



# The State Bar of California

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## **OPEN SESSION AGENDA ITEM JULY 2022 AUDIT COMMITTEE III.E**

**DATE:** July 21, 2022

**TO:** Members, Board Executive Committee  
Members, Audit Committee

**FROM:** Melanie Shelby, Chair, Audit Committee  
Justin Ewert, Finance Manager, Office of Finance

**SUBJECT:** Approval of the 2022–2023 Audit Committee Work Plan

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### **EXECUTIVE SUMMARY**

This agenda item updates the Audit Committee work plan, including changes to align with the updated State Bar’s 2022–2027 Strategic Plan.

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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 2021–2022 Board year were developed in the fall of 2021. The current Audit Committee work plan is Attachment A. State Bar Board of Trustees committees align their work plans with the Strategic Plan. The current update is to incorporate the State Bar’s 2022–2027 Strategic Plan adopted in March 2022.

### **DISCUSSION**

This item is intended to elicit discussion from the Audit Committee. Members are encouraged to provide input regarding how the work plan can be improved in the future and better used to

guide the committee's work and advance the Strategic Plan of the State Bar. Many of the items on the work plan recur annually and are ongoing.

There was a significant effort on many items in the past year, including:

- Annual Financial Statement Audit
- IT Security Assessment
- Business Continuity Plan

Attachment B is the Audit Committee draft work plan for 2022–2023. Two items on the work plan will be emphasized in the next year, the internal controls audit and the State Auditor's audit. The internal controls audit is taking place this year after last occurring in 2018. The auditor's audit occurs biannually.

One item in the work plan will be expanded in 2022–2023. The Mission Advancement & Accountability Division (MAAD) Compliance Review & Activities title will be modified to reflect the establishment of a new Office of Compliance within the MAAD. The newly created office is designed to address the lack of meaningful progress on compliance activities. Absent a dedicated office, compliance has taken a back seat to the research functions housed within MAAD. The Office of Compliance will be responsible for establishing an internal compliance workplan which will be brought forward to the Audit Committee for review. This work plan will include activities directly tied to follow up on audits of the State Bar to ensure the implementation of recommendations.

Two items have been added to the work plan. The first relates to the creation of a Public Trust Liaison (PTL) position within the State Bar. The PTL will be responsible for ensuring that members of the public, applicants for admission, legal consumers, attorneys, and other constituents are heard; the PTL will be responsible for addressing complaints about the State Bar's actions or inactions, as well as to follow up on recommendations for operational improvement.

The PTL will report to the executive director with a dotted line relationship to the Audit Committee. The Audit Committee will receive regular reports and updates from the PTL.

The other addition to this work plan is an organizational audit focusing on diversity, equity and inclusion. The current strategic plan commits the State Bar to advancing diversity, equity and inclusion concerning its own operations and the legal profession itself. With this direction, the State Bar will conduct a comprehensive audit of its hiring practices, procurement, and other operational business. The Audit Committee will oversee this audit and review the findings to determine additional action plans.

## **FISCAL/PERSONNEL IMPACT**

None

## **AMENDMENTS TO RULES**

None

## **AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL**

None

## **STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS**

Updates are being made to this section of the agenda item template to reflect the 2022–2027 Strategic Plan.

## **RECOMMENDATIONS**

**Should the Audit Committee concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Audit Committee adopts the Audit Committee 2022–2023 work plan, included in this item as Attachment A, and provides it for adoption by the Board Executive Committee.

**Should the Board Executive Committee concur in the proposed action, passage of the following resolution is recommended:**

**RESOLVED**, that the Board Executive Committee approves the adopted Audit Committee 2022–2023 work plan, included in this item as Attachment A, and provides it for review by the Board Executive Committee.

## **ATTACHMENTS LIST**

- A.** Audit Committee 2022–2023 Work Plan
- B.** Audit Committee 2021–2022 Adopted Work Plan



Item Description	To Committee? By When?	To Board? By When?	Link to Strategic Plan	Status
<ul style="list-style-type: none"> <li>Evaluate and Monitor Internal Controls: <ul style="list-style-type: none"> <li>Ensure internal control review conducted every 5 years</li> </ul> </li> </ul>	Late 2022	As Needed	Core Business Operations	Last done by Moss Adams in March 2018
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Meet with Chief Financial Officer and other members of State Bar leadership every 2 years to review the internal control structure</li> </ul> </li> </ul>	As Needed	As Needed		Late 2022
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	As Needed	As Needed		-
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Review quarterly Travel Expense Reports</li> </ul> </li> </ul>	Quarterly	Quarterly		Completed Each Qtr.
<ul style="list-style-type: none"> <li>Office of Compliance: <ul style="list-style-type: none"> <li>Review compliance with rules and statutes</li> <li>Review compliance with internal procedures</li> <li>Audit follow-up</li> </ul> </li> </ul>	Ongoing	As Needed	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>Evaluate findings and Recommendations</li> <li>Monitor progress</li> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	Apr 2023	Apr 2023	Core Business Operations	Ongoing
<ul style="list-style-type: none"> <li>Annual Financial Statement Audit: <ul style="list-style-type: none"> <li>Approve scope and fees, meet with auditor, assess independence</li> </ul> </li> </ul>	November	NA		Completed 2021 financial statement
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Monitor progress</li> </ul> </li> </ul>	Ongoing	As Needed		
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Review audited financial statements</li> </ul> </li> </ul>	Apr 2023	May 2023		

Item Description	To Committee? By When?	To Board? By When?	Link to Strategic Plan	Status
<ul style="list-style-type: none"> <li>○ Evaluate findings and recommendations</li> <li>○ Monitor implementation of corrective actions</li> </ul>	Apr 2023 Ongoing	May 2023 As Needed	Core Business Operations	audit in April 2022
<ul style="list-style-type: none"> <li>○ Recommend appointment or contract extension of external auditors</li> </ul>	As Needed	As Needed		
<ul style="list-style-type: none"> <li>● Business Continuity Plan: <ul style="list-style-type: none"> <li>○ Understanding Risk &amp; Provide Feedback</li> <li>○ Monitor implementation</li> <li>○ Annual Review</li> </ul> </li> </ul>	Sep 2021	As Needed	Core Business Operations	Ongoing
<ul style="list-style-type: none"> <li>● IT Systems Assessment (Every 2 years): <ul style="list-style-type: none"> <li>○ Approve scope and fees</li> <li>○ Monitor progress</li> <li>○ Review consultants' reports and evaluate findings and recommendations</li> <li>○ Monitor implementation of corrective actions</li> <li>○ In years between IT systems assessments, meet with IT staff</li> </ul> </li> </ul>	July 2022	As Needed	Core Business Operations	Anticipated
<ul style="list-style-type: none"> <li>● Public Trust Liaison <ul style="list-style-type: none"> <li>○ Develop parameters and process for Audit Committee reporting</li> <li>○ Review report and recommendations from the PTL</li> <li>○ Identify follow up action steps as needed</li> </ul> </li> </ul>	2023	As Needed	<a href="#">Goal 1.d.</a>	Anticipated
<ul style="list-style-type: none"> <li>● Organizational audit focused on diversity, equity and inclusion <ul style="list-style-type: none"> <li>○ Develop scope</li> <li>○ Review findings</li> <li>○ Monitor implementation of recommendations</li> </ul> </li> </ul>	2023	2023	<a href="#">Foundational principle of Strategic Plan</a>	Anticipated



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<ul style="list-style-type: none"> <li>Evaluate and Monitor Internal Controls: <ul style="list-style-type: none"> <li>Ensure internal control review conducted every 5 years</li> </ul> </li> </ul>	As Needed	As Needed	Core Business Operations	Last done by Moss Adams in March 2018
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Meet with Chief Financial Officer and other members of State Bar leadership every 2 years to review the internal control structure</li> </ul> </li> </ul>	As Needed	As Needed		Late 2021
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	As Needed	As Needed		-
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Review quarterly Travel Expense Reports</li> </ul> </li> </ul>	Quarterly	Quarterly		Completed Each Qtr.
<ul style="list-style-type: none"> <li>MAAD Compliance Review &amp; Activities: <ul style="list-style-type: none"> <li>Identify new priority areas</li> </ul> </li> </ul>	Late 2022	As Needed	Compliance	Ongoing
<ul style="list-style-type: none"> <li>State Auditor's Audit (Every 2 years): <ul style="list-style-type: none"> <li>Evaluate findings and Recommendations</li> <li>Monitor progress</li> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	Sep 2021	Apr 2021	Compliance	Ongoing
<ul style="list-style-type: none"> <li>Annual Financial Statement Audit: <ul style="list-style-type: none"> <li>Approve scope and fees, 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	NA	Compliance	Completed 2020 financial statement audit in April 2021
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Approve scope and fees, meet with auditor, assess independence</li> </ul> </li> </ul>	Ongoing	As Needed		
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Review audited financial statements</li> </ul> </li> </ul>	Apr 2021	May 2021		
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Evaluate findings and recommendations</li> </ul> </li> </ul>	Apr 2021	May 2021		
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Monitor implementation of corrective actions</li> </ul> </li> </ul>	Ongoing	As Needed	Compliance	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Recommend appointment or contract extension of external auditors</li> </ul> </li> </ul>	As Needed	As Needed		

Item Description	To Committee? By When?	To Board? By When?	Link to Strategic Plan	Status
<ul style="list-style-type: none"> <li>Business Continuity Plan Review: <ul style="list-style-type: none"> <li>Understanding Risk &amp; Provide Feedback</li> <li>Monitor implementation</li> </ul> </li> </ul>	Sep 2021	As Needed	Core Business Operations	Anticipated
<ul style="list-style-type: none"> <li>IT Systems Assessment (Every 2 years): <ul style="list-style-type: none"> <li>Approve scope and fees</li> </ul> </li> </ul>	Apr 2021	As Needed	Goal 3.i.	Completed
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Monitor progress</li> <li>Review consultants' reports and evaluate findings and recommendations</li> </ul> </li> </ul>				
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>Monitor implementation of corrective actions</li> <li>In years between IT systems assessments, meet with IT staff</li> </ul> </li> </ul>				