

**The State Bar of California**  
**Request For Proposal: Questions & Responses**  
**Professional Audit Services**  
**June 1, 2007**

1. Are all of the accounting and financial reporting functions (including information technology) of the State Bar at the San Francisco location?

*Yes, all located in San Francisco.*

2. What kind of operations does the other locations have?

*Los Angeles: Admissions, Discipline, Courts, Client Security, Lawyer Assistance Program, Bar Relations, IT; Sacramento: Governmental Affairs, Lawyer Assistance Program.*

3. How many auditors were on the engagement; how many hours/weeks were spent in the field last year?

*Interim audit: Two auditors (one associate and one senior) in the field for two weeks. Final audit: Three auditors (2 associates, one senior) in the field for three weeks, and one manager for approx. one week.*

4. When will the records for the year ended December 31, 2007 be ready for the auditor?

*Mid February 2008.*

5. Does the State Bar plan on upgrading and/or implementing a new financial software system in 2007?

*No plans for upgrade during FY2007.*

6. Have there been recent changes in management, financial condition, and/or the State Bar's operations during FY2007?

*No recent changes.*

7. Were there any management letter comments reported in the prior year? If so, could we obtain a copy of the comments?

*Yes, copy attached.*

8. Were there any adjusting journal entries or passed adjusting journal entries proposed by the prior year's auditors?

*Yes, there was one audit adjusting JE, and a few passed adjusting JE for last year's audit.*

9. Was the prior year's auditors invited to submit a proposal? If not, why?

*Yes, among many invited.*

10. Was the scope of the services the same as the prior year and if so what were the fees for last year's audit?

*Yes, scope remains the same as previous years. Prior fees not provided.*

April 10, 2007

The Audit Committee of the Board of Governors  
The State Bar of California  
180 Howard Street  
San Francisco, California 94105-1639

Dear Members of the Audit Committee:

In planning and performing our audit of the financial statements of the State Bar of California ("State Bar") for the year ended December 31, 2006 (on which we have issued our report dated April 10, 2007), we developed the following recommendation concerning certain matters related to the State Bar's internal control.

**INCREASED USE OF TEMPORARY ACCOUNTING STAFF**

**Observation**

Over the past year the State Bar's accounting department has experienced significant turnover and restructuring. The State Bar has utilized temporary employees for several important accounting positions. The use of temporary employees in key accounting positions over an extended period of time may increase the risk of accounting errors and or irregularities.

**Recommendation**

We recommend that current accounting department staffing levels be reviewed and that additional permanent staff be hired as warranted. Further, management should evaluate its process for cross-training new and existing personnel in order to minimize the impact of future staffing limitations or restructures.

This report is intended solely for the information and use of the board of directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss our comment with you and, if desired, to assist you in implementing our suggestion.

Yours truly,