

September 1, 2009

To: Board of Governors
From: Laura Chick
Chair, Audit Committee

Goals for Audit Committee
2009-2010 Board Year

The primary goal of the Audit Committee for the coming Board year is to complete internal audits of the Bar's primary business processes. The audits, by outside auditor Kevin Harper, began following the disclosure of an internal embezzlement of State Bar funds in the amount of \$675,000. The embezzlement, over a period of eight years, had been committed by the Bar employee responsible for receiving rent from the Bar building at 180 Howard Street.

The initial audit regarded the initial facts of the embezzlement. Because of the number of years over which the embezzlement had occurred the audits expanded to include a completed Risk Scan of internal control and business processes. Harper's Risk Scan is Attachment A.; Management's response is Attachment B.

Still to be completed are audits for cash disbursements/procurement, budgeting and payroll. The remaining business processes of financial reporting, grant management and treasury will be performed in house by Finance staff.

For the completion of the existing audits we are now in a process of public solicitation of auditors. Kevin Harper will be one of those who applies to complete the work.

The exact timing of these audits will depend in large part on the auditor going forward. But the goal is to have all complete by the end of the fiscal year.

The Audit Committee will also monitor staff's progress in implementing the recommendations contained in the audit reports.

The tentative agendas for the Committee meetings are outlined below.

October 9, 2009

1. Conference call with committee to discuss selection of Auditor to perform internal audits

November Board Meeting

1. Report from Staff on status of implementing recommendations from existing Risk Scan report
2. Update on status of internal audits

January Board Meeting

1. Presentation of results of first completed internal audits
2. Continued monitoring of staff's implementation of recommendations
3. Meet with Macias Gini regarding scope and fees relating to 2009 financial statement audit

March Board Meeting

1. Presentation of next round of completed internal audits and staff internal assessments
2. Continued monitoring of staff's implementation of audit recommendations
3. Update from Macias Gini on status of 2009 financial statement audit

May Board Meeting

1. Presentation of 2009 audit of financial statements from Macias Gini
2. Presentation of completed internal audits and staff internal assessments
3. Continued monitoring of staff's implementation of audit recommendations

July Board Meeting

1. Presentation of completed internal audits and staff internal assessments
2. Continued monitoring of staff's implementation of audit recommendations