

AGENDA ITEM

NOVEMBER 181

Selection of Audit Firm to
Perform Internal Audit
Services

DATE: November 5, 2009

TO: Members of the Board Audit Committee
Members of the Board of Governors

FROM: Laura Chick, Chair of the Audit Committee

SUBJECT: Selection of Audit Firm to Perform Internal Audit Services

Executive Summary

As part of the Audit Committee's ongoing evaluation of the State Bar's internal control systems, the Committee voted at its July 2009 meeting to establish an outsourced internal audit function starting with audits of three of the State Bar's business processes. These processes are payroll, accounts payable/procurement, and budget controls.

Background

In September, staff prepared and advertised a Request for Proposal for Internal Audit Services. The RFP requested proposals specific to the three identified business processes as well as fee quotes to perform audits the Committee may wish to commission during the next three years. Proposals were due to the State Bar on October 23rd and a total of 12 were received.

An evaluation committee consisting of the Audit Committee Chair, Board President, and Chief Financial Officer met on October 28th to perform an initial review and scoring of the 12 proposals. The weighted scoring criteria consisted of:

- Responsiveness of the proposal to the submission requirements set forth in the RFP – 10 points
- Agreement with the State Bar's contracting requirements – 10 points
- Technical ability, capacity and flexibility of the bidder to perform the contract in a timely manner and on budget, as verified by the quality of any demonstration, client reference, demonstrated success in projects with similar requirements and any other contracts with the State Bar – 45 points
- Itemized cost: fixed deliverables – 17.5 points
- Itemized cost: future deliverables – 17.5 points

After the initial scoring, four firms were selected for interviews. The firms and their fee proposals are:

Firm Name	Proposal for Fixed Deliverables	Blended Hourly Rate for Future Deliverables**
Kevin Harper & Associates	\$74,000	\$147
Moss Adams	\$75,746	\$140
KPMG	\$145,000	\$153
Sjoberg Evashenk	\$70,400	\$121

Interviews of these firms were conducted on November 4th and 5th in the Bar's San Francisco office. After careful consideration, the interview committee recommends award of contract to the firm of Sjoberg Evashenk.

Proposed Resolution for the Audit Committee

If the Audit Committee concurs with the recommendation of the evaluation committee, the following resolution is recommended for adoption:

RESOLVED, that the Audit Committee accept the recommendation of the evaluation committee and recommends the award of contract to Sjoberg Evashenk to the Board of Governors.

Should the Board of Governors agree with the Audit Committee, adoption of the following resolution would be in order:

RESOLVED, that the Board of Governors authorized the award of a three year contract with the firm of Sjoberg Evashenk to perform internal audit services for the State Bar.

**The blended hourly rate was calculated by the total amount bid for the fixed deliverables divided by the number of hours bid. The nature and scope of the future work may shift this figure slightly up or down the scale, based on the mix of partner, Director, Manager, Senior Auditor, Consultant hours required.