



**REQUEST FOR PROPOSAL INDEPENDENT FINANCIAL AUDITING SERVICES**

**Questions and Answers**

**June 2, 2023**

1. Can you please clarify the involvement of the audit firm in drafting the financial statements (FS) and related notes?
  - The State Bar normally drafts the FS but we would like for the auditor to give us a starting template, unless they would be okay with using the one we have from our current auditors. We do rely on the auditor for final editing/formatting.
2. Please clarify the auditor's expected assistance with the pension, Other Postemployment Benefits (OPEB), or other accounting entries.
  - As auditors, they would just be responsible for auditing the pension/OPEB JEs and would be provided with the valuation reports that support the journal entries (JEs). The State Bar often has questions to discuss with the current auditors on how to present certain pension/OPEB items or other questions that come up where guidance may be sought on this topic as well as best practices of how other companies record/present pension/OPEB. It would be anticipated that the State Bar can get that same guidance from whoever the auditor would be.
3. Is the State Bar utilizing the State Controllers' Office payroll system for payroll processing?
  - No. The State Bar use Oracle's payroll module for our payroll system.
4. Is the internal control environment (payroll, procurement, a/p, accounting, finance, IT, HR, etc.) centralized for all of these audits? If any are separately administered, please describe.
  - Yes. All information is Oracle. Generally, each department is responsible for their related controls.
5. Are internal controls primarily performed electronically (through the accounting or other systems) or manual (paper forms)?
  - Mostly electronic but some are manual.
6. How many major programs are on average are audited on an annual basis? Please provide the names of the federal grants that are being audited as a major program in Financial Year (FY) 2022? What federal grants do you expect to be audited as major in FY 2023 & 2024?
  - 2022 is the first year the State Bar is subject to a single audit. We received two federal grants, one for homeless prevention and the other from the California Housing Finance Authority. These are multi-year grants and would be the same that would require single audits in 2023/2024.

7. What is the typical timing of fieldwork to ensure the audits are completed by April 30 of each year?
  - There is some interim work done in Q3 or Q4 of current audit year, depending on auditor. Year Ending (YE) is usually Mar/April.
8. Does the State Bar prefer the fieldwork to be onsite or remote or a hybrid approach?
  - Remote would be fine, unless auditor needs to be onsite for a reason.
9. Why is the State Bar going out to bid and is the prior auditor being invited to bid on these audits?
  - It is part of the State Bar's Procurement process to have contracts re-bid after five years. Yes, prior auditor was invited.
10. How many hours did the prior year auditor incur? How many auditors worked on the audit engagement?
  - The State Bar does not have the number of hours readily available. The engagement team was a partner, technical partner, senior manager, lead senior, and maybe 1-2 staff; not sure if all worked at the same time.
11. Who will be compiling the State Bar's Annual Comprehensive Financial Report?
  - N/A. We are not subjected to this.
12. Has the State Bar determined the implications of Governmental Accounting Standards Board (GASB) 94 and GASB 96 to the financial statements?
  - Unsure about 94 so far. The State Bar is actively working on implementing 96 in 2023.
13. Has there been any significant or unusual transactions occurring in Fiscal Year 2023?
  - No. Plan to sell the San Francisco building in mid/late 2023.
14. Has there been any significant changes in key personnel during fiscal year 2023?
  - No
15. Has there been any system conversion recently from Oracle Fusion?
  - No
16. Please provide us copy of the most recent single audit report, if completed.
  - N/A. See above.
17. How many hours did the prior year auditor incur on the five-year internal controls review (policy and procedure review and the internal audit) in 2022? What type of format does the State Bar expect to receive from the internal audit scope of work? Please provide a copy of the most recent deliverable for this service.
  - Unsure on hours. We are unable to provide a copy of the report at this time. It may be available at a later time.
18. What is the desired timing for fieldwork for the internal controls review and the expected issuance of the deliverable in 2027?

- Ideally outside the normal audit period to avoid workload issues.

19. Were there any significant deficiencies or material weaknesses in internal control over financial reporting or instances of non-compliance reported by the auditors during your most recent audits? Any findings that did not rise to the level of significant deficiencies or material weakness (SAS 115)?

- No. A SD was identified over IT program as part of the I/C review but not over financial reporting.

20. What were the fees incurred in the prior year by the different deliverables? What is the budget for audit services in FY 2024, 2025 and 2026 and also the two additional years?

- The State Bar has yet not determined the budget for 2024 and beyond. The FS audit was a set fee for 5 yrs for all 3 reports. I/C audit was a separate fee.

21. Has management considered the impact of recent increase in inflation when determining their budget for audit services? Will the vendor be allowed to modify the Attachment F: Itemized Cost Proposal to incorporate any CPI increase to the Hourly Bill Rate or is the requirement to have the hourly rates to be held constant each year?

- The hourly rates should be held constant each year.

22. How should exceptions (if any) to the audit contract be communicated/delivered? Would the State Bar prefer a bullet point list of exceptions or red line to the sample agreement?

- Please red line the sample agreement.