

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Board of Trustees
The State Bar of California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the State Bar of California (State Bar), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the State Bar's basic financial statements, and have issued our report thereon dated April 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. We identified deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Bar's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State Bar's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State Bar's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The State Bar's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walnut Creek, California
April 28, 2023

**Finding 2022-001 – Significant Deficiency
Information Technology Program**

Criteria:

Internal controls over financial reporting are reliant on effectively designed information technology (IT) controls. In that regard, an effectively designed IT control environment is one where an organization:

- a) develops, documents, and disseminates to appropriate personnel, policies that address purpose, scope, roles and responsibilities, management commitment, coordination among the State Bar departments and compliance; and procedures to facilitate the implementation of the policy and associated controls;
- b) periodically reviews and updates the current policies and procedures; and
- c) systematically monitors and evaluates its environment to ensure that policies and procedures are operating as designed.

Condition:

We noted that the Change Management Workflow policy was last updated on September 7, 2005. The policy does not reflect the current change management process at the Agency.

Likewise, the Incident Response Plan was last updated on November 20, 2017.

In addition, we were unable to obtain formally documented policy and procedures for:

- Provisioning Access
- Deprovisioning Access
- Periodic Reviews of User Access
- Backup Policy
- Procedures to monitor Oracle Fusion interfaces and resolve abnormal endings

In March 2023, we received the updated Change Management Workflow policy and Incident Respond Plan. In addition, management formally documented and provided the Provisioning and Deprovisioning procedures, and the Backup policy. The updated documentation will be assessed as part of the year ended December 31, 2023 audit procedures.

Cause and Effect or Potential Effect:

The State Bar's staffing and resources constraints have prevented the State Bar from reviewing and updating the Change Management Workflow; and formally documenting the access and backup policies.

Recommendation:

The IT Policies should be reviewed annually and updated as needed to verify that current policies and practices are documented in the IT Policies and communicated to those responsible for the State Bar's information systems. In addition, the State Bar should implement a process to ensure that its employees are knowledgeable of the policies by conducting regular training on the State Bar requirements and obtain written or electronic acknowledgement from personal of their responsibilities.

Management Response:

The State Bar agrees with this recommendation. We acknowledge that we have fallen behind in updating or creating formal documentation for various I.T. policies and procedures, though we do believe that, in most cases, procedures that are currently in place are sufficient in practice, but must be more formally documented to provide greater assurance that they are consistently implemented and that the implementation can be more readily validated. Several of the items noted above were already updated or remediated during the course of the audit, and the State Bar's Office of Information Technology is undertaking a more comprehensive review of all I.T. policies and procedures, that will fully incorporate audit findings and other recent reviews, as well as updated industry best practices. An outside resource will be engaged to assist in this effort.

Finding 2022-002 – Significant Deficiency

Annual Review of Access to Oracle Fusion and IT Administrator Access

Criteria:

The State Bar has not formally documented and implemented a periodic review of user access to Oracle Fusion or user ids with IT Administrator and privileged access rights.

Condition:

A review of users with privileged access to Oracle Fusion and IT Administrator and privileged user ids was not performed in FY2022.

Cause and Effect or Potential Effect:

The State Bar's staffing and resource constraints prevented the State Bar from conducting an annual review of users with access to Oracle Fusion, and user ids with IT administrator and privileged access rights since the processes have not been developed or established. The State Bar is at risk of personnel having unauthorized access to Oracle Fusion if job functions change and no longer require privileged access.

Recommendation:

The State Bar departments should perform an annual review of users with access to Oracle Fusion, and user ids with IT Administrator and privileged access to recertify that access is based on job requirements. Results of the review should be submitted to the body responsible for monitoring compliance with the State Bar policy.

Management Response:

The State Bar agrees with this recommendation and will implement the recommended process immediately. We do believe that, as a practical matter, the identified risk is low, as employees with IT administrator and privileged access rights to Oracle work in specialized functional areas and do not generally transfer to programmatic roles where such access would not be permitted.