

June 22, 2017

Ms. Leah Wilson, Chief Operating Officer  
The State Bar of California  
180 Howard Street  
San Francisco, CA 94105

Re: Policy and Procedure Review and Internal Audit Services

Dear Ms. Wilson:

This letter is to confirm the terms and objectives of our engagement, and the nature of and limitations on the services we will provide. This Engagement Letter and the attached Professional Services Agreement, which is incorporated by reference, represent the entire agreement (the "Agreement") regarding the services to be rendered by Moss Adams LLP ("Moss Adams," "we," "us," and "our") to The State Bar of California ("you," "your," and "Organization").

### Scope of Services

This project is to provide The State Bar of California with several critical internal audit activities for 2017. We will perform the following as part of our services:

- **Policy and Procedure Review** – We will review the Organization's financial policies and procedures and selected Information Technology procedures (security related), together referred to herein as "policies and procedures" and assess them for adequacy and sufficiency to address the needs of the operations and promote an effective and efficient control environment. We will be reviewing the following policies and procedures:
  - Accounts Payable and Cash Disbursement
  - Cash Receipts
  - Member Billing – Cash Receipts
  - Petty Cash
  - Fixed Asset
  - Investment
  - General Accounting and Financial Reporting
  - Payroll
  - Travel Advance
  - Travel and Business-Related Expense Policy
  - General Procurement Manual
  - Signature Authorization Levels
  - IT Security Program
  - System Access Administration



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We will provide Management with recommendations to improve the Organization's policies and procedures by benchmarking it against best practices.

- **Internal Audit** – The objective of the internal audit is to evaluate whether the right operational, compliance, and financial reporting controls are in place to support the Organization's existing operations. The audit will be developed around industry best practices. The assessment will be performed for the following processes:
  - Billing and Collections
  - Purchasing, Accounts Payable, and Cash Disbursements
  - Human Resources and Payroll
  - Investment Management
  - General Ledger, Financial Close, and Reporting
  - Information Technology General Controls

We will provide Management with an internal audit report with details of the internal control issues identified, associated risks, and recommendations.

Moss Adams is also available to provide additional consulting services. If you request that we perform additional services outside the scope of this Agreement, we will communicate with you regarding the scope of the additional services and the estimated fee. We will also endeavor to issue a separate agreement covering the additional services. However, in the absence of another agreement, all of our consulting services will be governed by the terms of this Agreement.

### **Limitations**

Our Services will not constitute an audit or a review in accordance with generally accepted auditing standards or attestation standards. We will not audit or otherwise verify the information supplied to us in connection with this engagement, from whatever source, except as may be specified in this Agreement. Accordingly, we will provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based.

You are further responsible for determining that the scope of our Services and that the Services properly address your needs. You are also responsible for the implementation of actions identified in the course of this engagement and the results achieved from using any Services or deliverables. Moss Adams has not been engaged to, and we will not, perform management functions, make management decisions, or act in a capacity equivalent to that of an employee or otherwise engage in any activity which, in the judgment of Moss Adams, would be inappropriate in the capacity of performing our engagement. The State Bar of California remains responsible for the proper implementation and operation of an adequate internal control system.



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### **Fees and Timing**

Our professional fees are based on the time required to complete our work. Based on our discussion with you and the scope of work outlined above, our estimated professional fees will not exceed the following for each service:

Project Component	Rate Per Hour	Not-to-Exceed Fees
Policy and Procedure Review	\$390	\$30,000
Internal Audit Services	\$240	\$120,000
Fee amounts do not include out-of-pocket expenses, which are billed at cost.		

Our timing will be mutually agreed upon with Management. Expenses will be billed separately at cost and are expected to be minimal.

The efficient and timely completion of the Services are based on the anticipated cooperation from your personnel, the expectation your records will be in good order and the assumption that unexpected circumstances will not be encountered. If we find that significant additional time is likely to be necessary to complete our Services, we will attempt to discuss it with you and arrive at a new fee estimate before we incur significant additional fees or costs.

We appreciate the opportunity to be of service to you. If you agree with the terms of our engagement as set forth in this Agreement, please sign the enclosed copy of this letter and return it to us with the Professional Services Agreement.

If you have any questions, please let us know.

Very truly yours,

A handwritten signature in black ink that reads "Mary Case".

Mary Case, Partner,  
for Moss Adams LLP



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**ACCEPTED AND AGREED:**

This Engagement Letter and the attached Professional Services Agreement set forth the entire understanding of The State Bar of California with respect to the services to be provided by Moss Adams LLP:

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Client: 629666

# **PROFESSIONAL SERVICES AGREEMENT**

## **Consulting Services**

This Professional Services Agreement (the “PSA”) together with the Engagement Letter, which is hereby incorporated by reference (collectively the “Agreement”), represents the terms and conditions relating to services to be provided to you by Moss Adams. Terms not defined herein shall have the same meaning as set forth in the Engagement Letter.

### **Execution of This Agreement**

This Agreement may have been forwarded to you by email, facsimile transmission or as an attachment to an Engagement Letter. Your acceptance of this Agreement, returned by the same or similar means is legally binding upon Moss Adams and you. The party executing this Agreement represents that he/she has the authority to make this Agreement with Moss Adams.

### **Fees and Expenses**

Billings are due forty-five (45) days following the date invoice. Any past due fee under this Agreement shall bear interest at the highest rate allowed by law on any unpaid balance. If we elect to suspend our engagement for nonpayment, we may not resume our work until your account is paid in full. If we elect to terminate our services for nonpayment, or as otherwise provided in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our work. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for all out-of-pocket expenditures made through the date of termination. You acknowledge and agree that in the event we stop work or terminate this Agreement as a result of your failure to pay on a timely basis for services rendered by Moss Adams as provided in this Agreement, or if we terminate this Agreement for any other reason, we shall not be liable to you for any damages that occur as a result of our ceasing to render services.

You may request that we perform additional services not contemplated by this Agreement. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We will also issue a separate Agreement covering the additional services.

### **Timely and Professional Performance**

Moss Adams will use all reasonable efforts to provide the Services within the timeframe stipulated. Moss Adams will exercise due professional care and competence in the performance of the Services. Moss Adams will not be liable for failures or delays in the performance of Services that arise from causes beyond its control, including the untimely performance by client, its representatives, advisors, or agents, of its obligations under the Agreement.

### **Limitation on Liability**

IN NO EVENT WILL EITHER PARTY'S TOTAL LIABILITY TO THE OTHER FOR ANY AND ALL DAMAGES WHATSOEVER ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT FROM ANY CAUSE, INCLUDING BUT NOT LIMITED TO CONTRACT LIABILITY OR MOSS ADAMS' NEGLIGENCE, ERRORS, OMISSIONS, STRICT LIABILITY, BREACH OF CONTRACT OR BREACH OF WARRANTY, IN THE AGGREGATE, EXCEED THE FEES PAID TO MOSS ADAMS UNDER THIS AGREEMENT.

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR OTHERWISE ARISING OUT OF THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR EXEMPLARY OR PUNITIVE DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

### **Your Responsibilities**

You must accept the responsibilities set forth below regarding the engagement:

- Make all management decisions and perform all management functions in connection with the services and information provided resulting from this engagement;
- Designate an individual with suitable skill, knowledge, and/or experience to oversee our services;
- Evaluate the adequacy and results of the services performed; and
- Accept responsibility for the results of the services performed.

We will not make management decisions or perform management functions, such as authorizing or consummating transactions. We may, however, advise and train your staff in these areas. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

### **Intellectual Property Rights**

We may use intellectual property in performing our services, including without limitation, data, software, designs, utilities, tools, spreadsheets, models, systems, ideas, methods and techniques (“Materials”). In the event you receive access to Materials during the performance of our services, such items are provided solely for your internal use and in an “as is” condition without warranty of any kind. We assume no responsibility for results obtained by anyone other than Moss Adams from use of such items. We retain all intellectual property rights in the Materials (including any developments, improvements, and knowledge generated during the performance of our services), and in any working papers compiled in connection with the services.

We will defend Client from and against any claim, demand, suit or proceeding (“Claim”) made or brought against Client by a third party alleging that the Materials infringes or misappropriates such third party’s intellectual property rights and will indemnify Client from any damages, attorney fees and costs arising from or relating to such Claim. Notwithstanding the foregoing, Moss Adams shall have no obligation to indemnify or defend Client from any Claim arising from Client’s unauthorized modification, combination, or use of the Materials.

You will own all final deliverables prepared for and delivered to you, excluding any Materials contained or embodied therein (“Deliverables”). You will have a non-exclusive, non-transferable license to use Materials solely for the purposes for which they are delivered to the extent they form part the Deliverables. Notwithstanding anything to the contrary, we may retain a copy of all Deliverables in our files.

### **Internal Use and Third Parties**

All services shall be solely for your informational purposes and internal use, and no engagement creates privity between Moss Adams and any person or party other than you (“third party”). None of our services are intended for the express or implied benefit of any third party, and no third party is entitled to rely on the services we provide you, including without limitation, any advice, opinions, or reports. In the event of any such reliance, you agree to indemnify and hold harmless Moss Adams and its personnel from all third-party claims, liabilities, costs, and expenses.

### **Responsibility for Financial Statements**

Client agrees that full responsibility for the financial statements is the Client’s own. This responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Client is responsible for adjusting the financial statements to correct material misstatements. Client is also responsible for identifying and ensuring compliance with applicable laws and regulations. As a result of this engagement, Moss Adams assumes no responsibility to provide you with assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact.

### **Use of Electronic Communication**

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential. We employ measures in the use of facsimile machines and computer technology designed to provide reasonable assurance that data security is maintained. While we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, we will assume you consent to our use of facsimile transmissions to your representatives and other use of these electronic devices during this engagement as we deem appropriate.

### **Document Retention Policy**

At the conclusion of this engagement, we will return original records you supplied to us. Our records and files, including our working papers, whether kept on paper or electronic media, are the property of Moss Adams and are not a substitute for your own records. Our policy is to destroy our annual engagement files and all pertinent working papers after a retention period of seven years (or longer, if required by law or regulation), after which time these items will no longer be available. Catastrophic events or physical deterioration may result in our records being unavailable before the expiration of the above retention period. Moss Adams retains the right to modify its record retention policies at any time without notice.

Except as set forth above, you agree that Moss Adams may destroy paper originals and copies of any documents, including, without limitation, correspondence, agreements, and representation letters, and retain only digital images thereof.

### **Subpoena of Documents**

As a result of our services to you, we may be required or requested to provide information or documents to you or a third-party in connection with governmental regulations or activities, or a legal, arbitration or administrative proceeding (including a grand jury investigation), in which we are not a party. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate to protect information from discovery. If you take no action within the time permitted for us to respond or if your action does not result in a judicial order protecting us from supplying requested information, we will construe your inaction or failure as consent to comply with the request. Our efforts in complying with such requests or demands will be deemed a part of this engagement and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

### **Enforceability**

In the event any portion of this Agreement is deemed waived, invalid or unenforceable, said finding shall not operate to invalidate the remainder of this Professional Services Agreement or related engagement letter.

### **Use of Moss Adams' Name**

You may not use Moss Adams' name, its trademarks, service marks or logos in connection with the services contemplated by this Agreement or otherwise without the prior written consent of Moss Adams, which consent may be withheld for any reason and may be subject to certain conditions.

### **Use of Non-Licensed Personnel**

Certain engagement personnel, who are not licensed as Certified Public Accountants, may provide services during this engagement.

### **Dispute Resolution Procedure, Venue and Limitation Period**

This Agreement shall be governed by the laws of the state of California (provided that the laws of the state of Washington apply regarding the jury trial waiver below), without giving effect to any conflicts of laws principles. If a dispute arises out of or relates to the engagement described herein, and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter if litigation were to ensue and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses, and shall share equally in the mediator's fees and expenses.

If the claim or dispute cannot be settled through mediation, each party hereby irrevocably (a) consents to the exclusive jurisdiction and venue of the appropriate state or federal court located in San Mateo County, state of California in connection with any dispute hereunder or the enforcement of any right or obligation hereunder, and (b) WAIVES ITS RIGHT TO A JURY TRIAL. EACH PARTY FURTHER AGREES THAT ANY SUIT ARISING OUT OF OR RELATED TO THIS AGREEMENT MUST BE FILED IN A COURT OF PROPER JURISDICTION WITHIN ONE (1) YEAR AFTER THE CAUSE OF ACTION ARISES.

### **Termination**

This Agreement may be terminated by either party, with or without cause, upon ten (10) days' written notice. In such event, we will stop providing Services hereunder except on work, mutually agreed upon in writing, necessary to carry out such termination. In the event of termination, (a) you shall pay us for Services provided and expenses incurred through the effective date of termination, (b) we will provide you with all finished reports that we have prepared pursuant to this Agreement, and (c) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render Services.

### **Entire Agreement**

This Professional Services Agreement and the Engagement Letter constitute the entire Agreement and understanding between you and Moss Adams. You agree that in entering into this Agreement you have not relied upon any oral or other representations, promises or statements made by anyone which is not set forth herein. Any modification of this Agreement must be in writing and signed by both parties.