

## **AGENDA ITEM A**

**DATE:** September 29, 2015  
**TO:** Members, Planning and Budget Committee  
**FROM:** Christine Wong, Director of Finance  
**SUBJECT:** Fund Accounting Review

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During the budget adoption process in January 2015, the Board of Trustees reviewed inter-fund transactions that had taken place in 2012 through 2014 to finance the new Los Angeles facility, and discussed whether inter-fund transfers between restricted and unrestricted funds were appropriate under the Bar's existing fund accounting structure. The State Auditor's June 2015 report raised similar concerns about inter-fund transfers, as well as concerns about the Bar's fund balances and reserves. In response to these issues, the Board contracted with William Statler, an independent consultant with expertise in governmental and municipal accounting, to provide an independent third-party assessment of the State Bar's existing fund structure, reserve policy and use of fund accounting in appropriately segregating earmarked resources.

This independent fund accounting review was completed in August 2015. In his report, Mr. Statler concluded that the State Bar is appropriately using fund accounting in accordance with generally accepted accounting principles (GAAP) in recording and presenting its financial transactions; and that the State Bar appropriately accounts for the financial operations of its programs as Enterprise Funds. Along with this key finding, the report also provides an overview of GAAP and financial reporting principles for state and local governments; and includes findings and recommendations regarding inter-fund transactions, fund consolidation and restructuring, external and internal financial reporting, budget practices, and reserves.

This agenda item presents Mr. Statler's final report to the Committee. Following presentation of this report, staff is presenting an agenda item for fund restructuring (Agenda Item B), which asks the Board to adopt a new consolidated fund structure, based on Mr. Statler's recommendations. Concerns about inter-fund transfers and loans were previously addressed at the July 2015 board meeting, where the Board of Trustees adopted an Inter-fund Transfers and Loans Policy (JULY\_146) that provides procedures for, and restrictions on, transfers and loans between State Bar funds. Work on a new reserve policy is in progress, and a review of other matters addressed in the report will commence shortly.

### **Attachment List:**

A. Fund Accounting Review, prepared by William Statler, August, 2015