

# AGENDA ITEM

## November 2014 IV. C.

**DATE:** November 5, 2014

**TO:** Members, Audit Committee

**FROM:** Peggy Van Horn, Chief Financial Officer

**SUBJECT:** Review of Existing Policies Regarding Management Staff Expenses and Procurement Card Usage and Possible Development of Committee or Board Role in Reviewing Implementation of Such Policies

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### EXECUTIVE SUMMARY

As part of its 2014-2015 work plan, the Audit Committee plans to seek ways to enhance the Board's and the public's review of the Bar's expenditures and contracting. The purpose of this agenda item is to begin this process by reviewing the State Bar's travel and business expense policies, considering an appropriate oversight role for either the Audit Committee or the Board of Trustees and directing staff to draft a policy to accomplish this goal.

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### Discussion

The State Bar maintains a travel and business policy that governs the travel expense reimbursements for Board members, staff and volunteers. This policy is reviewed and updated each year and defines all requirements for lodging rates, air travel, ground transportation, meal expense and incidentals relating to business travel. The policy also allows for the reimbursement of business expenses for situations that fall outside of the normal travel policy. Expenses that may be covered under this policy include meals during which discussion of State Bar business occurs and there is a business need to conduct business during a normal meal time. Attachment A is a copy of the travel and business policy.

All State Bar employees who travel and who are authorized to have a purchasing card (a "pcard", effectively a credit card charged to the Bar) are required to have their expenses reviewed and approved by their designated manager. For senior executive staff, the CEO is the approver. The CEO's pcard and expense reports are reviewed and approved by the CFO.

Outlined below are some options that the Committee may wish to consider that would enhance the Board's ability to oversee travel and business expense:

1. Senior management travel and Pcard usage: The Committee may want to develop a policy and practice of receiving an accounting of CEO and senior management's travel and business expenses. This review would consist of a quarterly report to the Committee that would provide detailed information on the travel expense and Pcard

usage of the CEO, CFO, Deputy CEO, Chief Trial Counsel, General Counsel and the senior directors of Admissions, State Bar Court, Office of Education, Information Technology, Legal Services and Communications. The Committee may also want to consider changing the long-standing practice of the CFO approving the CEO's expenses and assign approval of the CEO's expenses to the Board President, Audit Committee Chair, or the Audit Committee as a whole. Staff would recommend an individual signer to facilitate prompt payment of expenses, but upon approval, such expenses could be reviewed by the Committee as are the expenses of other management staff. It is a common function of Audit Committees to review or approve the expenses of CEO's so that their expenses are not subject to review and approval by their subordinates.

The new review and reporting procedure would become effective on November 1<sup>st</sup>. The first report could be presented at either the Board Retreat in January 2015 or the March regular meeting or, perhaps, at an earlier meeting of the Committee should one be scheduled.

2. Board Travel Expense: In a similar fashion to reporting and reviewing senior management expenses, the Committee should also consider a quarterly review of the Board's travel expenses. Board Audit Committee review of Boardmember expenses has the same rationale as review of the CEO's expenses: it avoids the situation in which staff are asked to review the actions of their superiors in our organization hierarchy.
3. President's Allowance: Another oversight role that the Audit Committee should explore relates to the president's allowance, currently budgeted at \$30,000 per year. This allowance is most often used to pay for the additional travel expenses incurred by the President for attendance at non-State Bar scheduled events in which he or she appears on behalf of the State Bar. The allowance may also be used as a monthly allowance for secretarial assistance and miscellaneous expense. The Bar's policy regarding this allowance is overly broad and has resulted in the allowance being inconsistently used over the years. The Committee should consider clarifying the policy and reviewing the expenses from this allowance on a quarterly basis. Attachment B is a copy of the current policy.

## **Conclusion**

Staff seeks guidance from the Audit Committee on how it wishes to proceed with developing policies and procedures to enhance its oversight of travel and business expenses.