing. Of course, we would pay the
2 lease rate as opposed to some reduced rate, which if we
3 want any prospective to pay so --

4 MR. BRODERICK: It's a trade off.

5 MR. QUATREVAUX: -- it's puts and takes all
6 the way around.

7 MS. KENNEDY: Obviously, the best option for
8 the Corporation will be to get that space occupied as
9 quickly as possible. We would prefer, however, that if
10 the OIG can utilize that space, to have the OIG to
11 utilize it, be the first -- have the first opportunity
12 to utilize that space. And if, in fact, we think
13 that's a great likelihood that that is going to
14 happen -- of course, no one can predict what the budget
15 outcome is going to be -- but if there's a great
16 likelihood that that's going to happen, we're willing
17 to wait until that period of time to move on.

18 CHAIR MERCADO: Mr. Richardson, need thoughts.

19

20 MR. RICHARDSON: The only concern I've got and
21 I was shown in the past is if you do sublease this
22 space on 11, that is the only real growth area that

1 we've got. I mean if the IG goes up, you then have 16
2 offices and conference room. It satisfies some of the
3 needs he has immediately. It also would give the
4 Corporation an area for growth. We've talked about up
5 to 93 employees. It would give us an opportunity to
6 have office space for them.

7 However, if we do go to the outside and
8 sublease the 11th floor area, then we're boxed in to
9 the point that we're going to have to go to the
10 Financial Account Standards Board here on 10, to
11 sublease additional space. And our experience has
12 been, we sublease space cheaper than we are currently
13 paying for it but because we'd be able, with FASB, we'd
14 take over a portion of their space, we've paid more or
15 less a higher rate for it.

16 MR. SMEGAL: What are we paying on 10? What's
17 the square footage rate?

18 MS. KENNEDY: It's approximately \$30 a square
19 foot.

20 MR. RICHARDSON: Is that for the -- just our
21 portion of 10, or is that --

22 MS. KENNEDY: I don't know what FASB is

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1 paying.

2 MR. RICHARDSON: Okay. Because FASB, we're
3 paying just a little bit more because, for whatever
4 reason, there is a real estate tax on that property
5 that we're not paying. Because we are subleasing it
6 from FASB, we're having to pay that real estate tax
7 until the new assessment is done.

8 MR. QUATREVAUX: And then FASB -- or however
9 it's pronounced -- space is adjacent to the OIG office
10 area on the 10th floor, so just to give you perspective
11 on that.

12 MS. KENNEDY: I think the optimum solution,
13 again, for Management and Administration is the option
14 that we've talked about which allows the relocation to
15 occur because it allows M & A to occupy contiguous
16 space that they can flow into and have all of the staff
17 that are assigned to work units be able to be
18 physically located together. That's the optimum
19 solution and the one that we would strongly propose to
20 try and pursue. And it appears that if things were
21 able to work out budetarily that would be amenable to
22 the IG's office.

1 MR. QUATREVAUX: I'd have to say, you know, in
2 our former configuration, everybody was on the 11th
3 floor, both sides of the elevator lobby, so I mean it
4 would be that kind of thing if the FASB space was
5 available. I wouldn't want to be on different floors.

6
7 MS. KENNEDY: It's slightly different, though,
8 because what we have now is work unit slip. We have
9 OPO staff that are on the 11th floor and OPO staff that
10 are on the 10th floor. Whereas when we had the entire
11 11th floor, we at least had our work units able to stay
12 together and that's best.

13 MR. QUATREVAUX: But would it not be the case
14 that if the FASB space were leased as space --

15 MS. KENNEDY: I'm talking about retention of
16 the 11th floor space which is noncontiguous. I wasn't
17 speaking of the FASB space.

18 CHAIR MERCADO: Yes. I was making an
19 assumption that the IG would be on the 11th floor and
20 the contiguous you were talking about would be on the
21 10th floor in the IG space. Any other questions?

22 Well, it sounds like at least for the next

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1 couple of months, it's going to be sort of a wait and
2 see, and I guess as new information comes in the IG's
3 office and Management and Administration discuss what
4 possibilities are available for us, we'll go from
5 there. Thank you.

6 MS. KENNEDY: Thank you.

7 CHAIR MERCADO: I appreciate it.

8 MR. SMEGAL: I'm just --

9 CHAIR MERCADO: You have a question?

10 MR. SMEGAL: Well, I have a question. I saw
11 the sheet. I don't know whether we discussed this.
12 Joan, you passed out --

13 MS. KENNEDY: Oh, yes.

14 MR. SMEGAL: -- a lease sheet. Are we going
15 to get to that? It doesn't seem to be the agenda.

16 MS. KENNEDY: Well, I don't anyone brought it
17 up.

18 MR. SMEGAL: I guess I don't understand it. I
19 get to the bottom right of it, and I see \$890,289 as
20 total expenses, and I can get that number by adding the
21 columns immediately to the left of it. But what it
22 doesn't tell me

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1 -- and I guess what I was kind of interested in knowing
2 -- is how much is this space costing us in terms of
3 what we're paying for it? Is that what we're absorbing
4 as the cost of that space that we do not occupy?

5 MS. KENNEDY: Yes. We're paying approximately
6 -- if you look in the third column, "rent per square
7 foot" --

8 MR. SMEGAL: Yes.

9 MS. KENNEDY: -- it tells you what each of the
10 either subtenants or prime tenants -- depending on
11 whether it's a prime lease or a sublease -- is paying.

12 MR. SMEGAL: What they're paying us?

13 MS. KENNEDY: What they're paying us.

14 MR. SMEGAL: And if I understood from an
15 answer that David gave me earlier, the space is costing
16 us 30?

17 MS. KENNEDY: Right. Therefore, you have the
18 column that's to the right, "rent differential," which
19 shows the difference between what we're paying and what
20 the subtenant or the prime lease tenant is paying.

21 MR. SMEGAL: And over what period of time is
22 that occurring?

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1 MS. KENNEDY: That's over the remainder of the
2 lease which is --

3 MR. SMEGAL: That's not just for 1997 or --

4 MS. KENNEDY: That represents the entire
5 amount.

6 MR. SMEGAL: That's the entire lease period?

7 MS. KENNEDY: Yes.

8 MR. SMEGAL: And that lease period goes
9 through when?

10 MS. KENNEDY: Five years and ten months left
11 on the lease.

12 MR. RICHARDSON: 2002. May 2002.

13 MR. SMEGAL: And when you have over there in
14 the first -- the second column -- "lease type, prime
15 and sublease" --

16 MS. KENNEDY: Yes.

17 MR. SMEGAL: My understanding of prime would
18 be that these other entities actually have assumed the
19 lease.

20 MS. KENNEDY: Exactly. And we're completely -
21 -

22 MR. SMEGAL: So why do we have any expense

1 then?

2 MS. KENNEDY: Why do we have any --

3 MR. SMEGAL: Yes. Why -- if someone else has
4 assumed the lease, we're still obligated to 30, even
5 though they're paying 29 and 27.55?

6 MS. KENNEDY: Right. Yes.

7 MR. SMEGAL: Then how are they prime?

8 MS. KENNEDY: We don't --

9 MR. SMEGAL: Because we still have the lease?

10 MR. RICHARDSON: What happened is we had to
11 pay the rent differential and agree to pay the rent
12 differential and the -- a portion of the construction
13 improvements to get them to sign the prime lease. We
14 are no longer paying, for instance, for NAAG's rental
15 space. Our rent has been reduced by the prorated
16 amount at what they're paying. Same thing with Clean
17 Air. But we have to write APA a check to get that
18 done.

19 MR. SMEGAL: So did we accelerate our
20 payments? We got a lease that goes through May of
21 2002, and if we in effect -- does our deal with them
22 that it's prime now result at our having accelerated

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1 the difference, and we paid it all up front?

2 MR. RICHARDSON: That's correct.

3 MR. SMEGAL: So in other words, an obligation
4 we had that would have been through 2002, has now
5 occurred in '96?

6 MS. KENNEDY: Yes.

7 MR. RICHARDSON: Correct. Part of this is the
8 deferred rent differential that you saw in the
9 financial statements. You saw the debt went from 1.3
10 down to about a million dollars with 300,000 of that
11 was in that account who had already been set aside. A
12 part of this has occurred because remember the first
13 year that we were in the building, we did not pay rent.
14 So that is factored in on the back end now that we're
15 walking away from the space, that we've got to pay them
16 a portion of that rent back.

17 MR. SMEGAL: And they're getting it -- and
18 they got it in '96?

19 MR. RICHARDSON: That's correct.

20 MR. SMEGAL: Rather than over a period of '96
21 to 2002.

22 MR. RICHARDSON: Well, if you look at it, we

1 were paying -- we would be paying -- and I'll just use
2 a round figure -- say \$30 a square foot --

3 MR. SMEGAL: Right.

4 MR. RICHARDSON: -- on the 11,000, the NAAG
5 space --

6 MR. SMEGAL: Right.

7 MR. RICHARDSON: So that's \$330,000 times five
8 years. So we would have had a rent obligation of 1.5,
9 \$1.6 million of which we're getting out.

10 MR. SMEGAL: How did you get 330,000 at a buck
11 for 11,000 feet?

12 MR. RICHARDSON: I'm just rounding. If you
13 look at 11,000 square feet times \$30 a square foot,
14 it's 330,000.

15 MR. SMEGAL: Oh, that. Okay.

16 MR. RICHARDSON: Multiply that by five. It's
17 over \$1.6 million. So we paid to get out of that
18 obligation of that \$1.6 million, basically \$400,000.
19 And now we're walking away from the space.

20 MS. KENNEDY: And in the NAAG instance, at
21 least, we had the option of spreading it out over a
22 period of time, and we chose to expend it in a one-time

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1 payment in 1996, to get completely out of that
2 obligation.

3 MR. SMEGAL: If in fact our square foot cost
4 is 30 -- and let's take NAAG here -- and they're
5 actually paying 29, so the difference is the one; is
6 that right? One buck a square foot times 11,190, how
7 do you get the 196,000 in the course of six years? If
8 you multiply six times 11,000, rounding off, taking,
9 you know, looking at it as 11,000, that's only 66,000.

10 MR. RICHARDSON: You get a \$2 bump starting
11 January -- June 1st of this year. So it goes to \$32
12 June 1st of this year.

13 MR. SMEGAL: And NAAG is paying 29 across the
14 whole time period?

15 MR. RICHARDSON: That's correct.

16 MR. SMEGAL: Thank you.

17 CHAIR MERCADO: And so just to capsulize this,
18 I guess, in the last six months, we've actually
19 expended \$890,000 more than we had anticipated on
20 lease?

21 MR. RICHARDSON: Yes. As you recall in the
22 financial statements, there was an amount recognized in

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1 last year's of \$500,000. And we've got another over
2 300,000 this year that we have built into our budget
3 that you've already approved.

4 MR. SMEGAL: And Congress understands costs of
5 getting out of these leases? It's pretty clear to
6 them?

7 MR. RICHARDSON: Yes. We've talked to them
8 about the deficits that we've incurred as far as
9 getting out of leases, and they're fully aware of it.

10 MR. SMEGAL: Thank you.

11 CHAIR MERCADO: Any other questions? Okay.
12 Is -- thank you. Are there any other business to be
13 brought before this committee? If not, I will
14 entertain a motion to adjourn Finance Committee
15 Meeting.

16 M O T I O N

17 MR. BRODERICK: So moved.

18 MR. SMEGAL: Second.

19 CHAIR MERCADO: All those in favor?

20 (A chorus of ayes.)

21 CHAIR MERCADO: Opposed.

22 (No response.)