



The State Bar of California

OPEN SESSION AGENDA ITEM NOVEMBER 2023 AUDIT COMMITTEE IV.A

DATE: November 16, 2023

TO: Members, Audit Committee

FROM: Aracely Montoya-Chico, Chief Financial Officer

SUBJECT: Recommendation of Independent Auditor Services Contract

EXECUTIVE SUMMARY

This item seeks Audit Committee recommendation to the Board to approve the appointment of the certified public accounting firm Macias, Gini & O'Connell, LLP to serve as the State Bar's independent external auditor of its financial statements for fiscal year 2023.

BACKGROUND

California Business and Professions Code section 6145 requires the State Bar to contract with an independent national or regional public accounting firm to audit its financial statements each fiscal year. The statute requires a copy of the audit and financial statement to be submitted to the State Bar's Board of Trustees and to specified public officials. The audit of the State Bar's financial statements must be completed no later than May 31st.

The State Bar's procurement policy states that multi-year contracts are generally between one to three years and may permit renewal for up to two additional one-year terms. The prior audit contract in place expired in 2023 after a five-year term. Based on this policy, a request for proposal (RFP) was issued to procure a new independent audit contract.

The Office of Finance initiated an RFP for independent auditing services for the State Bar's annual financial statements, the Statement of Expenditures of Mandatory Fees, the annual Legal Services Trust Fund Program report, the Internal Control review and the Single Audit. The RFP was publicly posted on the State Bar's website in May of 2023. In addition, the posting was directly communicated to six firms that were identified by staff as meeting the requirements of

being either an independent national or regional public accounting firm with at least five years' experience in governmental auditing. The State Bar received five proposals.

DISCUSSION

The Office of Finance and the Office of Access and Inclusion evaluated and scored the proposals submitted by the five accounting firms. In evaluating these proposals, staff ranked each firm according to a set of predefined criteria: (1) the responsiveness of the proposal to the State Bar's RFP requirements; (2) the firm's agreement with the State Bar's contracting requirements; (3) the technical ability, capacity and flexibility of the firm to perform the audit in a timely manner and on budget; (4) the financial viability of the firms; and (5) the total cost of the proposal. Scoring was performed on the basis of responsiveness to the RFP requirements, agreement to State Bar contracting terms, technical ability and the total cost of the proposal.

Based on the above criteria, Macias, Gini & O'Connell, LLP (MGO) received the highest total score from each evaluator. The selection panel found the firm to have significant experience in serving State and local government entities in California, and the references contacted indicated that satisfaction with the quality of their services. They had an excellent understanding of the scope of work requested by the State Bar. Staff unanimously recommended MGO as the audit firm to be selected to be the State Bar's auditors for the next five years.

At the direction of the audit committee chair, staff has revised its plan to award the long-term contract to MGO. Instead, a one-year contract is recommended in order to give the audit committee time to assess the scope of the contract, evaluate updated proposals to be submitted by the five audit firms in the near term, and participate in vendor selection for the period beginning in 2025.

This agenda item proposes for the Audit Committee to recommend that the board award a one-year contract as the State Bar's independent external auditor to Macias, Gini & O'Connell, LLP.

FISCAL/PERSONNEL IMPACT

The contract for the one-year terms is \$192,000.

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

None – core business operations

RECOMMENDATIONS

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

RESOLVED, that the Audit Committee recommends that the Board of Trustees approves the contract and selection of Macias, Gini & O’Connell, LLP to serve as the State Bar’s independent audit firm for Fiscal Year 2023.

ATTACHMENT LIST

None