



# The State Bar of California

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## **OPEN SESSION**

## **AGENDA ITEM**

## **MARCH 2024**

## **AUDIT COMMITTEE IV.B**

## **BOARD EXECUTIVE COMMITTEE III.B**

**DATE:** March 11, 2024

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

**FROM:** Elizabeth Nolan, Lead Program Analyst, Office of Compliance

**SUBJECT:** Approval of 2024 Audit Committee Work Plan and Calendar

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## **EXECUTIVE SUMMARY**

This agenda item outlines the Audit Committee work plan and calendar for 2024 based on input from the committee chair and the committee's previous review of the State Bar's mandatory audits. The agenda item recommends that the Audit Committee approve the work plan and present it to the Board Executive Committee for adoption.

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## **BACKGROUND**

To strengthen the Board committee process, each Board committee 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.

The most recent work plan for the Audit Committee was drafted in 2022 and covered 2022 and 2023. The current proposed calendar (Attachment A) and work plan (Attachment B) covers the remainder of 2024.

## **DISCUSSION**

This item is intended to elicit discussion from the Audit Committee. Members are encouraged to provide input regarding additional topics, how the work plan can be improved, and how the

work plan may be 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.

Two items have been added to the plan since the adoption of the 2022–2023 work plan. First, reporting on the State Bar’s Whistleblower Antiretaliation Program has been added as an annual item. Second, the Audit Committee’s review of its work plan has been added as an annually recurring item.

Attachment A provides a one-page overview of items expected to come before the committee in 2024; the calendar outlines the anticipated 2024 meeting schedule for the committee, setting meetings approximately 10 days earlier than the regular Board meeting. Attachment B contains the full 2024 work plan.

### **FISCAL/PERSONNEL IMPACT**

None

### **AMENDMENTS TO RULES**

None

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

None

### **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 accepts the Audit Committee 2024 work plan and calendar, included in this item as Attachments A and B, and provides the work plan 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 2024 work plan, included with this item as Attachment B.

## **ATTACHMENTS LIST**

- A.** 2024 Audit Committee Proposed Calendar
- B.** 2024 Audit Committee Work Plan

**2024 Audit Committee Proposed Calendar<sup>1</sup>**

**January – Meeting on January 8, 2024**

- Discussion with independent financial auditor on 2023 audit scope
- Discussion of the State Bar’s mandatory audits

**March – Meeting on March 11, 2024**

- Review Q4 2023 Travel & Business Expense Report
- Report on the Whistleblower Antiretaliation Program
- Review 2024 Audit Committee work plan and calendar

**May – Meeting Week of May 6**

- Review Q1 2024 Travel & Business Expense Report
- Review of audited financial statements (due to the Legislature on May 31)
- Review Public Trust Liaison annual report
- Review procurement disparities analysis
- Update from the Office of Compliance: Form 700 and Rule 2201 compliance
- Update on organizational audit focused on diversity, equity, and inclusion, including updates on the DEI Leadership Seal

**July – Meeting Week of July 1**

- Review Q2 2024 Travel & Business Expense Report
- Update from the Office of Compliance: internal compliance work plan and activities to date

**September – Meeting Week of September 3**

- Update on business continuity plan
- Update on IT/cybersecurity assessments
- Update on records retention policy
- Review draft 2025 Audit Committee work plan & calendar and provide input

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<sup>1</sup> Additional items may be added to the work plan throughout the year, or items may be shifted across months, in consultation with the Audit Committee chair and members.

## **November – Meeting Week of October 28**

- Review Q3 2024 Travel & Business Expense Report
- Review pending 2023 State Auditor recommendations (if any recommendations remain pending or partially implemented after one year response) and determine any necessary follow-up steps
- Recommend appointment or contract extension of independent financial auditor
- Review and approve 2025 Audit Committee work plan & calendar



### Audit Committee 2024 Work Plan

**Charge:** The Audit Committee is charged with assisting the Board in fulfilling its oversight responsibility as related to the integrity of accounting and financial reporting processes, the system of internal controls, and audit processes. In addition, the Audit Committee is charged with overseeing risk management and compliance efforts. The Audit Committee should include at least one public member of the Board. (Reference: Board of Trustees Policy Manual)

**The Audit Committee is comprised of six members appointed by the Governor and the Supreme Court. The Audit Committee shall:**

- Undertake responsibilities relating to the annual financial statement audit, as outlined in the committee charter;
- Review with the chief financial officer or their designee and the independent auditor the financial statement audit's results, findings, and recommendations;
- Undertake responsibilities relating to cybersecurity, including recommending the commission of a biennial cybersecurity report;
- Review the results of the biennial performance audit conducted by the California State Auditor;
- Monitor, review, and evaluate the effectiveness and adequacy of the State Bar's internal control structure on an ongoing basis;
- Perform such specific oversight functions as expressly requested by the Board of Trustees;
- Review, on a quarterly basis, reports prepared by the Office of Finance regarding executives' and Board members' travel and expense reimbursements; and
- Develop and adopt an Audit Committee Work Plan for approval by the Board Executive Committee.

For more information and full details of the committee's responsibilities, reference the Audit Committee Charter in the [Board of Trustees Policy Manual](#).

STRATEGIC PLAN GOAL	STRATEGIC PLAN STRATEGY AND IMPLEMENTATION STEP	WORK PLAN ITEM <sup>2</sup>	DESCRIPTION	TIMELINE	TO BOARD COMMITTEE (Y/N) / DUE DATE
Goal 1: Protect the Public by Strengthening the Attorney Discipline System	<b>Effectiveness</b>  <i>Secure additional funding for the attorney discipline system</i>	<b>Evaluate and monitor internal controls</b>	Review quarterly Travel & Business Expense Reports	Reports are developed following the close of each quarter.	To Audit Committee: Yes  To full Board: Yes  Due date: Planned submission to the Audit Committee in March, May, July, and November 2024
Goal 1: Protect the Public by Strengthening the Attorney Discipline System	<b>Effectiveness</b>  <i>Secure additional funding for the attorney discipline system</i>	<b>Annual financial statement audit</b>	Meet with auditor to discuss scope  Review audited financial statements  Monitor progress and implementation of corrective actions  Recommend contract approval of external auditors	In 2024, much of the independent financial auditor's work occurs in the first 6 months of the year. Periodic discussions with the Audit Committee occur as the work progresses. The audited financial statements, which include an audit of Interest on Lawyers' Trust Accounts and a report of receipt of	To Audit Committee: Yes  To full Board: Yes  Due date:  1. Scope of audit review discussed in January 2024.  2. Discussion of timeline for next request for proposal for the independent financial auditor to

<sup>2</sup> Work plan items and descriptions in the table only encompass those tasks that are set to be presented to or discussed with the Audit Committee in 2024.

				funds by the Legal Services Trust Fund Commission, are due to the Legislature on May 31, 2024.	occur in March 2024. 3. Audit Committee review of audited financial statements to occur in May 2024.
Goal 4: Protect the Public by Engaging Partners	<b>Effectiveness</b>  <i>Increase access to State Bar data and performance outcomes</i>	<b>Business continuity plan</b>	Understand risks and provide feedback on plan  Monitor implementation	Office of General Services is reviewing the current business continuity plan in the first half of 2024 and will discuss any recommended updates with the Audit Committee.	To Audit Committee: Yes  To full Board: No  Due date: Planned submission to the Audit Committee in September 2024
Goal 4: Protect the Public by Engaging Partners	<b>Effectiveness</b>  <i>Increase access to State Bar data and performance outcomes</i>	<b>Information technology (IT)/Cybersecurity assessment</b>	Approve scope and fees  Monitor progress  Review consultants' reports; evaluate findings and recommendations  Monitor implementation of corrective actions	An assessment of the State Bar's IT and cybersecurity infrastructure by an outside consultant is ongoing in 2024. Initial findings have been shared with State Bar staff.	To Audit Committee: Yes  To full Board: No  Due date: Planned submission to the Audit Committee in September 2024



			In years between IT systems assessments, meet with IT staff		
Goal 1: Protect the Public by Strengthening the Attorney Discipline System	<b>Consumer Focus</b>  <i>Assist members of the public needing assistance in submitting complaints and resolving problems by providing clear information about how the system works, outlining what constitutes a viable complaint, and facilitating connections with other resources where consumer issues do not warrant attorney discipline.</i>	<b>Office of the Public Trust Liaison reporting</b>	Review reports and recommendations  Identify follow up actions as needed	Office of the Public Trust Liaison has drafted a first annual report of its activities, which is under staff leadership review in Q1 2024.	To Audit Committee: Yes  To full Board: No  Due date: Planned submission to the Audit Committee in May 2024
Goal 4: Protect the Public by Engaging Partners	<b>Effectiveness</b>  <i>Increase access to State Bar data and performance outcomes</i>	<b>Office of Compliance review activities</b>	Review progress  Identify new priority areas for review	The compliance function is new and work is ongoing. With direction and concurrence of the Audit Committee, initial	To Audit Committee: Yes  To full Board: No  Due date: Planned submission of updates

				progress updates are planned in Q2 2024.	to the Audit Committee in May and July 2024
Goal 4: Protect the Public by Engaging Partners	<b>Policy &amp; Systems Change</b>  <i>Collaborate with the Legislature and other stakeholders to increase public protection and support the State Bar's mission.</i>	<b>California State Auditor (CSA) audit</b>	Annually review recommendations that have been pending for more than one year	<p>While the CSA will not conduct an audit of the State Bar in 2024, one-year responses from the 2023 audit are due to the CSA in April 2024. Following the CSA's evaluation of the State Bar's one-year responses, necessary follow-up will be communicated to the Audit Committee. Annually, the CSA publicly reports recommendations that have been pending for more than one year.</p>	<p>To Audit Committee: Yes</p> <p>To full Board: No</p> <p>Due date: Planned submission to the Audit Committee in November 2024</p>

Goal 2: Protect the Public by Enhancing Access to and Inclusion in the Legal System	<b>Diversity, Equity, and Inclusion</b>  <i>Engage DEI leaders and other stakeholders to encourage legal employers to set and publicly commit to measurable diversity, equity, and inclusion goals through the State Bar Diversity Leadership Seal Program.</i>	<b>Organizational audit focused on diversity, equity, and inclusion (includes procurement disparities analysis)</b>	Develop/review scope  Review findings  Monitor implementation of recommendations  Review results of the procurement disparities analysis	The Audit Committee received an update about the organizational audit in May 2023. Since then, the State Bar has received the DEI Leadership Seal (Gold) and commissioned an outside consultant to conduct a procurement disparities analysis. The analysis results are currently under review.	To Audit Committee: Yes  To full Board: No  Due date:  1. An update on the DEI Leadership Seal attainment may be provided to the Audit Committee in May 2024  2. A presentation on the completed procurement disparities analysis will be provided to the Audit Committee in May 2024
Goal 4: Protect the Public by Engaging Partners	<b>Policy &amp; Systems Change</b>  <i>Collaborate with the Legislature and other stakeholders to increase public protection and support the State Bar's mission.</i>	<b>Whistleblower Anti-Retaliation Program Reporting</b>	Understand risks and provide feedback  Monitor implementation	With direction and concurrence of the Audit Committee, this report will be developed annually, typically in Q1.	To Audit Committee: Yes  To full Board: No  Due date: Submission to the Audit Committee in March 2024

Goal 4: Protect the Public by Engaging Partners	<b>Policy &amp; Systems Change</b>  <i>Collaborate with the Legislature and other stakeholders to increase public protection and support the State Bar's mission.</i>	<b>Audit Committee Annual Work Plan (2025)</b>	Review the committee's scheduled annual work and approve an annual work plan	An initial draft of the 2025 work plan will be submitted to the Audit Committee in September 2024. Based on input and direction from the Audit Committee, a revised draft will be submitted for acceptance to the Audit Committee and Board Executive Committee in November 2024.	To Audit Committee: Yes  To full Board: submission to Board Executive Committee follows Audit Committee acceptance  Due date: Planned submission to the Audit Committee in September and November 2024
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