



# The State Bar of California

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## **OPEN SESSION AGENDA ITEM JULY 2024 AUDIT COMMITTEE IV.A**

**DATE:** July 2, 2024

**TO:** Members, Audit Committee

**FROM:** Aracely Montoya-Chico, Chief Financial Officer

**SUBJECT:** Approval of Selection of Independent Auditor

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### **EXECUTIVE SUMMARY**

This item seeks Audit Committee approval to select Macias, Gini & O'Connell, LLP (MGO) to serve as the State Bar's independent external auditor of its financial statements, the Statement of Expenditures of Mandatory Fees, the annual Legal Services Trust Fund Program report, the five-year Internal Control review, and the Single Audit (reports). The contract to be awarded covers the period 2024 to 2026, with an additional two one-year optional renewals.

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### **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 specified public officials. The audit of the State Bar's financial statements must be completed no later than May 31.

At the direction of the Audit Committee chair, the Office of Finance initiated a request for proposals (RFP) for independent auditing services for the State Bar's reports. The RFP was publicly posted on the State Bar's website in April of 2024. In addition, the posting was directly communicated to six firms meeting prescribed eligibility requirements. The State Bar received five proposals.

## **DISCUSSION**

The Office of Finance and the Office of Access & Inclusion evaluated and scored the proposals submitted by the five accounting firms. In evaluating the proposals staff ranked each firm according to the following 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 firm; and (5) the total cost of the proposal.

Based on the above criteria, MGO received the highest total score from each evaluator, with Moss Adams LLP being a close second. The evaluation team found both firms to have significant experience in serving state and local government entities in California, and references for both indicated satisfaction with the quality of services provided. Based on proposal scoring, staff unanimously recommended MGO as the audit firm to be selected as the State Bar's auditors for the next few years.

To provide the committee with time to weigh in on the potential vendor, the committee chair instructed staff to share the scoring worksheet and top two proposals with the audit committee working group established for this purpose, comprised of trustees Stephens and Toney. After the trustees' evaluation, it is recommended that MGO, be awarded the audit contract.

The audit committee and board will be asked to approve the final contract with MGO at the September meetings.

## **FISCAL/PERSONNEL IMPACT**

The contract, which includes the price for all the reports, over the five-year term is \$1.1 million. The annual amount, including the single audit, is \$191,385.

## **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 approves the selection of Macias, Gini & O'Connell, LLP to serve as the State Bar's independent audit firm for the next three years with two one-year optional renewals.

## **ATTACHMENT LIST**

None