



The State Bar of California

OPEN SESSION

AGENDA ITEM

AUDIT COMMITTEE III.B

DATE: January 8, 2024

TO: Members, Audit Committee

FROM: Elizabeth Nolan, Lead Program Analyst, Mission Advancement & Accountability Division

SUBJECT: Discussion Regarding State Bar's Mandatory Audits

EXECUTIVE SUMMARY

The chair of the Audit Committee has requested a revised list of audits to which the State Bar is subject, as well as the approximate costs for the audits that are externally contracted. The table in Attachment A reflects that list. Additionally, a draft work plan documenting the required tasks of the Audit Committee is included in Appendix B for reference and discussion.

BACKGROUND

The State Bar is required by statute and/or internal policy to undergo a number of audits and/or reviews to assess internal controls, cybersecurity, and performance.

DISCUSSION

The requested list of audits is provided in Attachment A. To provide additional context for the anticipated work of the Audit Committee in 2024, a draft work plan is included in Attachment B.

FISCAL/PERSONNEL IMPACT

None

AMENDMENTS TO RULES

None

AMENDMENTS TO BOARD OF TRUSTEES POLICY MANUAL

None

STRATEGIC PLAN GOALS & IMPLEMENTATION STEPS

Goal 4. Protect the Public by Engaging Partners

- a. 1. Increase access to State Bar data and performance outcomes.

RECOMMENDATIONS

None

ATTACHMENTS LIST

- A.** Summary of State Bar Audits
- B.** Draft Audit Committee Work Plan 2024

Summary of State Bar Audits

Audit	Description	Frequency	Authority	Year begun and authorizing language	Approximate cost
Independent financial audit	Formal, independent evaluation of organizational financial statements and records. Conducted by an independent, external audit firm.	Annual	Business and Professions Code section 6145(a)	2000 (estimated) Business & Professions Code 6145(a) states: "The board shall engage the services of an independent national or regional public accounting firm with at least five years of experience in governmental auditing for an audit of its financial statement for each fiscal year."	\$191,935 (per November 2023 Board of Trustees resolution)
Single audit	Organizations that expend more than \$750,000 annually in federal funds are required to undergo a single audit. Conducted by an independent, external audit firm.	Annual	2 CFR Part 200	2023 "The State Bar receives federal funds from two pass-through agencies: COVID-19 Coronavirus State and Local Fiscal Recovery Funds passed through the Judicial Council of California, and COVID-19 Homeowner Assistance Funds passed through the CalHFA Homeowner Relief Corporation. ...As a recipient of these federal	Approximately \$20,000 (as of 2023)

Audit	Description	Frequency	Authority	Year begun and authorizing language	Approximate cost
				funds, the State Bar is required to have a single audit conducted for fiscal year 2022.” September 2023 BOT Audit Committee agenda item	
State audit	Evaluations of State Bar practices and procedures, including performance audits, data audits, and compliance audits. Conducted by the California State Auditor.	Every two years	Government Code 8545.2; Business and Professions Code section 6145(b)	<p>Earliest report on CA State Auditor website: 1996</p> <p>Codified in Business and Professions Code 6145(b) in 2000, which states: “The board shall contract with the California State Auditor’s Office to conduct a performance audit of the State Bar’s operations from July 1, 2000 to December 31, 2000.... Every two years thereafter, the board shall contract with the California State Auditor's Office to conduct a performance audit of the State Bar's operations for the respective fiscal year, commencing with January 1, 2002, to December 31, 2002, inclusive.”</p>	\$500,000 estimated (per November 2022 Board of Trustees resolution)

Audit	Description	Frequency	Authority	Year begun and authorizing language	Approximate cost
Cybersecurity/IT systems assessment	The purpose is to monitor cybersecurity performance; ensure that the State Bar's responses to control weaknesses and compliance issues are identified; ensure the State Bar's vigilance in identifying, analyzing, and addressing any and all cybersecurity vulnerabilities on an ongoing and continuous basis.	CybersecurityBoard Policy report due every 2 years	Manual	Year started unknown "Undertake the following responsibilities relating to cybersecurity: Recommend commission of a biennial cybersecurity report, taking into account the recommendation of the executive director and the director of information technology, to the full Board of Trustees for approval...."	Multipart assessment; total contract value \$259,610 (as of 2023)
Random case audit – Office of Chief Trial Counsel	Independently assess the performance of the Office of Chief Trial Counsel using a random sample of closed cases. Conducted by independent, external auditors with legal experience.	Biannual	Internal policy established in 2000; policy revised substantially in response to two state audits (2009-030 and 2022-030)	2000 "Effective October 2000, the Office of Chief Trial Counsel (OCTC) established procedures for systematic random review of closed cases." (OCTC Policy Directive 2022-01)	Approximately \$270 per case; approximately \$140,000 annually (Assumptions: 3 auditors in pool; 2 audits completed annually; review of approximately 510 cases)

Audit	Description	Frequency	Authority	Year begun and authorizing language	Approximate cost
Random case audit – Special Deputy Trial Counsel	Independently assess the performance of the Special Deputy Trial Counsel using a random sample of closed cases. Conducted by independent, external auditors with legal experience.	Annual	Internal policy; partially a response to State Auditor report 2022-030 and 2022-031	Codified in internal policy: 2023 “As part of the twice-yearly audit of OCTC files, the external auditor also reviews a selection of files handled by Special Deputy Trial Counsel (SDTC) pursuant to State Bar Rule of Procedure 2201.” (Draft SDTC Policy Directive 2023-01)	Approximately \$270 per case; approximately \$8,100 annually (Assumptions: 2 auditors perform one audit annually; review of approximately 30 cases)
Internal controls assessment	The five-year internal control review of the State Bar’s budget and fiscal policies and procedures is conducted by an independent consultant under the oversight of the Audit Committee.	Every 5 years	Board Policy Manual	Year started unknown “The five-year internal control review of the State Bar’s budget and fiscal policies and procedures is conducted by an independent consultant under the oversight of the Audit Committee.”	\$256,790 (per September 2021 Board of Trustees resolution) Note: cost included the Fiscal Year 2021 audit and the five-year internal controls assessment

Draft Audit Committee Work Plan, 2024

Work Area	Description	To committee? By when?	To Board? By when?	Link to strategic plan	Status
Evaluate and monitor internal controls	Ensure internal control review is conducted every 5 years	Next review anticipated in 2027	As needed		Most recent review discussed by Audit Committee in July 2023
	Meet with Chief Financial Officer and other members of State Bar leadership every 2 years to monitor internal control structure	As needed	As needed	Core Business Operations	Late 2024
	Monitor implementation of corrective actions	As needed	As needed		As needed
	Review quarterly Travel Expense Reports	Quarterly	Quarterly		Occurs quarterly
Annual financial statement audit	Meet with auditor to discuss scope	January 2023	NA	Core Business Operations	Discussion on scoping in January 2024

Work Area	Description	To committee? By when?	To Board? By when?	Link to strategic plan	Status
	Review audited financial statements	Based on timeline agreed with auditor	Follows AC review		
	Monitor progress and implementation of corrective actions	Ongoing	As needed		
	Recommend contract approval of external auditors	Late 2024	Late 2024		
Business continuity plan	<ul style="list-style-type: none"> Understand risks and provide feedback Monitor implementation 	Late 2024	As needed	Core Business Operations	Anticipated
IT/Cybersecurity assessment	<ul style="list-style-type: none"> Approve scope and fees Monitor progress Review consultants' reports; evaluate findings and recommendations Monitor implementation of corrective actions In years between IT systems assessments, meet with IT staff 	Biennial cybersecurity report, if commissioned by the Audit Committee, due mid 2024	As needed	Core Business Operations	<p>Anticipated</p> <p>Latest results reported to the Committee in July 2022</p> <p>Assessments conducted in 2023</p>

Work Area	Description	To committee? By when?	To Board? By when?	Link to strategic plan	Status
Public Trust Liaison	<ul style="list-style-type: none"> Review reports and recommendations from PTL Identify follow up actions as needed 	2024	As needed	Goal 1.d.	Anticipated
Mission Advancement & Accountability compliance review activities	<ul style="list-style-type: none"> Review progress Identify new priority areas 	Mid 2024	As needed	Core Business Operations	Anticipated
State Auditor audits	Evaluate findings and recommendations Monitor progress Monitor implementation of corrective actions Annually review pending recommendations	Next anticipated in 2025 Annual	Follows AC review	Core Business Operations	Anticipated
Organizational audit focused on diversity, equity, and inclusion	<ul style="list-style-type: none"> Develop/review scope Review findings Monitor implementation of recommendations 	One-time	As needed	Foundational principle of the State Bar Strategic Plan	Latest progress/results discussed with committee May 2023