



THE STATE BAR OF CALIFORNIA

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

OFFICE OF FINANCE

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MEMORANDUM

DATE: March 11, 2015

TO: Members, Audit Committee

CC.: Robert Hawley, Acting Executive Director

FROM: Sam Quan, Acting Chief Financial Officer
Christine Wong, Director of Finance

SUBJECT: Action Item III.A - Clarify CFO Approval of CEO Expenses

At the November 5, 2014 Audit Committee meeting, the Committee discussed the CFO's request that the Board clarify the Chief Financial Officer's role in approving the Executive Director's business expenses. Her staff report identified several options for doing so. One was that authorization of the CEO's expenses be delegated to the Board President, Audit Committee Chair, or the Audit Committee so that the CEO's expenses would not be subject to review and approval by a subordinate. An alternate recommendation was that the Board President or Audit Committee be given additional oversight responsibility for the CEO's expenses, but not direct approval over each expense claim. The Committee asked staff to prepare a report so the Committee could recommend to the Board that the present policy be clarified to retain the current authority of the CFO to approve the CEO's expenses, but also to state that the two should seek to resolve any differences between them and, if they are unable to do so, either may consult the Audit Committee Chair who may assist the CFO and CEO in resolving the matter or refer it to the Audit Committee for resolution.

To follow up with this discussion, current staff reviewed the Bar's current Travel and Business-Related Expenses Policy (Attachment "A" - Administrative Advisory 15-01) and the Board Book, Tab 17, Section 2 (Attachment "B"), and determined that this issue could be addressed administratively by amending the current Travel and Business-Related Expenses Policy. According to the Board Book, the Executive Director is granted the authority to modify the Travel Expense and Business Expense policies pursuant to the Financial Limitations policy. Historically, the State Bar has addressed reporting and approval authority matters in this manner, by updating its existing policy documentation without a Board Resolution (e.g., operational directives and administrative and management advisories).

Our recommendation is to clarify the issue by adding language to the Reporting Guidelines sections for expense reports and purchasing cards in the current Travel and Business-Related Expenses Policy to read, ***“The Executive Director’s Expense Report must be reviewed and approved by the Chief Financial Officer. The Chief Financial Officer may forward unresolved concerns directly to the Audit Committee chair as warranted, who may consult with the Chief Financial Officer and Executive Director about the matter or refer it to the Audit Committee for resolution”***.

We believe that by adding this language to existing policy will mitigate any approval concerns and disputes between the CFO and the CEO in the expense approval process. This policy amendment will also provide the necessary reporting oversight the Committee has requested. Attached to this memo is a copy of the current Travel and Business-Related Expenses Policy with redline changes for your review. Should the Committee agree with the amendment, staff will implement the changes after this meeting. As the action will be taken administratively, action by the Board Executive Committee and the Board of Trustees will not be necessary.

Att.: 2015 Travel and Business-Related Expenses Policy with redline changes
Board Book Tab 17, Section 2