

THE STATE BAR OF CALIFORNIA

**BUSINESS CASE FOR AN UPGRADE FOR THE STATE BAR'S
ENTERPRISE RESOURCE PLANNING SYSTEM**

Submitted pursuant to and satisfying State Bar Policy:

"For all contracts, projects and expenditures reasonably expected to exceed \$2,000,000, State Bar staff will develop and present a written cost-benefit analysis to the Board of Trustees before committing to, or making a binding agreement for the contract, project or expenditure."

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Executive Summary

State Bar of California (Bar) staff is proposing that the Bar enter into a contract with Oracle to purchase and upgrade its legacy Enterprise Resource Planning (ERP) JD Edwards product to Oracle's Fusion cloud-based ERP platform. The primary users of this platform are the Offices of Finance, Human Resources, and General Services. There will be two procurements for this project, the first being the software license for the recommended Fusion Platform, which can only be procured directly with Oracle, and the second for implementation services by an authorized Oracle Business Partner. With respect to the procurement of implementation services, staff will likely use the California Multiple Award Schedules (CMAS) program administered by the State of California's Department of General Services Procurement Division. CMAS is a legal contract between the State of California and participating companies allowing applicable government entities to make direct purchases at a negotiated contract rate without the need for a public bid—a process that often takes 3 months at a minimum to complete.

1.0 Background

The State Bar's Enterprise Resource Planning (ERP) system, JD Edwards (JDE), an Oracle product, was first installed in the 1990's. JDE is a mature and flexible platform with a broad set of applications used across the Offices of Finance, Human Resources, and General Services.

When initially deployed into production, the ERP system served the needs of the organization; the annual maintenance fee of \$100,000 was reasonable and covered the technical support and system improvement requirements of the time. In 2008, the Bar upgraded the JDE system to the latest platform provided by Oracle, a process which included enhancements and improvements to functionality.

Since that upgrade the demands for a robust ERP system have skyrocketed. Much of this demand has been driven by increased reporting and compliance requirements placed on the Bar as a result of a series of incidents including the lease-related embezzlement, the Los Angeles building purchase, and the former Executive Director's foreign travel. Additional requirements stem from Board and staff action designed to improve internal controls in a number of areas. Concurrent with these enhanced system needs, annual maintenance costs increased to \$142,000, an amount which did not include server licensing fees, upgraded infrastructure, or increasing customization expenses.

At the end of 2014, Oracle notified the State Bar that the Bar's JDE version would no longer be supported and that the Bar needed to either upgrade its system or transition to Oracle's Sustaining Support program. Because this program only provided technical support, bug fixes, and access to Oracle's online knowledgebase (as opposed to any actual updates, including compliance updates) and was quite costly, the Bar chose to pursue a third-party vendor support agreement in lieu of contracting with Oracle under its Sustaining Support program. While this option resulted in cost savings for the Bar (approximately \$35,000 annually¹ versus \$230,000 under the Oracle model), it has not allowed for anything other than piecemeal improvements to small components of the platform. Those improvements that have been made have been generated by a contractor, independent from the Bar's third-party basic support vendor. Contractor customization costs totaled approximately \$100,000 annually through 2016; no funding for this function was included in the Bar's 2017 budget.

¹ \$35,000 in 2015; \$36,750 in 2016; \$38,585 in 2017; and \$40,514 in 2018.

1.1 Strategic Alignment

In addition to the consistent need to timely and accurately produce reports for the various auditors and external stakeholders that regularly request financial information from the Bar, demands on the ERP system continue to escalate as the organization modernizes. E-commerce and procurement, online payment and collection, recruitment and training, and interagency and external business partner collaboration are long overdue. Beyond simply making processes more efficient, adoption of these practices will enable a redirection of resources to support the Bar's core discipline functions. As such, an investment in the ERP system directly advances the Bar's Five-Year Strategic Plan, specifically Goal 3:

"Improve the fiscal and operational management of the State Bar, emphasizing integrity, transparency, accountability, and excellence"

and

"Reallocate funds to support the discipline system based on expenditure review, revenue enhancement measures, implementation of the Bar's reserve policy, and other reengineering efforts"

1.2 Anticipated Benefits of an Upgraded System

The existing system is cumbersome, requires extensive manual workarounds, limits the integration of Human Resources, Finance, and Procurement modules, and creates significant risk for the Bar.

A detailed overview of system challenges by key functional area is provided in the table below. Of note are the several areas that are not currently addressed by the ERP system – this fact is in and of itself quite problematic.

Table 1. Summary of Challenges, Existing ERP System

| Functional Area | Part of Current ERP? | Description of Current Process | Comments | Risk Level |
|------------------------|----------------------|--|--|--|
| Budgeting | No | Manual, reliant on Excel and data entry and analysis outside of the ERP system | Budget, reporting on budget to actuals, and projections all developed manually | High. While the data is accurate, the risk is that the many manual processes required can result in unintentional discrepancies or errors. |
| Encumbrance Accounting | No | Not currently used at the Bar | Failure to use encumbrance accounting seriously jeopardizes accuracy of analysis of fiscal position at any given point in time | Medium. Ability to accurately monitor budget and develop projections is compromised. |
| Member Billing | No | The member billing process is handled | IT is required to generate reports for | Medium. Manual processes for |

| | | | | |
|-------------------------|---------|---|--|--|
| | | entirely outside of the ERP system. Revenue data must be entered into a spreadsheet for uploading to the ERP platform | Finance on an ongoing basis regarding status of revenue received; there is no ability for payment information to flow into the ERP system automatically, limiting accuracy and efficiency of revenue tracking processes | recording member billing revenue data in the ERP system may result in errors and delays. |
| Financial Reports | Partial | Account information is shown as a single field with limited processing options. Heavy dependency on Excel formulas, lookup tables, and Access to identify and summarize fields such as fund, fund group, department, program, cost center and object code | The current system is highly inefficient. For example, to compare April 2016 YTD to April 2017 YTD, it is necessary to run two separate queries separately. In order to show a five year trend, it's necessary to run five queries separately. | High. While the data is accurate, the risk is that the many manual processes required can result in unintentional discrepancies or errors. |
| Recruitment | No | Manual | No connection to budget information to enable check and balance to ensure that requested positions are budgeted | Medium. Disconnect between recruitment activities and budgeted positions presents risk. |
| Benefits Administration | No | Manual | Leaves of absence tracked on spreadsheets. Worker's Comp and Ergo requests tracked by spreadsheet | Medium. Manual processes for tracking leave data may result in errors and delays. |
| Procurement | Partial | ERP automates purchase order issuance and tracking. Manual processes exist for PO initiation and vendor communication, and contract finalization. | There is no relationship between the procurement module and the budget, resulting in the need for manual oversight of procurement requests as they relate to available funding levels. | High. Disconnect between procurement and budget requires manual management oversight; procurement volume renders this an ineffective control practice. |

An upgraded system will address all of these challenges, in addition to providing a host of other enhancements that will greatly increase the efficiency and accuracy of the Bar's work across Finance,

Human Resources, and Procurement. Quantification of anticipated efficiency improvements is reflected in Appendix I. As the Attachment reflects, a system upgrade is expected to generate nearly 6,000 hours annually in saved staff time, equating to nearly 3 FTE's worth of time that will be available for redirection to more high leverage activities.

2.0 ERP System Options

In preparation for a presentation of options to the Board of Trustees, the Office of Information Technology (IT) initiated an assessment of several possible approaches, each of which is described below.

2.1 Status Quo

As outlined above, the Bar's ERP platform has not been upgraded since 2008, and the organization is heavily reliant on a third-party vendor for sustenance level support. Maintenance of the status quo is not a viable option. As the Bar's external auditor, Moss Adams, stated in a recent letter on this topic:

"From our observations and discussions with finance and various other personnel, the system [ERP] challenges aren't isolated to the year-end time frame nor are they solely related to the accounting functions. For example, it was apparent to us, from review of data summaries, reconciliations and reports prepared throughout the year that significant manual manipulation is required for numerous tasks that occur daily, weekly and monthly. Such processes are time consuming, inefficient and inherently prone to error. Other groups, including budget, information technology, and top management, are also negatively impacted by a system that necessitates significant manual, and often, duplicative processes. These impacts include shortcomings to quality and timeliness of information available for decision making."

The full text of Moss Adams' letter is provided as Appendix II.

Modification of the current system is also not a feasible option. The pool of programmers available to support the platform is limited and getting harder (and more expensive) to find - as evidenced in part by the fact that even the Bar's contracted third-party support provider itself has a limited ability to timely make complex system modifications due to a lack of qualified personnel.

2.2 Upgrade to the Current (on-premise) Version of JDE

Presently, the Bar is a software version "behind" from the latest JDE system. The Bar uses three primary JDE modules: Finance, Human Resources and Procurement. The JDE product however is bundled, with many other modules that are not relevant to the Bar (for example, Manufacturing). Should the Bar opt to continue with JDE, the Bar would be required to pay for these modules as part of a support maintenance contract, whether they are used or not. Conversely, JDE does not contain the budgeting or recruitment modules that the Bar has determined are critically needed; should this option be selected staff would have to design and develop this functionality to augment the JDE solution.

Table 2. JDE On-Premise Costs

| JDE Enterprise One Version 9.2 (On-Premise) | Costs |
|---|--------------|
| JDE One-Time License Fees | \$646,291 |
| Budgeting and Recruiting Module Development (Estimated) | \$75,300 |
| Oracle Implementation Service Fees | \$1,000,000 |
| Cost to Implement | \$1,721,591 |
| | |
| Annual JDE maintenance and support fee | \$217,484 |
| Additional costs that would be incurred but are not included above: infrastructure, Windows server and database licenses, personnel costs to support and maintain the on-premise environment, and budgeting and recruitment module development costs. | |

2.3 “Rip and Replace” with a Cloud Based Software-as-a-Service (SaaS) ERP

With respect to this option, IT invited representatives from Oracle and SAP (the top two ERP vendors in the marketplace) to provide product demonstrations. A detailed overview of the functionality offered by the Oracle and SAP SaaS products is provided as Appendix III. Costs are outlined in the tables below.

Table 3. SAP Costs

| SAP Business by Design (Cloud) | Total Costs |
|---------------------------------------|--------------------|
| <i>SAP Subscription Fees</i> | \$645,497 |
| <i>SAP Implementation Services</i> | \$825,000 |
| Cost to Implement | \$1,470,497 |
| | |
| <i>Annual SAP Subscription Fees</i> | \$645,497 |

Table 4. Oracle Fusion Costs

| Oracle Fusion (Cloud) | Total Costs |
|--|--------------------|
| <i>Fusion Subscription Fees</i> | \$218,880 |
| <i>Fusion Implementation Services</i> | \$1,600,000 |
| Cost to Implement | \$1,818,880 |
| | |
| <i>Annual Fusion Subscription Fees</i> | \$218,880 |

The estimated variance between the two products in the total cost of ownership over five years is outlined in the following table:

Table 5. Total Cost of Ownership, Five Year Analysis

| Provider | Implementation Cost (1-time) | Annual Subscription | Total Cost for 5 year subscription | Total cost of ownership |
|----------|------------------------------|---------------------|------------------------------------|-------------------------|
| Oracle | \$ 1,600,000 | \$ 218,880 | \$ 1,094,400 | \$ 2,694,400 |
| SAP | \$ 825,000 | \$ 645,497 | \$ 3,227,485 | \$ 4,052,485 |

| | | | | |
|--------------------------------|------------|--------------|----------------|----------------|
| Variance: Oracle vs. SAP | \$ 775,000 | \$ (426,617) | \$ (2,133,085) | \$ (1,358,085) |
|--------------------------------|------------|--------------|----------------|----------------|

3.0 Recommendation

Based on an assessment of the functionality associated with each option, vendor demonstrations and other factors including the long-term total cost of ownership, staff recommends remaining with an Oracle system but transitioning from the on-premise JDE to Oracle's cloud-based SaaS platform, Fusion. Oracle Fusion is the integration of several Oracle applications including EBusiness Suite, PeopleSoft, JD Edwards, Siebel, Retek, Stellent, and Taleo. The Fusion option presents the "best of both worlds" as its similarities to the JDE system will make transition to the new system easier with respect to both configuration and staff training, while its amalgamation of multiple high leverage solutions will result in increased efficiencies in many areas of the Bar.

Cloud services leverage shared computing resources—including database, operating systems, applications and hardware, which effectively reduces computing costs, eases software, security, and financial and human resources compliance updates, and delivers more agility. The SaaS model will enable the Bar to scale up depending on the needs of the organization, with no related hardware costs.

4.0 Resulting Benefits

Oracle Fusion will address a majority of the Bar's ERP requirements, and will automate a significant number of current manual and paper-intensive processes in the Offices of Finance, Human Resources and General Services (Procurement). The system will reduce exposure to risk and provide confidence in Bar reporting. Additionally, the resulting efficiencies will free up impacted departments to create auditable, accurate, and timely reports without the need for time-consuming and error-prone manual processes and input. Key stakeholders will have access to the most up-to-date information, enabling them to devote more time to value-added activities, such as analysis, forecasting, and decision-making. The system can be easily configured to meet existing and new state and federal laws and compliance regulations with which Finance and Human Resources in particular must comply. Oracle Fusion also comes with built-in integration capabilities that will make it easy for Oracle applications to integrate with the Bar's custom applications (including Membership Billing and Member Database) and third-party applications.

Appendix I - Oracle Upgrade Staff Time Savings

Oracle Upgrade Staff Time Savings – Procurement

| Ref | Process | Hours Saved Per Year | Calculation |
|--|---|----------------------|---|
| Purchase Requisition and Approval | | | |
| 1.1 | Purchase requisitions entered directly into the system by requesting department, eliminating duplicative data entry by Procurement. | 92 | 1,100 POs per year. Reduce from 5 min to 0, saving 5 min. $1,100 \times 5 = 5,500 \text{ min} = 92 \text{ hr}$. |
| 1.2 | Easier/more streamlined processes for additional data entry, multiple system lookups and prep for further processing by Procurement. | 55 | 1,100 POs per year. Reduce from 5 min to 2, saving 3 min. $1,100 \times 3 = 3,300 \text{ min} = 55 \text{ hr}$. |
| 1.3 | Easier navigation of the approval queue process by all approving parties. | 32 | 1,100 POs per year, requiring either one, two or three approval instances (1,900 total approval instances). Reduce from 2 min to 1 per instance, saving 1 min. $1,900 \times 1 = 1,900 \text{ min} = 32 \text{ hr}$. |
| 1.4 | Use pre-approved standing order templates for regular annual purchases that can be set up once and then issued on demand without further data entry, review or approval. | 4 | 75 POs per year. Eliminate new processing times from 1.1 (0 min), 1.2 (2 min), 1.3 (1 min), total 3 min. $75 \times 3 = 225 \text{ min} = 4 \text{ hr}$. |
| Document Creation and Management | | | |
| 2.1 | Use integrated PO generator. Eliminate miscellaneous I.T. support and modifications of 3 rd party software required for PO printing. | 12 | I.T. support estimated at 12 hr per year. |
| 2.2 | Review and finalize POs electronically. Eliminate need to print hard copy draft POs. | 37 | 1,100 POs per year. Reduce from 2 min to 0. $1,100 \times 2 = 2,200 \text{ min} = 37 \text{ hr}$. |
| 2.3 | Achieve efficiencies via integrated document creation and management, and an electronic signature process. Eliminate the intensely manual and redundant processes for PO supporting documentation and vendor contracts. | 400 | 800 Standard POs (no contract documents) x 10 min each = 8,000 min. 400 Custom POs (with contracts) x 40 min each = 16,000 min. Total savings = 24,000 min = 400 hr |
| Reporting and Budget Tracking | | | |
| 3.1 | More efficient and sophisticated reporting capability. Reduce Procurement reliance on manual data extraction and report formatting. | 48 | Reduce from 6 hr per month to 2 hr, saving 4 hr. $4 \text{ hr} \times 12 = 48 \text{ hr}$. |
| 3.2 | Integration between Procurement and Budget modules results in more efficient processes for Procurement portion of AP and budget tracking. | 18 | Reduce from 2 hr per month to 30 min, saving 1.5 hr. $1.5 \text{ hr} \times 12 = 18 \text{ hr}$. |
| TOTAL ANNUAL PROCUREMENT TIME SAVED | | 698 | |

Appendix I - Oracle Upgrade Staff Time Savings

Oracle Upgrade Staff Time Savings – Finance

| Ref | Process | Hours Saved Per Year | Calculation |
|--|--|----------------------|---|
| Accounts Payable, Accounts Receivable & Payroll | | | |
| 1.1 | Accounts Payable – New system will generate Purchase Order payment status report for staff to confirm PO remaining balance before processing a payment. | 200 | 4 hours per week X 52 weeks = approximately 200 hours per year |
| 1.2 | Accounts Payable – Electronic AP/vendor payment process | 100 | There are time savings from weekly check mailing process, but will require more time for bank reconciliation and data maintenance (bank account information). net time saving is approximately 2 hours X 52 weeks = approximately 100 hours. |
| 1.3 | Payroll – Replacing manual time entry process with electronic time entry process | 250 | 10 hours processing time per pay period X 26 pay periods = approximately = 250 hours / year. |
| 1.4 | Encumbrance Accounting – an effective application to track budget spending and manage cash flow. It integrates with the Procurement application, assist cash flow management and control budget spending across multiple fiscal years. | 200 | 200 hours saving is an estimate for both Procurement and Finance (140 for Finance and 60 for Procurement) In addition to time saving, Encumbrance Accounting is an effective application to provide meaningful and timely information for management decision making. |
| Annual Budgeting Process | | | |
| 2.1 | Budget templates extracted from system, eliminating the need to convert PDF reports to Excel, accompanied by formatting and formula creation. | 40 | 16 initial budget packages. Reduce from average 2.5 hours to 0, saving 2.5 hours. 16 x 2.5 hours = 40 hours. |
| 2.2 | Position details extracted from system to support the payroll component of the budget. | 4 | 16 initial payroll templates. Reduce from average of 15 minutes to format templates to 0, saving 4 hours. 16 x 15 minutes = 240 minutes = 4 hours. |
| 2.3 | Budget modifications via email instructions and spreadsheet adjustments. | 25 | 200 emails with modified spreadsheets and additional instructions. Reduce 200 emails to 50, with 10 minutes spent in response to each email. 150 emails x 10 minutes = 1,500 minutes = 25 hours. |
| 2.4 | One central location to enter, modify, approve, and reject department budget requests. | 10 | 40 separate department/program spreadsheets eliminated. Reduce from 15 minutes to 0. 40 x 15 minutes = 600 minutes = 10 hours. |
| Member Billing | | | |
| 3.1 | Integrated member billing system – merge member billing information in AS400, Revenue Results, and Agency Billing data sources to Oracle, improve accuracy and eliminating the monthly billing journal entry process. | 96 | Eight hours per month aggregating, summarizing and checking data that supports the billing adjustment. 8 hours x 12 months = 96 hours. |

Appendix I - Oracle Upgrade Staff Time Savings

| Ref | Process | Hours Saved Per Year | Calculation |
|-----|---|----------------------|---|
| | Recurring and Ad hoc financial reports | | |
| 4.1 | Standardized financial reports (income statement and balance sheet grouping) in a central web based platform. Monthly, quarterly, and annual reports compliant with Board Book and Budget Policy. Reports allow direct data analysis, charting and drilldown capability by department managers and budget liaisons at all levels. | 200 | <p>20 recurring monthly PDF reports eliminated. Categories of time savings:</p> <ul style="list-style-type: none"> • Distributing reports by email. Reduce time from 3 minutes to 0. $20 \times 3 = 60$ minutes = 1 hour. • Creating Excel file with necessary data elements using lookups and formulas. Preliminary and final versions at 90 minutes each. $90 \text{ minutes} \times 2 \text{ per month} \times 12 \text{ months} = 2,160 \text{ min} = \mathbf{36 \text{ hours}}$ • Reviewing reports against General Ledger (Oracle linked database) for accuracy. $4 \text{ hours} \times 2 \text{ per month} \times 12 \text{ months} = \mathbf{96 \text{ hours}}$ • Incorporate projection calculations, ad hoc adjustments = 2 hours per month $\times 12 \text{ months} = \mathbf{24 \text{ hours}}$ • Import calculated data to Access. Format and separate reports = 4 hours per month $\times 12 \text{ months} = \mathbf{48 \text{ hours}}$ |
| | TOTAL ANNUAL FINANCE TIME SAVED | 1,125 | |

Oracle Upgrade Staff Time Savings – Human Resources

| Ref | Process | Hours Saved Per Year | Calculation |
|-----|---|----------------------|--|
| | HR Recruitment | | |
| 1.1 | Log in Excel spreadsheet to track all applications that come into our email mailbox. | 720 | 10,000 applications per year – download, convert, merge, save and log. Reduce from 60 hours per month to 0. $60 \times 12 = 720$ hours. |
| 1.2 | Scan all applications to send to managers for review. | 60 | Email complete application materials to hiring manager and log date sent. Reduce from 10 hours per month to approximately 5 hours per month. $5 \times 12 = 60$ hours. |
| 1.3 | Keep track of those applicants who are interviewed/rejected/do not meet minimum on spreadsheet. | 12 | Reduce from 2 hours per month to approximately 1 hour per month. $1 \times 12 = 12$ hours. |
| 1.4 | Manual data entry for new hires from application. | 28 | 2016 hired= 69 Average . Time spent entering data is 40 minutes $\times 69=27.60$ hours annually |
| 1.5 | Letters, Offers, Promotions, Transfers all sent manually. | 72 | 20 offers, promos, transfers monthly and 20 monthly rejections. Manually compose and send letters. Reduce from 12 hours per month to approximately 6 hours per month. $6 \times 12 = 72$ hours. |
| 1.6 | Attachments for the application materials all need to be scanned or copied for managers' reviews. | 96 | Compose email, reach out to applicants with incomplete materials and send responses. Once received download, convert, merge, and save. Reduce from 8 hours per month to 0. $8 \times 12 = 96$ hours. |
| 1.7 | Screen for applicants individually without the ability to sort through special qualifications. | 180 | 10,000 resumes per year – review for qualifications and place in designated folders: |

Appendix I - Oracle Upgrade Staff Time Savings

| Ref | Process | Hours Saved Per Year | Calculation |
|--------------------|---|----------------------|---|
| | | | Approved, Incomplete, Not Approved. Reduce from 30 hours per month to 15 hours. $15 \times 12 = 180$. |
| 1.8 | Staffing requisitions are submitted to HR manually. | 12 | Log requisition, identify if budgeted, send for approval. Once approved/not approved notify hiring manager of decision – compose email notification. Reduce from 2 hours per month to 0. $2 \times 12 = 12$ hours. |
| 1.9 | Tracking the number of hires, promotions, and transfers in spreadsheets. | 12 | Reduce from 1 hour per month to 0. $1 \times 12 = 12$ hours. |
| 1.10 | Tracking of all temps by spreadsheets, including costs spent. | 50 | Total of 25 temps as of 6/13/16 – process requisition, estimate costs, coordinate approval, contact agencies, review resumes, coordinate assignments. Average of 1.5 to 2 hours spent per temp/temp requisition entering data to logs. $25 \times 2 = 50$ hours. |
| 1.11 | New Hire Orientation paperwork all paper documents. Including new hire change forms for payroll processing. | 124 | Collect all paper documents- Change form notice to payroll for new hire information. Create a log to track the change form, scan the form to payroll and to employee. New Hire change form 15 minutes $\times 69$ hires in 2016= $10.35 \times 12 = 124$ hours |
| 1.12 | Manual job board posting. | 48 | This can be automated with the press of a button in an ATS. Reduce from 8 hours per month to 4. $4 \times 12 = 48$. |
| 1.13 | Manual posting on State Bar career opportunities web site. | 36 | Weekly basis; update positions on external State Bar website. Reduce from 4 hours per month to 1 hour. $3 \times 12 = 36$. |
| 1.14 | Manual creation of internal job postings. | 8.5 | Weekly basis; update positions on intranet. Reduce from 1.25 hours per month to 42.5 minutes. $42.5 \times 12 = 510$ minutes / ~ 8.5 hours. |
| HR Benefits | | | |
| 2.1 | Log for all leave of absences on spreadsheets. | 5 | Weekly basis; reduce from 10.25 hours to 5 hours. 77 LOA per year $\times 2$ entries (start and end)= 154 log entries $\times 4$ min = 10.25 hours. |
| 2.2 | Scan all documents for leave of absence to employees. | 1 | This can be automated with online application submission. Currently email LOA packet to employee. Reduce from 2 hours per month to 1 hour. |
| 2.3 | Employees scan or send hard copies for leave of absence requests to HR. HR to send scanned copy for manager approval and scan copy to employee once approved. | 25 | This can be automated with HR and department approval. Requires 3 approvals. Upon approval, prepare and scan SDI integration calculations, sample timecard, LOA approval and designation form to employee. Reduce from 51 hours to 25 hours. 77 LOA forms $\times 40$ min = ~ 50 hours. |
| 2.4 | Manually track time for FMLA, CFRA, Pregnancy Leave, etc. | 25 | Requires the following Oracle entries: leave start and end dates, sick/vacation accrual stop dates, benefit arrearages set up every pay period, processing of benefit payment by check and manual one-time overrides. Generate change notice and provide timecards to payroll. Reduce from 50 hours to 25 hours. 77 LOA per year $\times 2$ change notices = 154 change notices $\times 20$ min |

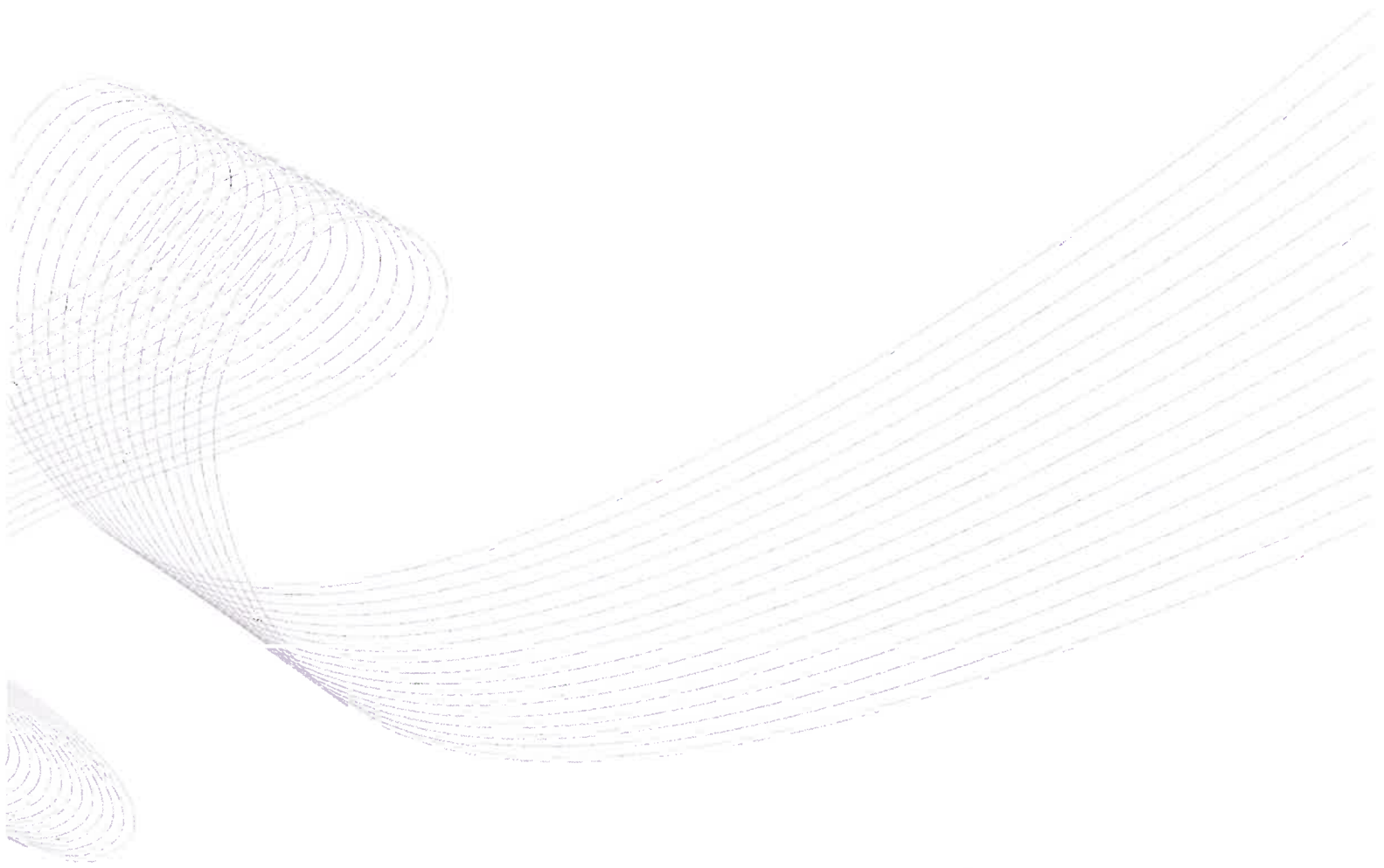
Appendix I - Oracle Upgrade Staff Time Savings

| Ref | Process | Hours Saved Per Year | Calculation |
|-----|--|----------------------|--|
| | | | (entries/change notice) ~ 50 hours. |
| 2.5 | Letters all have to be manually generated. | 25 | Requires 2 letters minimally (confirmation and return from leave of absence letters), on occasion 3 letters. Reduce from 51 hours to 25 hours. 77 LOA per year x 2 letters = 154 letters x 20 min = ~51 hours. |
| 2.6 | Workers Comp tracking injuries by spreadsheet. | 12 | Reduce from 1 hour per month to 0. |
| 2.7 | Ergonomic requests tracking by spreadsheet. | 18 | Requires preparation of PO and logging of: request date, evaluation date, recommended equipment, PO for recommended equipment, delivery date, installation date and equipment. Reduce from 3 hours per month to 1.5 hours. |
| | TOTAL ANNUAL HUMAN RESOURCES TIME SAVED | 1,569 | T |

Oracle Upgrade Staff Time Savings – Information Technology

| Ref | Process | Hours Saved Per Year | Calculation |
|-----|---|----------------------|---|
| 2.1 | System Administration System Customization | 2,451 | Categories of time savings: 3 FTE support staff for Oracle/JDE administration, user support, and minor enhancements. See staff breakdown below. 1-FTE at 30% (Fanning) 1-FTE at 10% (Yip) 1-FTE at 40% (Fanning) 1-FTE at 40% (Yip) 1-Supervisor (Nadeem A) 10% |
| 2.2 | Operational Staff Support | 80 | Categories of time savings: 2 FTE support staff for infrastructure and database administration. See staff breakdown below. 1-FTE at 2% (West), 1-FTE at 1.25% (Wong) – 1- Supervisor at .5% (Salim) |
| | TOTAL ANNUAL IT TIME SAVED | 2,531 | |

| | | | |
|--|--|--------------|--|
| | TOTAL TIME SAVINGS: PROCUREMENT, FINANCE, HUMAN RESOURCES, and INFORMATION TECHNOLOGY | 5,923 | |
|--|--|--------------|--|



Communication of Internal
Control Related Matters

The State Bar of California

December 31, 2016

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

To the Board of Trustees
 State Bar of California

In planning and performing our audit of the financial statements of the State Bar of California (the "State Bar") as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the State Bar's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Bar's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Bar's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other matters:

During our audit, we noted that the financial accounting and reporting system did not provide the State Bar's financial management personnel with the accounting and reporting capability and flexibility to achieve optimal efficiency, effectiveness and timeliness in managing the accounting and reporting requirements and meeting the needs of various internal and external stakeholders. Moss Adams observed that production of detail reports, processing of transactions, and financial statement generation in accordance with generally accepted accounting principles required significant time and effort, including manual processes and extensive use of spreadsheet software. The amount of time and effort required by financial management personnel to produce reports, and to sort and configure data, was excessive and necessitated significant overtime work by the Chief Financial Officer and staff. This also caused delays and inefficiencies during the audit. The areas impacted by system shortcomings and inefficiencies included billing, accounts receivable, and receipting; procurement, accounts payable, and disbursements; human resources and payroll; and general ledger management and financial reporting.

From our observations and discussions with finance and various other personnel, the system challenges aren't isolated to the year-end time frame nor are they solely related to the accounting functions. For example, it was apparent to us, from review of data summaries, reconciliations, and reports prepared throughout the year that significant manual effort is required for numerous tasks that occur daily, weekly, and monthly. Such processes are time consuming, inefficient, and inherently prone to error. Other groups, including budget, information technology, and top management, are also negatively impacted by a system that necessitates significant manual, and often duplicative, processes. These impacts include shortcomings to quality and timeliness of information available for decision making.

MOSS ADAMS_{LLP}

Moss Adams recommends that State Bar management conduct an evaluation and needs assessment of its organizational information technology processes and systems and consider procurement of an improved system to automate tasks related to financial accounting and reporting and the numerous other areas discussed above. Doing so could improve the quality and timeliness of information available to management, improve overall efficiency and potentially derive cost savings, and help ensure timely and accurate reporting for the numerous external users of State Bar reports and other information.

This communication is intended solely for the information and use of the Board of Trustees and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
June 29, 2017

Appendix III – Oracle and SAP Module Comparison

| Oracle Fusion ERP and HCM Cloud Services | Translates | SAP |
|---|-------------------|--|
| Oracle Financials Cloud Service, includes: | -----> | SAP Business ByDesign includes: |
| - General Ledger | -----> | - General Ledger |
| - Payables | -----> | - Payables |
| - Payments | -----> | - Payments |
| - Receivables | -----> | - Receivables |
| - Sub-Ledger Accounting | -----> | - Sub-Ledger Accounting |
| - Assets | -----> | - Assets |
| - Cash Management | -----> | - Cash Management |
| - Tax | -----> | - Tax |
| - Fusion Transactional Business Intelligence Cloud Service | -----> | - Business Insights – Transactional BYD Business |
| - Fusion Financial Reports Center Cloud Service | -----> | - Feature rich reporting capabilities throughout the application, together with a bi-directional integration with MS Excel |
| - Restricted-use: Advanced Collections (Dunning) | -----> | - Collections/Dunning functionality |
| Fusion Automated Invoice Processing Cloud Service | -----> | - Fully integrated and automated Invoice Processing |
| Fusion WebCenter Forms Recognition Cloud Service | -----> | - Embedded with standard forms, which can be tailored and individualized |
| Fusion Expenses Cloud Service | -----> | - Travel and Expense |
| Fusion Transactional Business Intelligence Cloud Service | -----> | - Business Insights – Transactional BYD Business |
| Fusion Purchasing Cloud Service | -----> | - Employee Shopping Cart, Purchase Requests, Purchasing and RFQ automation |
| Fusion Supplier Portal Cloud Service | -----> | - Supplier Base Management |
| Fusion Sourcing Cloud Service | -----> | - Sourcing, contracting and SRM |
| Fusion Procurement Contracts Cloud Service | -----> | - RFP and contracts automation |
| Fusion Self Service Procurement Cloud Service | -----> | - Employee Shopping Cart and approval process |
| Included: Fusion Transactional BI for Procurement Cloud | -----> | - Business Insights – Transactional BYD Business |
| Oracle Enterprise Performance Management Cloud | | SAP |
| Planning and Budgeting Cloud Service | | - Planning and budgets |
| Enterprise Performance Reporting Cloud Service | | |
| Oracle Fusion HCM Cloud Service | Translates | SAP |
| Fusion Human Capital Management Base Cloud Service, | | SAP Human Resources, includes: |
| - Oracle Fusion Global Human Resources; | ---> | |
| - Oracle Fusion Network at Work; | ---> | Jam |
| - Oracle Fusion Workforce Directory Management; | ---> | Foundation |
| - Oracle Fusion Benefits; | ---> | Benefit focus |
| - Oracle Fusion Absence Management; | ---> | Employee Central/Workforce Software |
| - Oracle Fusion Workforce Predictions; | ---> | Workforce Planning |
| - Oracle Fusion Workforce Modeling; | ---> | Workforce Planning and Analytics |
| - Oracle Fusion Payroll Interface; and | ---> | Employee Central Payroll |
| - Oracle Fusion Cash Management | ---> | Employee Central Payroll |
| - Fusion Transactional BI for HCM Cloud Service | ---> | Embedded analytics within SFSF / Workforce Analytics |
| - Fusion Transactional BI for Talent Management Cloud | ---> | Embedded analytics within SFSF / Workforce Analytics |
| Fusion Global Payroll Cloud Service, includes: | | |
| - Oracle Fusion Cash Management (restricted use) | ---> | Employee Central Payroll/SAP Finance |
| Fusion Time and Labor Cloud Service | ---> | Employee Central/Workforce Software |
| Additional Test Environment for Oracle Fusion Cloud Service | ---> | Test server |
| Oracle Fusion Talent Management Cloud Service | | SAP Talent Management |

| | | |
|--|------|-----------------------------------|
| Fusion Performance Management Cloud Service | ---> | Performance and Goals |
| OracleTalent Acquisition Cloud Service, includes: | ---> | Recruiting |
| - Taleo Platform Cloud Service | | |
| - Taleo Recruiting Cloud Service | | |
| - Taleo Onboarding Cloud Service | ---> | Onboarding |
| - Taleo Sourcing Cloud Service | ---> | Recruiting |
| Fusion Workforce Compensation Cloud Service | ---> | Compensation |
| Optional Fusion Talent Management | | SAP HCM Optional |
| Fusion Career Development Cloud Service | ---> | Succession and Career Development |
| Fusion Goal Management Cloud Service | ---> | Performance and Goals |
| Fusion Talent Review and Succession Management Cloud | ---> | Succession and Career Development |
| | | |