

Legal Services Corporation (LSC) Response To Issues in CBS and AP News Stories

A distorted picture of LSC's administrative expenditures is being conveyed by two news stories (by Associated Press reporter Larry Margasak and CBS evening news reporter Sharyl Attkisson). The facts are:

- LSC funds 138 independent, local programs that provide civil legal services for low-income people — they handle nearly 1 million cases per year and serve every county in the nation.
- 96 percent of LSC's budget goes directly to these programs — just 4 percent goes for administrative costs and one-tenth of one percent for board expenses.
- As a matter of principle, we are committed to being a careful and frugal steward of taxpayer funds — we have strict policies in place to ensure LSC funds are spent wisely and appropriately.

A detailed response to specific points in the two news stories follows.

CBS quote: “Whistleblower allegations include tax dollars used for questionable trips to foreign countries”

Fact: The only trip to a foreign country paid for by LSC in the past three years was a trip to the International Legal Aid Group (ILAG) conference in Ireland. ILAG meets every other year to discuss new approaches to legal aid in the participating countries. Officials representing LSC have been participating in the biennial conferences since the group started in 1994.

CBS quote: “Whistleblower allegations include tax dollars used for ... first class travel”

Fact: LSC travel regulations do not permit the use of first class travel under normal circumstances. In only one case in the past three years has a first class ticket been purchased by LSC, and that was when the Chairman of the Board was asked with little notice to come to Washington to testify at a Congressional hearing, and no coach reservations were available. Even then, he was able to purchase a first class ticket at less than what the government rate would have been for a coach ticket from Atlanta to Washington. On another occasion, Continental Airlines upgraded the president of LSC to business first class based on her frequent flyer status with Continental for less than LSC had contracted for a coach ticket.

CBS quote: “Whistleblower allegations include ... conferences in resort spots like Puerto Rico”

Fact: The LSC Board of Directors meets four times each year, once in Washington and the other three times in locations around the country where they can visit legal services programs. In April of 2004, the Board met in Puerto Rico for the first time ever. In Puerto Rico, 45% of the population lives at or below the poverty line. The LSC grant to the Puerto Rico legal services program, which, like all LSC grants, is authorized by Congress and awarded based upon poverty level population, is the largest grant awarded each year by LSC. The Board met in Puerto Rico to visit with the program and to meet with court officials and others regarding the provision of legal services to Puerto Rico’s poor. Board meetings in Puerto Rico lasted from 8:00 am to 5:00 pm on Friday and from 8:00 am to 4:00 pm on Saturday.

CBS quote: “Whistleblower allegations include ... excessive bonuses for Legal Services president Helaine Barnett.”

Fact: President Barnett has received no bonuses since her employment with LSC. President Barnett and Inspector General Kirt West received recruitment bonuses of \$30,000 and \$25,000, respectively, at the time that they were hired.

CBS quote: “... Legal Services executives are treating themselves to five-star perks like lunch at the Four Seasons ...”

Fact: As part of the December holiday party last year, three employees (the receptionist, an administrative assistant, and a program counsel) won a lunch with President Barnett. No other LSC executives attended, and it was a one-time holiday event. The lunch was held at the Four Seasons Hotel on January 31, 2006, and LSC reimbursed President Barnett \$118.09.

CBS quote: “... Legal Services executives are treating themselves to five-star perks like ... dinner catered by the Ritz Carlton....”

Fact: No dinner for any LSC executives, board members, or staff has ever been catered by the Ritz Carlton. President Barnett has hosted two dinners for Board members in the apartment she sublets, which is managed by the Ritz Carlton. The dinners were on February 4, 2005 and January 27, 2006. President Barnett used a catering service, not the Ritz Carlton, for both dinners. For the February 4, 2005 dinner, LSC reimbursed President Barnett \$1,148, the amount permitted by LSC’s per diem policy for dinner for 14, which included Board members and the Inspector General. President Barnett paid the remaining balance herself. For the January 27, 2006 dinner, President Barnett paid the entire cost herself.

CBS quote: “... Legal Services executives are treating themselves to five-star perks like ... taking limos instead of taxis. A \$400 trip around Washington, D.C.

by board chairman Frank Strickland would have cost \$5 if he'd just used the Metro."

Fact: Chairman Strickland has come to Washington 11 times in the past four years to meet with members of Congress, attend LSC meetings, and conduct LSC business. Each time except once, he has used taxis for LSC business. On April 25, 2006, LSC business required him to be at LSC headquarters (which are not Metro accessible) at 9:00 am, to be on Capitol Hill at 11:30 am, to be at Fort Meyer (which is not Metro accessible and does not allow taxis to cruise) in Arlington at 12:45 pm, to be at Arlington Cemetery at 1:45 pm, to be back on Capitol Hill at 3:30 pm, to attend another meeting at 4:30 pm, and to return to the airport in time to catch a 6:00 pm flight. Given the very tight schedule and the inaccessibility of two locations to Metro and one location to taxis, LSC staff determined that having a car and driver (it was a regular sedan, not a limousine) would be the best way to assure the transportation necessary to keep the schedule. Chairman Strickland's regular use of taxis and this one-time use of a car when the schedule required it belies any suggestion that LSC executives are using limos as a five-star perk.

AP quote: "Legal Services own internal watchdog, Inspector General Kirt West, has questioned whether the corporation's headquarters has more space than it needs and whether it pays too much for rent."

Fact: LSC moved to its current location to save money and is paying less rent today than it would have been had it stayed in its former location on Capitol Hill.

The bipartisan LSC Board carefully reviewed the Inspector General's report on the rent LSC was paying, and concluded unanimously that, based on the facts presented, that the decision to move to its current headquarters was fiscally prudent.

LSC's rent is \$38 per square foot, and it is a guaranteed flat rate that will not increase over the 10-year life of the lease. There are no utility costs or pass-throughs for taxes and building operations. The average rent asked by landlords for leases signed in 2006 for Class B office space (LSC offices are Class B, not the higher Class A) in the District of Columbia, where Congress requires LSC's office to be, is \$42 per square foot plus charges for utilities, taxes, and building operations. LSC is already saving money compared to average rents in DC, and the savings will grow each year.

LSC will ultimately own the building it now occupies and will eventually be paying no rent.

LSC bench-marked the amount of office space it rents against private law firms (the standard recommended by the General Services Administration), the Department of Justice, the General Counsel's Office of the Postal Service, and

the National Endowment of the Arts. LSC is renting comparable or less space per employee than each of the above.

AP quote: “The government-funded corporation also has a spacious headquarters in Washington’s tony Georgetown district — with views of the Potomac River and rents significantly higher than other tenants in the same building.”

Fact: LSC’s headquarters are located in the former warehouse district, not the upscale shopping and residential district of Georgetown. The building was rundown with an overgrown lot next door when it was purchased. Since the purchase, the neighborhood has improved dramatically, and the value of the building has increased by 50%. It has been a good investment, especially as building ownership will revert to LSC when the mortgage is paid off.

While other tenants in LSC’s building are paying less rent, LSC was informed before it decided to rent its space that the other tenants were paying below-market rents. Their rents, however, are subject to annual increases for inflation, increases to cover increased costs of operating the building, and renegotiating as their leases expire. By contrast, LSC’s lease is at a fixed price, which is guaranteed until 2013.

CBS quote: “... Legal Services spends more tax dollars to rent space to hold meetings at the luxurious Melrose Hotel.”

AP quote: “Bills from the Melrose, with all costs per person, included a \$59 three-entree buffet, an \$18 breakfast featuring scrambled eggs with chives, a \$17 breakfast including Belgian waffles, a \$28 deli buffet, a \$13 ‘high tea’ service, a \$12 ‘bagel break’, a \$12 ‘Crazy for Cookies’ assortment and \$14 ‘Death by Chocolate’ desserts.”

Fact: LSC regularly compares prices for hotels for Board meetings. In Washington, DC, for the January annual meeting of the Board, the Melrose Hotel offered government rates for its hotel rooms and competitive rates for its food services. The \$17 and \$18 breakfasts, the \$12, \$13, and \$14 per person break services are not unusual hotel catering prices for the Washington area.

AP quote: “... board members wrote themselves a policy that doubled the amount they could claim for meals compared to staff.... The board fashioned for itself an expense policy that permitted members to receive up to 200% of the allowable meal expenses — as long as board members dined together.”

Fact: Following an audit of Board member travel expenses during fiscal year 2004, the Inspector General recommended that LSC amend its travel policies to address issues related to Board member meal reimbursement for actual expenses during Board meetings. LSC management reviewed the federal

government's policy regarding reimbursement, which allows for federal employees to be reimbursed for actual expenses up to three times the per diem when meals are provided in conjunction with a conference. LSC, believing that policy to be too generous, adopted a policy in February 2005 limiting LSC Board members to reimbursement for actual expenses up to twice the per diem when Board members dined together. The policy was adopted by LSC management, and the Board played no role in its adoption. The policy was only used in conjunction with the quarterly meetings of the Board. Since even this lower limit has become controversial, management revised LSC's travel policies in July of 2006 to eliminate this provision.

AP quote: "... the corporation's 11-member board of directors holds its meetings at hotels around the country, including Washington, at costs ranging from \$20,145 to \$55,125 — the latter in San Juan, P.R."

Fact: The LSC Board of Directors meets four times each year, once in Washington and the other three times in locations around the country where they can visit legal services programs. The Board views as significant the added value of visiting LSC programs in different parts of the country to review program operations, hear from clients, meet with bar leaders to encourage pro bono efforts and meet with members of the judiciary in support of access to justice. LSC obtains proposals from three hotels in the area recommended by the local program being visited. LSC seeks to obtain government rates for hotel services and is generally successful.

AP quote: "Barnett and Strickland both attended the International Legal Aid Group Conference in Killarney, Ireland in June 2005. To get to Killarney from Shannon Airport, Barnett took a cab for \$220 and returned to the airport by taxi for \$189, a cost of \$409 for a roundtrip of about 160 miles."

Fact: When President Barnett landed in Ireland, the person with whom she expected to ride to Killarney had left without her. President Barnett inquired about public transportation, including the bus, and was told there was no direct service to Killarney. The conference provided no transportation. Renting a car on her own would have required driving on the left-hand side of the road for the first time, a safety concern. A taxi was the only feasible option. After the conference, President Barnett was the only attendee leaving for Shannon airport on Friday afternoon, and a taxi was again the only feasible option for return to the airport.

AP quote: "Barnett also used a hired car and driver to attend a funeral service for a former board member in Harrisburg, Pa., about a two-hour drive. The cost: \$400."

Fact: Ernestine Watlington, LSC's longest continuous-serving Board member, died on April 15, 2006. President Barnett was asked to speak at her funeral on April 18, 2006. To travel from Washington to Harrisburg, Pa. and the funeral

home and return by plane would have cost \$444.60, exceeding the \$400 cost of hiring a car and driver (see attached assessment done at the time of the funeral). No train service was available for the one-day trip. President Barnett chose the lower-price form of transportation, which still allowed her to work on LSC business during the five-hour trip.

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