



# The State Bar *of California*

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## **OPEN SESSION AGENDA ITEM JANUARY 2019 AUDIT COMMITTEE III.A**

**DATE:** January 25, 2019

**TO:** Members, Audit Committee

**FROM:** John Adams, Chief Financial Officer

**SUBJECT:** Discussion and Adoption of 2019 Audit Committee Work Plan

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### **EXECUTIVE SUMMARY**

This agenda item presents the Audit Committee 2019 Work Plan and reviews the accomplishments of the previous year. It is presented to the committee for adoption. If adopted by the Audit Committee, it will be presented to the Board Executive Committee for approval.

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### **BACKGROUND**

To strengthen the Board committee process, each Board committee, with staff assistance, develops a work plan summarizing the annual, recurring and time-limited items to be undertaken, the strategic goal(s) and objective(s) furthered by each item and an estimated timeline for the completion of this work.

Work Plans for the 2019 Board year were developed in the fall of 2018 and will be presented for approval by the Board Executive Committee during its committee meeting later today.

### **DISCUSSION**

A brief summary of the Audit Committee's 2018 accomplishments include:

- 5 Year Internal Control Audit - Was performed by Moss Adams and completed in March 2018. Reviewed findings and recommendations for implementation of corrective actions.

- 2017 Annual Financial Report - Met with Moss Adams as part of the year-end process and reviewed audited financial statements that were received by the Board May 2018.
- New Auditors – Reviewed the selection & recommendation of New External Auditor, Macias Gini & O'Connell, was approved by the Board in September 2018.
- Travel Expense Reports – Reviewed and approved the quarterly travel expenses of State Bar Employees & Volunteers.

Attached is the proposed Audit Committee Work Plan for 2019. Many of the items recur annually and so, are identical to those in the Committee's 2018 plan. Many items remained consistent from last year, including:

- Review quarterly Travel Expense Reports,
- State Auditor's Audit,
- LAO Review,
- Annual Financial Statement Audit,
- Cybersecurity Assessment, and
- Implementation of Audit(s) Recommendations.

The following item has changed from the 2018 work plan:

#### ORIA Compliance Review

One area has been substantially revised from last year's work plan based on ORIA's activities in the area of legal compliance, as distinguished from the Audit Committee's activities in the area of financial compliance. During the past year, ORIA staff has worked to identify statutory and Rule of Court based legal mandates governing both the State Bar and the Board. Staff has compiled a list of approximately 240 such mandates and categorized each requirement by type and responsible division; staff also has substantially completed a review indicating at least facial compliance with each mandate, and identifying available documentation.

With that work as its foundation, ORIA's plan for compliance-related activities in 2019 includes:

- Identifying and implementing a tool to facilitate institutionalization of practices,
- Investigating priority areas of compliance with legal mandates, including fingerprinting, requirements and other DOJ related items, such as file retention practices in criminal cases (Business & Professions Code § 6054, and related California Rule of Court requirements; Assembly Bill 1987 (2018, ch. 482, Sec. 3),
- Recommending and implementing corrective actions,
- Beginning development of a manual to memorialize practices,
- Identifying all State Bar Rules creating organizational requirements, and
- Beginning a systemic review of mandates, including an initial goal of follow up on approximately 80 line items from the current list of approximately 240 individual mandates.

**FISCAL/PERSONNEL IMPACT**

None

**RULE AMENDMENTS**

None

**BOARD BOOK AMENDMENTS**

None

**STRATEGIC PLAN GOALS & OBJECTIVES**

Goal: 1. Successfully transition to the “new State Bar” — an agency focused on public protection, regulating the legal profession, and promoting access to justice.

Objective: (b) Implement and pursue governance, composition, and operations reforms needed to ensure that the Board's structure and processes optimally align with the State Bar’s public protection mission.

**RECOMMENDATIONS**

**It is recommended that the Audit Committee adopt the following resolution:**

**RESOLVED**, that the Audit Committee adopt the Audit Committee 2019 Work Plan attached to this item.

**ATTACHMENT(S) LIST**

- A.** Audit Committee 2019 Work Plan

State Bar of California  
AUDIT COMMITTEE

2019 Work Plan

Annual/Recurring Items	To Committee? / By When?	To Board? / By When?	Link to Strategic Plan	Status
<ul style="list-style-type: none"> <li>Review quarterly Travel Expense Reports</li> </ul>	03/19; 05/19; 09/19, 11/19	As Needed	Core Business Operations	Completed Each Qtr.
<ul style="list-style-type: none"> <li>ORIA Compliance Review &amp; Activities:               <ul style="list-style-type: none"> <li>Identify and implement a tool to facilitate institutionalization of practices</li> <li>Investigate priority areas, including fingerprinting requirements and other DOJ related items</li> <li>Recommend and implement corrective actions</li> <li>Begin development of manual to memorialize practices</li> <li>Begin systemic review of mandates</li> <li>Identify all State Bar Rules creating organizational requirements</li> </ul> </li> </ul>	Planning Stage	November 2019	Core Business Operations	Ongoing.
<ul style="list-style-type: none"> <li>State Auditor's Audit (Every 2 years):               <ul style="list-style-type: none"> <li>Monitor progress</li> <li>Evaluate findings and recommendations</li> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	Expected 2019	May 2019	Core Business Operations	Started 10/1/2018
<ul style="list-style-type: none"> <li>LAO Review               <ul style="list-style-type: none"> <li>Monitor progress</li> <li>Evaluate analysis and recommendations</li> </ul> </li> </ul>	Expected mid-2019	July 2019	Core Business Operations	
<ul style="list-style-type: none"> <li>Annual Financial Statement Audit (Every Year):               <ul style="list-style-type: none"> <li>Approve scope, meet with auditor, assess independence</li> <li>Monitor progress</li> <li>Review audited financial statements</li> <li>Evaluate findings and recommendations</li> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	November 2018  Ongoing April 2019 Ongoing Ongoing	NA  As Needed May 2019 As Needed AS Needed	Core Business Operations	

Annual/Recurring Items	To Committee? / By When?	To Board? / By When?	Link to Strategic Plan	Status
<ul style="list-style-type: none"> <li>Cybersecurity Assessment (Every 2 years):               <ul style="list-style-type: none"> <li>Approve scope and fees</li> <li>Monitor progress</li> <li>Evaluate findings and recommendations</li> <li>Monitor implementation of corrective actions</li> <li>Review status of cybersecurity with staff (in years with no assessment)</li> </ul> </li> </ul>	Previously done Ongoing March 2018 Ongoing 2019	NA As Needed March 2018 As Needed As Needed	Goal 3.i.	Assessment Completed Dec 2017. 44 Recs. Ongoing Monitoring

Time-Limited Items	To Committee? / By When?	To Board? / By When?	Link to Strategic Plan	Status
<ul style="list-style-type: none"> <li>Implementation of Audit(s) Recommendations:               <ul style="list-style-type: none"> <li>Monitor progress</li> </ul> </li> </ul>	Ongoing	NA	Core Business Operations	