



THE STATE BAR OF CALIFORNIA

180 Howard Street
San Francisco, Ca 94105
(415) 538-2000

Date: November 5, 2009 **Item IV. A**

To: Audit Committee

From: Office of Finance

Subject: Implementation of Recommendations in Risk Scan Internal Control Assessment - Update

Background:

In November 2008, the Audit Committee contracted with the firm of Kevin Harper, CPA & Associates to perform an independent high level scan for weaknesses in the Bar's internal controls over its major financial processes. Mr. Harper presented the results of his review to the Committee at its May 2009 meeting. Staff also presented management's comments and proposed action plan to address the recommendations outlined in Mr. Harper's report.

Following the presentation, the Committee voted to accept certain changes and clarifications that Mr. Harper proposed to management's action plan.

Status of Recommendations:

Management's Action plan has been updated to reflect management's progress in implementing the recommendations relating to the 13 findings included in the Risk Scan report. The report also included several control issues which were identified by Mr. Harper as areas worthy of consideration by management for attention and potential improvement although they did not rise to the level of significant weaknesses. To address both the findings and the control weaknesses, management identified 41 individual tasks to accomplish by certain target dates. You will find a discussion of each task and management's progress in implementing it beginning on page 25 of Management Comments & Action Plan Report. A number of the tasks included development of new policies or clarifications of existing ones. These are listed on page 34 of management's action plan and copies are provided for your review.

Next Steps:

Staff will provide regular updates of the status of management's action plan at each Audit Committee meeting.

The State Bar of California

RiskScan Internal Control Assessment

Management Comments & Action Plan

5/1/2009

Updated: 11/3/2009

TABLE OF CONTENTS

TABLE OF CONTENTS	1
INTRODUCTION	2
RESPONSES TO FINDINGS & RECOMMENDATIONS	3
1. Mailed Cash Receipts	3
2. Budget	4
3. Payroll System	6
4. Travel and Expense Reimbursements	7
5. Policies and Procedures	8
6. Risk Assessment	9
7. Code of Conduct	10
8. Internal Audit	10
9. Training	11
10. Decentralized Billing	12
11. "Business Expense" Accounts	13
12. Segregation of Duties	14
13. Client Security Fund	15
RESPONSES TO OTHER CONTROL ISSUES	15
14. Control Environment	15
15. Cash Receipts	17
16. Cash Disbursements / Procurement	19
17. Payroll	21
18. Budget	22
19. Financial Reporting	23
20. Treasury	24
ACTION PLAN	25

INTRODUCTION

On December 22, 2008, the Board of Governors of the State Bar of California contracted with Kevin Harper & Associates, Inc. (hereafter KHA) to perform an independent, high-level scan for significant weaknesses in the State Bar's internal controls over its major financial processes (cash receipts, cash disbursements and procurement, payroll, budgeting, grants, treasury, and financial reporting). In conducting the RiskScan, KHA operated under the direction of the Audit Committee of the Board of Governors, independent of State Bar management.

On March 5, 2009, KHA presented the draft "Internal Control Assessment" report to the Audit Committee. The Audit Committee subsequently directed State Bar management to prepare a response to the draft report, including comments on the draft's findings and proposed actions on the draft's recommendations. This document represents management's response.

This document is organized to mirror the structure of the KHA draft report. The draft report contains two major sections, titled "Findings and Recommendations" and "Other Control Issues," each of which is further sub-divided into more specific topics. This document parallels these sections and sub-divisions, making it easy to read the draft report and the response side-by-side.

In addition, management's proposed actions, which are discussed throughout this document in conjunction with the KHA recommendations, are collected and summarized in a concluding section titled "Action Plan."

RESPONSES TO FINDINGS & RECOMMENDATIONS

1. Mailed Cash Receipts

KHA Recommendation: “The State Bar should consider centralizing the opening of mail. Mailroom employees should open all mail, remove all checks and make a log of incoming checks. The log should be made available on a shared drive or intranet site so that all divisions can see checks. Prior to centralizing, a test should be performed to determine what information is needed on the check log to allow proper account coding of cash receipts. It may be necessary to scan or photocopy all checks to assure proper account coding, or for research or audit trail reasons. If the State Bar decides not to centralize opening of mail in the mailroom, then each division should be required to centralize their own mail opening, with the same procedures as described herein.”

Managements Comments: The State Bar receives a large volume of mail on a daily basis, and only a relatively small fraction contains checks. Moreover, as noted in the KHA draft, checks directly mailed to the State Bar account for a relatively small share of a typical day’s revenue collections. From a cost-benefit standpoint, we believe that decentralized mail opening, supplemented with tighter procedures as recommended, is the preferable approach. In addition, we believe that tightened procedures should be focused on the relatively small number of offices which frequently receive checks. Finally, we hope to further diminish the scope of this risk by continuing to move in the direction of accepting more payments electronically and online.

Management’s Proposed Actions:

- 1a Finance is currently working with State Bar departments to identify and document the specific offices which receive a meaningful volume of mail-in checks (in terms either of quantity or total dollar amount).

Target: July 31, 2009
Status: This task was completed in July 2009. A worksheet listing all cash receipts and the nature of the payments received (electronic, checks, cash) was developed as part of the Cash Receipts Workshop. Finance also met with State Bar personnel in Los Angeles and San Francisco to train them on the use of the “Check 21” automated deposit system.

- 1b Finance will provide each office thus identified with a written procedure for the opening of mail, including (i) restrictive endorsement of checks, (ii) logging of checks, (iii) prompt transmittal of checks to Finance for deposit, and (iv) any additional control measures necessary and appropriate to the particular office and types of payments involved. The procedure will ensure that individuals handling inbound checks do not have the ability to modify corresponding accounting records (see Recommendation #12).

Target: September 30, 2009
Status: This task was completed in May 2009. A detailed cash receipts procedure is now posted on a special "Finance" webpage on the Bar's intranet.

- 1c Senior executives will confirm that the mail handling procedures have been implemented within their respective areas of responsibility.

Target: October 30, 2009
Status: A written acknowledgment of the implementation of mail handling procedures in the offices of each Senior Executive will be received before the end of the year.

2. Budget

KHA Recommendation: "State Bar management should define and communicate the level of budgetary control managers are responsible for meeting. Divisions should be held accountable for budget compliance by monitoring their budget to actual results on a regular basis. Since costs for salaries and benefits are monitored and managed on a State Bar-wide level, division managers and business unit managers should be accountable for non-personnel costs. The Office of Finance should establish budget blocks and a mechanism to link purchase orders to the budget. The Office of Finance should conduct training for all managers on budget vs. actual analysis and accessing reports available in the PeopleSoft system"

Management Comments: We fully agree that budgetary compliance requirements should be duly communicated and monitored on a regular basis. At the same time, we continue to regard the ability of a responsible manager to hold authorized positions vacant and to use the savings thus achieved to meet appropriate program objectives as a normal part of the exercise of managerial discretion. Managers should not be required to spend money on full-time staff if it can be better used in other ways.

System-imposed budget "blocks" can tighten the budgetary control mechanism very effectively, but also have costs in terms of implementation effort and ongoing administrative requirements. Some cost-benefit balancing is therefore needed to ascertain whether the desired degree of control can be met cost-effectively through enhanced reporting and training, or whether fully automated "blocks" are required.

Management's Proposed Actions:

- 2a Finance will prepare a written budget control policy specifying the level of budgetary control managers are expected to meet and the scope of their discretion, for adoption by the Senior Executive Team (SET).

Target: July 31, 2009

Status: A detailed written budget control policy was developed in July 2009. The policy establishes the legal level of adoption; provides for quarterly reviews; and establishes authority for budget transfers.

- 2b Finance and IT will review and consider the feasibility and cost-benefit implications of implementing encumbrance accounting or other method of tracking commitments (such as contracts and purchase orders) against budgets.

Target: September 30, 2009

Status: Staff began this review in July. We have spoken with two consultants who are knowledgeable with this module of the JD Edwards system. Our initial investigation preliminarily suggests that we may need to make significant changes to the set up of our procurement module. We are awaiting a quote from a third consultant to assist us in determining the cost associated with this implementation; however, the award of a consultant contract is subject to the availability of funding.

- 2c Finance will be provided with the name of a budget liaison from each department. Finance, in cooperation with IT as needed, will provide the designated liaisons with training on the use of existing PeopleSoft reports and inquiry tools.

Target: December 31, 2009

Status: This task is on track

- 2d Finance, in cooperation with IT, is currently investigating the feasibility of alternative reporting tools to prepare more user-friendly budget reports.

Target: December 31, 2009

Status: We have a number of draft budget reports in development with a contract report writer. These draft reports are a major improvement over the existing JD Edwards reports. We will, however, require additional funding to complete these reports.

- 2e Finance will investigate the implementation of automated budget "blocks" and report on the matter to the Senior Executive Team. SET will determine whether the added benefits outweigh implementation and ongoing administrative costs and direct subsequent implementation actions as needed.

Target: October 31, 2009

Status: Staff began this investigation in conjunction with the encumbrance accounting task. The level at which the budget blocks will be established will depend in large part on the functionality of the encumbrance accounting module. As with task 2b, the ultimate decision to proceed with this task is dependent on funding to obtain the necessary expertise to implement this technology.

3. Payroll System

KHA Recommendation: “The State Bar should invest sufficient resources to identify and fix the PeopleSoft payroll system errors. Alternatively, the State Bar should perform a cost/benefit analysis related to outsourcing of payroll. Benefits of outsourcing may include saving a significant portion of the consultant’s costs and immediate access to a sophisticated, reliable and user friendly system. Costs of outsourcing may include integrating the payroll provider’s information into the PeopleSoft financial system.”

Management Comments: The State Bar is currently in the process of identifying and remedying implementation issues related to the PeopleSoft system. However, the need will likely be for an ongoing process of tracking, testing and deploying Electronic Software Upgrades (“ESUs”) as they become available from Oracle in the context of our implementation environment, rather than for a one-time “fix.”

It should be noted that the consultant currently working in the HR area is primarily a business analyst working to implement HR best practices in the State Bar – which leverage the related capabilities of our system – rather than working on system maintenance *per se*.

Management’s Proposed Actions:

- 3a IT, Finance and Human Resources will continue to work together to identify known issues in the payroll system and execute an action plan for their resolution.

Target: June 30, 2009

Status: This is an ongoing process. Several times during the past few months, staffs from IT, Finance, and HR have met to perform a payroll debriefing to discuss any problems that occurred during the most recent payroll processing. IT, HR and Finance are also currently working on a major upgrade of the payroll software and are meeting regularly to monitor the progress of the upgrade.

- 3b IT, Finance and Human Resources are currently developing an ongoing maintenance plan for the existing payroll system, identifying the roles and responsibilities of staff in those departments. The plan encompasses the full cycle of monitoring the availability of ESUs, testing, evaluation, and application of ESUs, and an estimate of the resources necessary in each area to support the cycle.

Target: July 31, 2009

Status: This task was undertaken in July. The maintenance plan will be ongoing and updated with each new upgrade. As mentioned in item 3a, a major upgrade of the payroll system is currently in process.

- 3c IT, Finance and Human Resources are assessing the feasibility of partial or full outsourcing of the software support for payroll and HR functions, paying due attention to

the operational needs of both HR and payroll functions and the issue of data integration with the State Bar's remaining in-house systems.

Target: December 31, 2009

Status: This feasibility study is not currently planned. The Office of Human Resources is evaluating the desirability of implementing new features to the existing software to leverage the Bar's investment in its JD Edwards enterprise system rather than researching an outsourced option.

4. Travel and Expense Reimbursements

KHA Recommendation: "Sections should be required to comply with the State Bar's travel and business expense reimbursement policy. Alternatively, State Bar management should develop and the Board of Governors should adopt a separate policy related to Sections travel and expense reimbursement. In addition, the State Bar should consider providing to Section members periodic financial reports showing how Sections members' voluntary fees are used."

Management Comments: The Sections foster the professional development of their members by providing both educational programs and networking opportunities. This dual mission should be borne in mind when evaluating whether particular events and expenditures are properly business-related. Attorneys are not required to become Sections members; they do so because they find that the events and services delivered are appropriate and valuable. Therefore, some modifications in the State Bar's travel and expense policies as applied to the Sections would appear reasonable, particularly in combination with enhanced accountability to Sections' members.

Management's Proposed Actions:

- 4a Member Services, with the assistance of the Office of General Counsel, will prepare modified travel and expense reimbursement policies applicable to the Sections, to be reviewed and adopted by the Senior Executive Team, and will define a format and a mechanism for periodic reporting of expenditures to Sections Members.

Target: July 31, 2009

Status: A Sections travel expense policy was completed in October and presented to the Council of Sections Officers on October 10, 2009.

5. Policies and Procedures

KHA Recommendation: “The State Bar should prepare an electronic version of both a financial policies and procedures manual (including procurement) and an administrative manual. These manuals should be made available on an intranet site or shared drive to all employees and publicize their availability; the shared drive should include a table of contents and search capabilities to make them user friendly. Training should be provided to employees on all policies, procedures and advisories that are key to their responsibilities. Existing financial policies and procedures should be inventoried and supplemented as necessary.”

Management Comments: Finance is working with the State Bar’s Web Editor to consolidate all Finance materials that are currently available on the intranet under one Finance heading. This includes electronic finance forms, purchasing card materials, Travel and Business-Related Expense policy, and the Wells Fargo P-card link. Finance policies & procedures relating to accounts payable, cash receipting, financial reporting, fixed assets, procurement and travel advances will also be posted under this heading.

Beginning in February 2009, the Bar initiated a comprehensive risk assessment project that is being facilitated by Kevin Harper CPA. Employees from departments throughout the Bar are participating in workshops, discussing internal control procedures of the significant accounting functions, and gaining a shared understanding of the Bar’s financial policies and procedures. These workshops are excellent opportunities for employees whose job responsibilities include maintaining internal controls in their individual departments. To date four work sessions relating to cash receipting have been conducted.

Management’s Proposed Actions:

- 5a Finance is working with the State Bar’s Web Editor to re-structure the State Bar’s intranet to include a consolidated “Finance” heading under which financial policies and procedures can be accessed. This project is expected to be completed in May 2009.

Target: May 29, 2009

Status: This project is completed. The Finance Department now has a dedicated section on the Bar’s internet that includes all the Bar’s financial policies and procedures as well as forms with smart links.

- 5b The Executive Director’s Office will codify existing administrative advisories into an administrative manual that will be available on the Bar’s intranet.

Target: December 31, 2009

Status: This task is in process and is on track to meet the target date.

- 5c Finance (in conjunction with KHA) will continue to conduct Bar-wide workshops on its cash receipts control function. Training sessions will be conducted on all the Department’s policies and procedures throughout the remainder of the year.

Target: December 31, 2009

Status: As of May, the Bar has conducted 6 cash receipts workshops with 16 participants from the major cash receipting departments of the Bar. There are no additional workshops scheduled for the remainder of 2009.

6. Risk Assessment

KHA Recommendation: “The State Bar’s senior management should perform an identification and assessment of all the key risks affecting the State Bar’s ability to meet its business objectives, safeguard its assets, operate efficiently and effectively, and comply with laws and regulations. They should implement a process to monitor the effectiveness of related controls and identify new risks as they arise. Major risks to be considered may include State oversight of regulatory vs. professional association activities, fraud loss, backlog of discipline cases and expenses growing faster than revenue increases authorized by State.”

Management Comments: The Senior Executive Team meets weekly to discuss opportunities to improve operations and business practices while at the same time identifying risks facing the State Bar. We recognize the value of adopting a more formalized approach to guide and document this current and ongoing risk assessment practice.

Management’s Proposed Actions:

- 6a The Executive Director has designated the State Bar’s Director of Operations to act as the organization’s Risk Management Officer, with responsibility for both traditional risk management (e.g. insurance and loss control) and for raising risk-related issues within the Senior Executive Team on an ongoing basis.

Status: Completed

- 6b The Senior Executive Team has global responsibility for performing a risk assessment and will work together to identify key risks to the Bar, match controls to mitigate those risks, and identify areas of potential exposure to the Bar.

Target: June 30, 2010

Status: The Senior Executive Team has undertaken this risk assessment beginning with a five hour special meeting held on September 23 during which a prioritized listing of risks, goals, and projects was discussed as a starting point for developing an action plan. The action plan will address governance/management issues and will identify significant risks and/or major projects related to mission critical activities. A list of all IT projects in process was also discussed and prioritization of these projects is expected to commence shortly.

7. Code of Conduct

KHA Recommendation: “The State Bar should develop a written code of conduct that is applicable to all employee levels and aligned with existing policies and procedures. The Agency should also implement training or a process for communicating ethical behavior to employees.”

Management Comments: The State Bar is in the process of culling from its existing union agreements, rules of procedure and conduct, Administrative Advisories, and other sources the principles that constitute the code of conduct at the State Bar. This will be supplemented and issued in a stand-alone code of conduct in conformity with this recommendation.

Management’s Proposed Actions:

- 7a Human Resources is assembling a stand-alone written code of conduct based upon the State Bar’s existing union agreements, administrative advisories, and other sources, supplemented as appropriate, for review and adoption by the Senior Executive Team.

Target: August 31, 2009

Status: A code of conduct was completed on November 5, 2009.

- 7b Human Resources will work with the Bar’s webmaster to publish the State Bar’s code of conduct on the Bar’s intranet, with or linked to its financial policies and procedures.

Target: September 30, 2009

Status: The code of conduct was posted on the State Bar’s intranet on November 5, 2009.

- 7c Human Resources will include the State Bar’s code of conduct in the State Bar’s annual management and supervisory training materials.

Target: December 31, 2009

Status: The code of conduct will be included in the State Bar’s annual management and supervisory training materials in advance of the next scheduled training.

8. Internal Audit

KHA Recommendation: “The State Bar should establish an internal audit function, which should report directly the Audit Committee. An internal audit mission and procedures should be developed. The State Bar should determine whether to hire or outsource the internal audit function.”

Management’s Proposed Actions:

8a The Audit Committee has adopted an outsourced internal audit function.

Target: Ongoing

Status: A request for proposal for internal auditing services was published in September. Responses from 11 firms were received as of the due date of October 23rd. The Audit Committee Chair plans to have a recommendation to the Audit Committee at the November 14th meeting.

9. Training

KHA Recommendation: “The State Bar should develop a formal training program for all its employees. This program should include for each employee:

- Assessment of the skills and knowledge needed to perform his/her job at a high level of competency
- Assessment of the current skills of the individual
- Identification of various development opportunities in the areas needed, including self-study, internal training, external conferences, college courses, personal development seminars, etc.
- Commitment between individual and mentor on which development opportunities will be scheduled
- Adequate funding of the training program
- Tracking of the individual’s training progress
- Positive feedback and/or reward to individuals fully participating in the program

The staff training program should also ensure that more than one employee is trained for each key job in the event of turnover or other unavailability of employee.

The Offices of Finance, Information Technology and Human Resources should work together to develop and deliver to the divisions meaningful training related to use of administrative resources. Such training should include procurement, handling cash receipts, expense reimbursement, budgeting and accessing PeopleSoft.”

Management Comments: Management agrees that adequate and appropriate training is an important factor in enhancing organizational performance and ensuring proper internal controls. Management recognizes the importance of cross-training in particular, and, within the practical limits of budget and collective bargaining agreements, will work to enhance training opportunities.

Management’s Proposed Actions:

9a Within the limits of the budget and existing union agreements, Human Resources will support the development and effectuation of departmental training plans.

Target: Ongoing
Status: Underway

10. Decentralized Billing

KHA Recommendation: “As much as possible, billing of State Bar revenues should be centralized by preparing the invoices online using the PeopleSoft billing module. All invoices must have instructions to mail payments only to the State Bar address shown on the invoice. Note that certain programming and training will be required to make the billing module usable in a decentralized manner.

The Office of Finance should identify all invoicing that is being done by operating divisions (e.g., sales of member lists, CalBar Journal classified ads). The Office of Finance should develop written billing policies and procedures for operating divisions. An audit of the divisions’ billing procedures should be conducted periodically to ensure they are being followed.”

Management Comments: Management agrees with these recommendations.

Management’s Proposed Actions:

10a Operations will work with Finance to centralize invoicing of retail and office tenants.

Status: This task was completed in March 2009. All billing is now centralized in the Office of Finance. In addition, Finance department staff is performing regular site visits to the tenants.

10b Finance will survey the departments and prepare a complete list of all invoices and bills issued by the State Bar outside of Finance, along with the usual quantity of invoices and amounts (to assist in the evaluation of significance and priorities).

Target: August 30, 2009

Status: A worksheet listing all cash receipts and the nature of the payments received (electronic, checks, cash) was developed as part of the Cash Receipts Workshop. Finance also met with State Bar personnel in Los Angeles and San Francisco to train them on the use of the “Check 21” automated deposit system.

10c Finance will recommend centralizing receivables and cash receipting where feasible.

Target: September 30, 2009

Status: Additional set up work on the JD Edwards module is necessary to add new billings. With the current system set up, we cannot prepare reports for separate receivable types or generate aging reports. In conjunction with the encumbrance accounting recommendation (2b above), staff is seeking bids from consultants who can also provide the set up work needed for the AR module.

- 10d Finance will prepare a written invoicing policy governing any remaining decentralized invoicing, to be reviewed and adopted by SET. This policy will be published on the State Bar's intranet alongside other financial policies.

Target: October 31, 2009

Status: Once a decision is made regarding the desirability of centralizing receivables in Finance, a written policy will be developed for any areas where decentralized billing will still occur. Completion of this task is dependent on the outcome of task 10c.

11. Business Expense Accounts

KHA Recommendation: "The State Bar should refrain from using 'business expense' accounts or other purchasing mechanisms that do not provide definitive guidance related to inappropriate expenditure of public funds. If the need for these accounts is determined to be necessary, the State Bar should expand the existing policies and procedures to describe the types of disbursements allowed and not allowed, maximum amounts per transaction and per year, and distribution of related expenditure reports to the Chief Executive Officer, Chief Financial Officer and Audit Committee."

Management Comments: Management continues to believe that the business expense mechanism imparts a valuable flexibility – within well defined limits – to the State Bar's travel and expense reimbursement policies. That said, management agrees with the recommendation to expand the existing policy statement to provide more definitive guidance regarding the limits on the use of funds budgeted for business expenses.

Management's Proposed Actions:

- 11a The Office of General Counsel will enhance existing policy statements governing the expenditure of business expense funds, establishing appropriate limits and making clear that expenditures must be reasonably related to the State Bar's business or functions sponsored by the State Bar. The policy will be reviewed and adopted by the Senior Executive Team.

Target: September 30, 2009

Status: The Office of General Counsel has prepared a policy that governs the use of State Bar's business expense.

- 11b Finance will establish a regular reporting cycle for business expense costs. The Deputy Executive Director and the Chief Financial Officer will regularly review business expenses.

Target: December 31, 2009

Status: This task is on schedule for the December target date.

12. Segregation of Duties

KHA Recommendation: "The Office of Finance should identify all cases wherein State Bar employees have access to both assets and accounting records. In each of these cases, such duties should be adequately segregated. If, due to the State Bar's relatively small staff size, duties cannot be fully segregated by division, then it is important to assure that (1) duties are segregated by individual within the division and (2) the lack of full segregation is communicated to division management, the Chief Executive Officer, the Chief Financial Officer and the Audit Committee."

Management Comments: Management agrees with the importance of proper segregation of duties, and, in particular, that the State Bar should avoid situations in which an employee who physically handles payments (unendorsed checks) has the ability to modify the corresponding accounting records. (However, the mere ability to modify records *unrelated* to the payments handled does not necessarily constitute a significant risk in our view.) In general, we believe that this recommendation raises substantially the same issue as Recommendation #1, pertaining to handling of incoming mail.

Management's Proposed Actions:

12a (see Management's Proposed Actions 1b, above)

- 12b Finance will review employee access to the Bar's financial systems and verify that proper segregation of duties exists.

Target: December 31, 2009

Status: To Do

13. Client Security Fund

KHA Recommendation: "Policies and procedures over CSF payments should be developed. Checks prepared by the Office of Finance should be mailed instead of returned to the requesting

division. If it is determined that check requests should continue without providing settlement agreements to the Office of Finance, then a recurring internal audit of CSF payments should be scheduled.”

Management Comments: While substantial compensating controls have been implemented in this area to mitigate the risk, management agrees that it would be preferable for CSF checks to be mailed from Finance based upon copies of the signed orders.

Management’s Proposed Actions:

- 13a The Office of Chief Trial Counsel, the Office of General Counsel, and the CSF program director will review the issues impeding implementation of this recommendation to ascertain whether they still apply or have become obsolete.

Target: June 30, 2009
Status: Completed

- 13b If the restrictions no longer apply, CSF will work with Finance to implement the recommended procedure, under which CSF checks would be mailed directly by Finance to recipients, rather than being returned to the CSF program staff.

Target: September 30, 2009
Status: Completed

RESPONSES TO OTHER CONTROL ISSUES

14. Control Environment

KHA Observations:

- (i) Most mission-critical IT applications are on AS400, which is no longer supported by the vendor
- (ii) The shared drive is not used to share information across all divisions because it is not organized
- (iii) There is no prioritized list of systems improvement requests from the Office of Information Technology that user divisions can monitor
- (iv) IT has no business analysts to help divisions understand and coordinate implementation of technology improvements
- (v) An IT strategic plan has been developed, but not yet adopted and funded
- (vi) There is no transparent link between administrative overhead divisions pay and the services they receive
- (vii) Administrative services departments do not proactively provide customer service to other divisions
- (viii) The Office of Information Technology is the only administrative services division that conducts customer service surveys. Other surveys should include purchasing, accounting, payroll, human resources and budgeting
- (ix) There is inconsistent interpretation of what reviews should be performed before signing as approver (e.g. for authorizing purchasing card reports, travel expense reimbursement requests, timesheets, cash balancing forms)
- (x) There is no record retention policy

Management Comments:

- (i) The IBM “i-Series” platform, the successor to the AS/400, continues to be supported by IBM and is in use in a wide variety of businesses worldwide. The State Bar’s applications were migrated to the i-Series in 2008.
- (ii) Currently, the preferred approach to organization-wide information sharing is via the State Bar’s intranet, because it offers superior administrative control and information-organization capabilities. In addition, the State Bar has an electronic document management system and a technology to support collaborative work on documents (“Collaboration Workroom”). The State Bar uses “shared drives” where appropriate, typically for department-level data sharing.

- (iii) IT does have a work request tracking system; it is expected that the system will be enhanced this year to allow user-department IT contacts to monitor the status and progress of their requests.
- (iv) As part of the 2009 Information Technology Strategic Planning process, the role of the Business Analyst was identified as a critical need for the Bar. Rather than a skilled Information Technologist, we view the business analyst as a key player within the department that can work with the department to identify business reengineering and improvement opportunities and bridge to IT to help craft solutions to meet them.
- (v) The IT Strategic Plan is in process, and funding remains a long-term issue. The immediate needs of the "technology refresh," as laid out in the plan, are being funded with the \$10/member special assessment and will be completed in early 2011 or before. The Business Systems Applications initiatives will be funded using some of the various funding strategies at the Bar's disposal possibly including but not limited to some self-funding, some additional membership assessment, and use of the existing Discipline Fund and Technology Fund.
- (vi) The State Bar is in the process of revising its indirect cost allocation methodology, with the assistance of a consulting firm widely recognized in the field. This process is expected to improve the transparency and "explicability" of the indirect cost allocation.
- (vii) We believe that most internal service departments strive to strike an appropriate balance between being responsive to user requests and undertaking pro-active initiatives.
- (viii) Feedback from user departments is, of course, received on a daily basis by most internal service departments. However, management recognizes the value of more formal user surveys, subject to the usual balancing of costs and benefits.
- (ix) We expect that broader publication of finance-related policies via the State Bar's intranet, supplemented with management training, will help to resolve any inconsistencies of interpretation.
- (x) In 2008, the State Bar retained the services of ITAG to assist with the development of an overall State Bar records retention policy. This policy will cover both the physical document retention and more importantly the management of the logical record retention issues. We are working with each department to begin the process of implementing the Bar's record retention policy.

Management's Proposed Actions:

14a Finance will complete the update of the State Bar's indirect cost allocation plan in 2009..

Target: December 31, 2009

Status: Finance staff has contracted with the firm of Maximus Inc. to perform an indirect cost study and recommend changes to the Bar's current methodology. A draft report has been received and staff is in the process of reviewing it.

- 14b IT will work with management of the Bar's operating departments to develop an effective organization-wide approach to the "business analyst" issue – i.e. the organization's capability to use technology effectively for business process improvement.

Target: Ongoing

Status: This effort is temporarily on hold pending the replacement of the vacant Chief Information Officer position.

15. Cash Receipts

KHA Observations:

- (i) Cash in San Francisco is picked up by courier for deposit to the bank only twice per week
- (ii) Member Billing procedures don't cover waivers and amendments
- (iii) The employee in the Office of Information Technology who knows how to maintain Member Billing's Koala system does not have a backup
- (iv) Checks that the lockbox cannot process are not restrictively endorsed

Management Comments:

- (i) Beginning in May of 2009, the State Bar expects to install equipment which will allow daily electronic deposit of scanned checks, largely obviating the use of courier service and eliminating the delay in making deposits.
- (ii) There are procedures in these areas; coverage of these topics in written procedures is being improved.
- (iii) There are currently three individuals within the department of Information Technology that have the skills, training, and experience to maintain the Koala system.
- (iv) The State Bar is investigating alternative procedures (such as having the lockbox deposit checks it cannot process, while sending copies to Finance for resolution).

Management's Proposed Actions:

- 15a Finance will install equipment needed to scan and electronically deposit checks in San Francisco and Los Angeles.

Target: June 30, 2009

Status: Completed

- 15b Member Billing will clarify written procedures pertaining to waivers and amendments.

Target: August 28, 2009

Status: Completed

- 15c Finance will investigate alternative lockbox procedures which could eliminate “round-tripping” of checks.

Target: September 30, 2009

Status: The majority of member payments that “round-trip” to the lockbox relate to checks received from large firms or governmental agencies paying fees for a number of members. The lockbox is unable to process these payments without first being reconciled by a member billing staff member. Staff undertook a project to develop a “firm/agency” billing feature to our billing system that would significantly reduce round-tripping of checks. This project is currently on hold.

16. Cash Disbursements/Procurement

KHA Observations:

- (i) Vendor checks are sometimes returned to requester instead of being mailed to vendor by the Office of Finance
- (ii) Duplicate payments are possible if divisions submit duplicate receipts under both purchasing card and travel reimbursement or purchase order process
- (iii) Division employees are not clear when they should use a purchase order, contract or purchasing card
- (iv) A new Procurement Manual has been written but not approved and distributed
- (v) The purchasing card program has not been audited even though this is a Recommended Practice by the Government Finance Officers Association
- (vi) There is inadequate automation (purchase requisitions and travel reimbursements are manual, are circulated for approval through interoffice mail, and require duplicate data entry)
- (vii) Division employees are generally unfamiliar with how to see status of purchase requisitions online and don’t know they can go online to see the status of a vendor payment or employee reimbursement
- (viii) Ten vendor contracts have been negotiated, purchase orders issued, purchases made, without the contract yet executed by the vendor
- (ix) There is evidence of employees working around the requirement for higher levels of authorization for purchase requisitions above limits of \$5,000, \$15,000 and \$50,000. For example, during 2008, there were 17 purchase orders in the amounts of either \$4,999 or \$4900; there were 4 in the amount of \$4,999 and one at \$49,999

- (x) Three contractors in Office of Operations are allowed to purchase building maintenance parts and supplies; they are not issued a purchasing card, but share one issued in the name of the director
- (xi) There is no standard boilerplate vendor contract pre-approved by General Counsel
- (xii) Divisions do not consistently use the State Bar's travel agent
- (xiii) Employees and volunteers frequently don't attach adequate documentation to purchasing card and travel reimbursement requests
- (xiv) Accounting for multiple member bills paid on one check cannot be processed by lockbox
- (xv) For vendors that won't accept purchasing cards, divisions use purchase orders even for small amounts

Management Comments:

- (i) Finance will end the practice of providing checks to requesters on a "special request" basis by the end of 2009. (Regarding the related issue of CSF payments, see response to Recommendation #13, above.)
- (ii) As of February 1, 2009, Finance implemented a requirement that reimbursement requests be supported by original receipts; it is expected that this will largely eliminate opportunities for duplicate payments.
- (iii) Finance will seek to clarify policies regarding the uses of P-cards and purchases orders. (See response to Recommendation #5, above.)
- (iv) Management expects to finalize and disseminate the updated procurement manual in the near future. (See response to Recommendation #5, above.)
- (v) Purchases carried out by means of the Bar's P-cards are reconciled, reviewed and approved on a transaction-by-transaction basis at several levels of management, with overall oversight provided by the Procurement manager.
- (vi) Electronic forms for purchase requisitions and travel reimbursement exist; paper copies are still needed because original signatures are required.
- (vii) Familiarization with the status inquiry features of the State Bar's purchasing system will be included in the Bar's training program. (See Management's Proposed Action 2c, above.)
- (viii) Currently there are 5 pending contracts signed by the State Bar but not fully executed. Two of those 5 are revenue-neutral or revenue-generating which require no payments to be made.
- (ix) A review of the purchase orders in question shows little indication of systematic "unbundling" of contracts to evade bid thresholds. In only one instance did the actual expenditures on a contract exceed a bid threshold, and in only two instances were vendors awarded multiple contracts. In all three instances, the purchasing manager concluded that there were valid special circumstances and no evasion of competitive bidding requirements. In more general terms, the purchasing manager reviews all contracts and purchase orders and, if unbundling is suspected, asks department

management to provide additional justification or to consolidate the purchases and apply the relevant bidding procedures.

- (x) Our policy prohibits non-employees from being issued State Bar credit cards. In this case, a special-purpose card has been issued to a State Bar manager for repair supplies, emergency materials and routine maintenance needs for the physical plant. All charges which post to this card are supported by original receipts and are reviewed by a department employee and then by the approving official before monthly submission to the Procurement department. Each transaction is verified during the monthly audit process and results reported back to the approvers and senior management each month.
- (xi) Beginning in 2003, OGC has provided templates, which are form contracts that clients and Procurement may complete and process without legal review. These templates are updated annually and today there are 28 such form contracts. Procurement Department statistics show that more template contracts than custom contracts are being used now in the procurement process.
- (xii) It is often more cost-effective to book airfare directly with the airlines using e-fares online and bypassing the agent booking fees. Southwest Airlines is routinely the cheapest north/south California carrier and is not part of the state-contracted airfare agreement. Effective 1/27/09, the threshold requirement for employees and volunteers to use the State Bar travel agent was raised to \$400. For roundtrip flights under \$400, travelers may use their discretion to determine whether to use the State program or to book tickets directly with the airline. For round-trip flights over \$400, travelers may book tickets directly with the airlines or other travel agency, but the rate booked must be as good as or better than the travel city pair published as available from Giselles Travel, the state booking agent.
- (xiii) As of February 1, 2009, Finance implemented stricter review practices to ensure that reimbursement requests are only paid if fully documented (see also ii above).
- (xiv) The State Bar is investigating alternative procedures (such as having the lockbox deposit checks it cannot process, while sending copies to Finance for resolution).
- (xv) The State Bar is reviewing the implications, risks and benefits, of implementing a blanket dollar threshold below which purchase orders are not required, even for non-P-card purchases.

Management's Proposed Actions:

- 16a Finance will cease accommodating "special requests" to return checks to requesters instead of mailing them direct to vendors.

Target: December 31, 2009

Status: Except for rare circumstances, the Office of Finance no longer accommodates special requests.

17. Payroll

KHA Observations:

- (i) Employees submit time on manual timesheets which requires duplicate entry by payroll employees
- (ii) There is inconsistent calculation and lack of written policy regarding compensation for employees in circumstances that are not addressed in the bargaining agreements (e.g., holiday pay to employees on leave of absence, over-time for employees with alternative work schedule, vacation and sick accrual for part-time employees)
- (iii) The PeopleSoft payroll system does not generate a single report that provides all the information necessary for reporting to CalPERS and Standard Reliance Insurance Company.
- (iv) Consistent late submission of timesheet revisions risks calculating payroll incorrectly or missing bank direct deposit deadlines.

Management Comments:

- (i) The State Bar is in the process of implementing online time entry through its PeopleSoft system.
- (ii) Due to varying legal and contractual standards based on employee status, there are legitimate variations in these calculations. Human Resources is working with Payroll to address areas of potential ambiguity.
- (iii) CalPERS is in the process of revising its reporting requirements. When the CalPERS requirements are finalized, the Bar will explore options to produce the required report from its payroll system.
- (iv) Human Resources and Finance continue to work with operating departments to remind them of the importance of meeting payroll-related deadlines.

Management's Proposed Actions:

- 17a Human Resources will draft procedures to address areas of ambiguity in the State Bar's pay practices.

Target: September 30, 2009
Status: This project is complete.

- 17b Human Resources, Finance, and IT will work together to implement online time entry.

Target: October 31, 2009
Status: This project is under review. If it is deemed feasible, implementation of online time entry will be scheduled in March 2010.

- 17c Finance will monitor the CalPERS requirement revision process. When requirements stabilize, Finance will work with Human Resources and IT to obtain necessary reports from the Bar's applications.

Target: December 31, 2009

Status: Pending CalPERS requirement revisions

18. Budget

KHA Observations:

- (i) The budget is prepared at the business unit (i.e. cost center) level and there are 299 business units
- (ii) Some budget transfers and adjustments are prepared at the business unit level but not needed
- (iii) Definitions of general ledger accounts are not clear enough to assure consistent account coding

Management Comments:

- (i) The majority of active Cost Centers (170 in the 2009 budget) pertain to the Sections and the Education Foundation, where they are used to segregate the costs of the different Sections from one another, to segregate costs charged to the Education Foundation from costs charged to the Sections *per se*, and to segregate different activities within individual Sections (e.g. to segregate newsletter costs from meeting costs).
- (ii) Departments may not be required to adjust their detailed line-item budgets during the year to precisely reflect actual spending experience, but managers may find it useful to update their budgets in this fashion, and Finance accommodates these requests (within existing budget limits).
- (iii) In the past, department have been given wide latitude to adapt the chart of accounts to their operation needs. However, management recognizes the value of consistent account coding across the organization and will investigate opportunities to clarify and harmonize coding practices.

Management's Proposed Actions:

- 18a Finance will draft an "Account Codes Manual," providing standardized definitions of revenue and expense account codes, accommodating, to the degree possible, existing departmental practices.

Target: March 30, 2010

Status: To Do

19. Financial Reporting

KHA Observations:

- (i) Journal entries are appropriately authorized but the accuracy of data input is not reviewed
- (ii) The PeopleSoft report writing tool is not easy to understand, so it is not being used to generate reports useful to management

Management Comments:

- (i) Finance has implemented tightened review procedures to ensure that journal entries are verified correct.
- (ii) Finance is investigating supplemental reporting tools and working with an outside contractor to develop new reports in key areas.

Management's Proposed Actions:

19a (See Management's Proposed Action #2d, above.)

20. Treasury

KHA Observations:

- (i) The Accounting Manager is an authorized signer for authorizing purchases and sales of securities (two signatures are required)
- (ii) No cash flow projections are prepared

Management Comments:

- (i) Management believes that the signatures currently required (those of the CFO and of the Accounting Manager) are the appropriate ones for this purpose.
- (ii) Management agrees that cash flow management is an important element of financial management. However, given the relatively limited portfolio of investment alternatives and maturities from which the Bar must choose (in accordance with state law and its own investment policies), there is limited scope for improvement in results via more careful analysis of week-to-week and month-to-month cash flow variations. Cost and benefit balancing applies here as elsewhere.

ACTION PLAN

The following section re-caps management's actions outlined above in connection with KHA's recommendations and observations. There are 41 specific action items. (The number/letter combinations associated with each action item reflects its numbering in the preceding sections, for cross referencing.)

1. 1a Finance is currently working with State Bar departments to identify and document the specific offices which receive a meaningful volume of mail-in checks (in terms either of quantity or total dollar amount.

Target: July 31, 2009

Status: This task was completed in July 2009. A worksheet listing all cash receipts and the nature of the payments received (electronic, checks, cash, etc.) was developed as part of the cash receipts workshops. Finance also met with State Bar personnel in Los Angeles and San Francisco to train them on the use of the "Check 21" automated deposit system.

2. 1b Finance will provide each office thus identified with a written procedure for the opening of mail, including (i) restrictive endorsement of checks, (ii) logging of checks, (iii) prompt transmittal of checks to Finance for deposit, and (iv) any additional control measures necessary and appropriate to the particular office and types of payments involved. The procedure will ensure that individuals handling inbound checks do not have the ability to modify corresponding accounting records (see Recommendation #12).

Target: September 30, 2009

Status: This task was completed in May 2009. A detailed cash receipts procedure is now posted on a special "Finance" webpage on the Bar's intranet.

3. 1c Senior executives will confirm that the mail handling procedures have been implemented within their respective areas of responsibility.

Target: October 30, 2009

Status: A written acknowledgment of the implementation of mail handling procedures in the offices of each Senior Executive will be received before the end of the year.

4. 2a Finance will prepare a written budget control policy specifying the level of budgetary control managers are expected to meet and the scope of their discretion, for adoption by the Senior Executive Team (SET).

Target: July 31, 2009

Status: A detailed written budget control policy was developed in July 2009. The policy establishes the legal level of adoption, provides for quarterly reviews, and establishes authority for budget transfers.

5. 2b Finance and IT will review and consider the feasibility and cost-benefit implications of implementing encumbrance accounting or other method of tracking commitments (such as contracts and purchase orders) against budgets.

Target: September 30, 2009

Status: Staff began this review in July. We have spoken with two consultants who are knowledgeable with this module of the JD Edwards system. Our initial investigation preliminarily suggests that we may need to make significant changes to the set up of our procurement module. We are awaiting a quote from a third consultant to assist us in determining the cost associated with this possible implementation; however, the award of a consultant contract is subject to the availability of funding.

6. 2c Finance will be provided with the name of a budget liaison from each department. Finance, in cooperation with IT as needed, will provide the designated liaisons with training on the use of existing PeopleSoft reports and inquiry tools.

Target: December 31, 2009

Status: This task is on track.

7. 2d Finance, in cooperation with IT, is currently investigating the feasibility of alternative reporting tools to prepare more user-friendly budget reports.

Target: December 31, 2009

Status: We have a number of draft budget reports in development with a contract report writer. These draft reports are a major improvement over the existing JD Edwards reports. We will, however, require additional funding to complete these reports.

8. 2e Finance will investigate the implementation of automated budget "blocks" and report on the matter to the Senior Executive Team. SET will determine whether the added benefits outweigh implementation and ongoing administrative costs and direct subsequent implementation actions as needed.

Target: October 31, 2009

Status: Staff began this investigation in conjunction with the encumbrance accounting task. The level at which the budget blocks will be established will depend in large part on the functionality of the encumbrance accounting module. As with task 2b, the ultimate decision to proceed with this task is dependent on funding to obtain the necessary expertise to implement this technology.

9. 3a IT, Finance and Human Resources will continue to work together to identify known issues in the payroll system and execute an action plan for their resolution.
- Target: June 30, 2009
Status: This is an ongoing process. Several times during the past few months, staffs from IT, Finance, and HR have met to perform a payroll debriefing to discuss any problems that occurred during the most recent payroll processing. IT, HR, and Finance are also currently working on a major upgrade of the payroll software and are meeting regularly to monitor the progress of the upgrade.
10. 3b IT, Finance and Human Resources are currently developing an ongoing maintenance plan for the existing payroll system, identifying the roles and responsibilities of staff in those departments. The plan encompasses the full cycle of monitoring the availability of ESUs, testing, evaluation, and application of ESUs, and an estimate of the resources necessary in each area to support the cycle.
- Target: July 31, 2009
Status: This task was undertaken in July. The maintenance plan will be ongoing and updated with each new upgrade. As mentioned in item 3a, a major upgrade of the payroll system is currently in process.
11. 3c IT, Finance and Human Resources are assessing the feasibility of partial or full outsourcing of the software support for payroll and HR functions, paying due attention to the operational needs of both HR and payroll functions and the issue of data integration with the State Bar's remaining in-house systems.
- Target: December 31, 2009
Status: This feasibility study is not currently planned. The Office of Human Resources is evaluating the desirability of implementing new features to the existing software to leverage the Bar's investment in its JD Edwards enterprise system rather than researching an outsourced option.
12. 4a Member Services, with the assistance of the Office of General Counsel, will prepare modified travel and expense reimbursement policies applicable to the Sections, to be reviewed and adopted by the Senior Executive Team, and will define a format and a mechanism for periodic reporting of expenditures to Sections Members.
- Target: July 31, 2009
Status: A new Sections Travel Expense Policy was completed in October and presented to the Council of Sections Officers on October 10, 2009.
13. 5a Finance is working with the State Bar's Web Editor to re-structure the State Bar's intranet to include a consolidated "Finance" heading under which financial policies and procedures can be accessed. This project is expected to be completed in May 2009.

Target: May 29, 2009
Status: This project is completed. The Finance Department now has a dedicated section on the Bar's intranet that includes all the Bar's financial policies and procedures as well as forms with smart links.

14. 5b The Executive Director's Office will codify existing administrative advisories into an administrative manual that will be available on the Bar's Intranet.

Target: December 31, 2009
Status: This task is in process and is on track to meet the target date.

15. 5c Finance (in conjunction with KHA) will continue to conduct Bar-wide workshops on its cash receipts control function. Training sessions will be conducted on all the Department's policies and procedures throughout the remainder of the year.

Target: December 31, 2009
Status: As of May, the Bar has conducted 6 cash receipts workshops with 16 participants from the major cash receipting departments of the Bar. There are no additional workshops scheduled for the remainder of 2009.

16. 6a The Executive Director has designated the State Bar's Director of Operations to act as the organization's Risk Management Officer, with responsibility for both traditional risk management (e.g. insurance and loss control) and for raising risk-related issues within the Senior Executive Team on an ongoing basis.

Status: Completed

17. 6b The Senior Executive Team has global responsibility for performing a risk assessment and will work together to identify key risks to the Bar, match controls to mitigate those risks, and identify areas of potential exposure to the Bar.

Target: June 30, 2010
Status: The Senior Executive Team has undertaken this risk assessment beginning with a five hour special meeting held on September 23 during which a prioritized listing of risks, goals, and projects was discussed as a starting point for the development of an action plan. The action plan will encompass governance/management issues and will identify significant risks and/or major projects related to mission critical activities. A list of all IT projects in process was also discussed and prioritization of these projects is expected to commence shortly.

18. 7a Human Resources is assembling a stand-alone written code of conduct based upon the State Bar's existing union agreements, administrative advisories, and other sources, supplemented as appropriate, for review and adoption by the Senior Executive Team.

Target: August 31, 2009
Status: A code of conduct was prepared on November 5, 2009.

19. 7b Human Resources will work with the Bar's webmaster to publish the State Bar's code of conduct on the Bar's intranet, with or linked to its financial policies and procedures.

Target: September 30, 2009
Status: The code of conduct was posted on the State Bar's intranet on November 5, 2009.

20. 7c Human Resources will include the State Bar's code of conduct in the State Bar's annual management and supervisory training materials.

Target: December 31, 2009
Status: The code of conduct will be included in the State Bar's annual management and supervisory training materials in advance of the next scheduled training.

21. 8a The Audit Committee has adopted an outsourced internal audit function.

Target: Ongoing
Status: A request for proposal for internal auditing services was published in September. Responses from 11 firms were received as of the due date of October 23rd. The Audit Committee Chair plans to have a recommendation to the Audit Committee at the November 14th meeting.

22. 9a Within the limits of the budget and existing union agreements, Human Resources will support the development and effectuation of departmental training plans.

Target: Ongoing
Status: Underway

23. 10a Operations will work with Finance to centralize invoicing of retail and office tenants.

Status: This task was completed in March 2009. All billing is now centralized in the Office of Finance. In addition, Finance department staff is performing regular site visits to the tenants.

24. 10b Finance will survey the departments and prepare a complete list of all invoices and bills issued by the State Bar outside of Finance, along with the usual quantity of invoices and amounts (to assist in the evaluation of significance and priorities).

Target: August 30, 2009

Status: A worksheet listing all cash receipts and the nature of the payments received (electronic, checks, cash) was developed as part of the Cash Receipts Workshop. Finance also met with State Bar personnel in Los Angeles and San Francisco to train them on the use of the "Check 21" automated deposit system.

25. 10c Finance will recommend centralizing receivables and cash receipting where feasible.

Target: September 30, 2009

Status: Additional set up work on the JD Edwards module is necessary to add new billings. With the current system set up, we cannot prepare reports for separate receivable types or generate separate aging reports. In conjunction with the encumbrance accounting recommendation (2b above), staff is seeking bids from consultants who can also provide the set up work needed for the AR module.

26. 10d Finance will prepare a written invoicing policy governing any remaining decentralized invoicing, to be reviewed and adopted by SET. This policy will be published on the State Bar's intranet alongside other financial policies.

Target: October 31, 2009

Status: Once a decision is made regarding the desirability of centralizing receivables in Finance, a written policy will be developed for any areas where decentralized billing will still occur. Completion of this task is dependent on the outcome of task 10c.

27. 11a The Office of General Counsel will enhance existing policy statements governing the expenditure of business expense funds, establishing appropriate limits and making clear that expenditures must be reasonably related to the State Bar's business or functions sponsored by the State Bar. The policy will be reviewed and adopted by the Senior Executive Team.

Target: September 30, 2009

Status: The Office of General Counsel has prepared a policy governing the use of business expense.

28. 11b Finance will establish a regular reporting cycle for business expense costs. The Deputy Executive Director and the Chief Financial Officer will regularly review business expenses.

Target: December 31, 2009

Status: Pending completion of 11a.

29. 12b Finance will review employee access to the Bar's financial systems and verify that proper segregation of duties exists.
- Target: December 31, 2009
Status: To Do
30. 13a The Office of Chief Trial Counsel, the Office of General Counsel, and the CSF program director will review the issues impeding implementation of this recommendation to ascertain if they still apply, or have become obsolete.
- Target: June 30, 2009
Status: Completed
31. 13b If the restrictions no longer apply, CSF will work with Finance to implement the recommended procedure, under which CSF checks would be mailed directly by Finance to recipients, rather than being returned to the CSF program staff.
- Target: September 30, 2009
Status: Completed
32. 14a Finance will complete the update of the State Bar's indirect cost allocation plan in 2009.
- Target: December 31, 2009
Status: Finance staff has contracted with the firm of Maximus Inc to perform an indirect cost study and recommend changes to the Bar's current methodology. A draft report has been received and staff is in the process of reviewing it.
33. 14b IT will work with management of the Bar's operating departments to develop an effective organization-wide approach to the "business analyst" issue – i.e. the organization's capability to use technology effectively for business process improvement.
- Target: Ongoing
Status: This effort is temporarily on hold pending the replacement of the vacant Chief Information Officer position.
34. 15a Finance will install equipment needed to scan and electronically deposit checks in San Francisco and Los Angeles.
- Target: June 30, 2009
Status: Completed
35. 15b Member Billing will clarify written procedures pertaining to waivers and amendments.

Target: August 28, 2009
Status: Completed

36. 15c Finance will investigate alternative lockbox procedures which could eliminate “round-tripping” of checks.

Target: September 30, 2009
Status: The majority of member payments that “round-trip” to the lockbox relate to checks received from large firms or governmental agencies paying fees for a number of members. The lockbox is unable to process these payments without first being reconciled by a member billing staff member. Staff undertook a project to develop a “firm/agency” billing feature to our billing system that would significantly reduce round-tripping of checks. This project is currently on hold.

37. 16a Finance will cease accommodating “special requests” to return checks to requesters instead of mailing them direct to vendors.

Target: December 31, 2009
Status: Except for rare circumstances, the Office of Finance no longer accommodates special requests.

38. 17a Human Resources will draft procedures to address areas of ambiguity in the State Bar’s pay practices.

Target: September 30, 2009
Status: This project is complete.

39. 17b Human Resources, Finance, and IT will work together to implement online time entry.

Target: October 31, 2009
Status: This project is under review. If it is deemed feasible, implementation of online time entry will be scheduled by March 2010.

40. 17c Finance will monitor the CalPERS requirement revision process. When requirements stabilize, Finance will work with Human Resources and IT to obtain necessary reports from the Bar’s applications.

Target: December 31, 2009
Status: Pending CalPERS requirement revisions

41. 18a Finance will draft an “Account Codes Manual,” providing standardized definitions of revenue and expense account codes, accommodating, to the degree possible, existing departmental practices.

Target: March 30, 2010
Status: To Do

**RISK SCAN INTERNAL CONTROL ASSESSMENT
SCHEDULE OF POLICY DOCUMENTS**

- 1a. Schedule of Departmental Revenues**
- 1b. Cash Receipts Policy**
- 2a. Budget Control Policies**
- 4a. Expense Reimbursement Policy for Sections**
- 5a. Example of Finance Department Web page**
- 7a. Code of conduct**
- 11a. Clarification of Business Expense Policy**
- 17a. Payroll and Human Resources Policy**

1a

Cash Receipts Workshop SBC Departments with Revenue Items Not Collected Electronically

Department	Representative	Any Items NOT		Nature of Items	Est Number of Items			Collection Method of Items
		Collected Electronically?			Est Annual Revenue NOT Collected Electronically	Annually NOT Collected Electronically		
Admissions - LA	Sunly Yap	yes	admission fees; copies; publication sales; tuition; various fees		\$70,000,000	10,000's		cash; checks; credit card
Admissions - SF	Debbie Borrientos	yes	certificate payments; document copies; law school fees		1,000,000's	10,000's		checks
Special Admissions	Linda Knitter	yes	MCLE; Legal consultants; Multijurisdictional Practice Program; Legal Specialization		1,000,000's	10,000's		checks; credit card
Client Security Fund	Betty Yung	yes	Fund repayments		100,000's	1,000's		mostly checks
Member Services	Kathy Crabe	no	n/a		n/a	n/a		n/a
	Robert McPhail	yes	Applications; renewals; certificates; rnde		100,000's	100,000's		checks; credit cards
Lawyer Assistance Program	Justin Ewert	yes	Loan payments		100,000's	1,000's		Collection agency; checks
Legal Service Access	Robert Lee / Gerry Jagodzinski	yes	Grant Revenue		\$22,000,000	1,000's		checks
General Counsel	Pat Bermudez / Marsha Rice	yes	Subpoena; copying; astract; CSF		\$150,000	75		U.S. Mail
Media and Info Systems	David Cunningham	yes	Bar journal; rnde test fee		\$1,350,000	1,000's		checks
Operations	Sunly Yap	no	n/a		n/a	n/a		n/a
Information Technology	Cathy Hamilton	no	n/a		n/a	n/a		n/a
Finance	Christine Wong	yes	Investment income		?	minimal		checks
State Bar Court	Doug Hull	yes	Court Reporter; copying; transcripts		\$100,000	10,000		checks

**STATE BAR OF CALIFORNIA
Cash Receipt Policies & Procedures
Table of Contents**

	Page(s)
I. POLICY STATEMENT	1
II. AUTHORITY AND RESPONSIBILITY	1
III. PROCEDURAL GUIDELINES	2
A) Cash Received in Mail	2
B) Cash Received from Walk-In	4
IV. PROCESS PROCEDURES	5
V. FLOW CHART.....	6

THE STATE BAR OF CALIFORNIA
Office of Finance
Cash Receipt
Policies and Procedures

Effective Date: 01/01/08	Approval: CFO	Number: FINCR09
Supersedes: NA	Date of Issuance: 01/01/08	Section: Accounts Receivable
Revision No: NA	Subject: Cash Receipt	

I. POLICY STATEMENT

This Policy provides uniform procedures and guidelines to all departments within the State Bar for the collection, custody, reporting and deposit of cash receipts. The term, "Cash" as referenced in this policy, is deemed to include coins, currency, checks, e-checks, cashier's checks, travelers checks, money orders, and direct bank deposit remittance receipts. The procedures have been established to encourage an effective administration and internal control of cash handling operations to meet the State Bar's objectives: to deposit cash timely, record cash collections accurately and consistently, and minimize cash delivered directly to State Bar (i.e. maximizing automated cash collections via online, and lockbox, etc.).

II. AUTHORITY AND RESPONSIBILITY

The Office of Finance has the authority and responsibility for establishing, and enforcing the policies and procedures for all cash receipt activities. In carrying out these duties, the Office of Finance is responsible for proper security and accountability of all cash receipts, providing technical assistance to departments regarding management of cash receipt, proper revenue recognition policies and procedures, reconciling of accounting records and performing periodic audits.

Office of Finance relies on individual departments for assistance in carrying out the cash receipt function and ensuring the established control procedures are in place. It is the responsibility of the managers and staff of the receiving departments for proper documentation, authorization, timely reporting and submission, accurate allocation, reconciliation, and record retention of all cash receipts in accordance with the established policies and procedures.

Under the circumstances when this policies and procedures are not feasible or practical to the receiving department from a cost-benefit standpoint, the receiving department is required to obtain an exemption from the Office of Finance prior to change of a procedure.

III. PROCEDURAL GUIDELINES

A) Checks Received in Mail:

A Daily Cash Receipts Summary form should be completed to transmit checks received to Office of Finance in San Francisco, or to Administration Services in Los Angeles within the one business day. Procedures below are for offices and personnel who regularly receive cash:

1. The tasks of opening the mail shall be divided between two persons, working in the presence of each other. Under the circumstance when this procedure is not feasible from a cost-benefit standpoint, the receiving department is required to obtain an exemption from the Office of Finance prior to change of a procedure.
2. Checks received shall be restrictively endorsed to the account of the State Bar immediately after opening the mail by stamping the back side of the check using a stamp with the following language:

PAY TO THE ORDER OF
WELLS FARGO BANK
FOR DEPOSIT ONLY
THE STATE BAR
OF CALIFORNIA
4159-394709

Please contact Office of Finance for endorsement stamp.

3. Unattended checks must be secured by putting the checks in a locked cabinet, prior to submitting to Office of Finance for deposit.
4. The person, who opens the mail, with the Supervisor or another staff member who observes the mail opening, shall prepare an adding machine tape of the amount of all checks received.
5. Unidentified checks received from the mail should be forwarded to the Office of Finance within one business day.
6. After posting the check data to the application document or application system, the staff of the receiving unit should mark the business unit and account code at the right-hand corner of the check, and prepare Daily Cash Receipt Summary form for supervisor or manager review.
7. Supervisors of the receiving unit shall verify the amount stated on the Daily Cash Receipts Summary form to the tape total, correct account coding, and proper documentation before approving the Daily Cash Receipt Summary.
8. Checks and completed Daily Cash Receipt Summary should be submitted in person to the Office of Finance in San Francisco, or the Administrative Service in Los Angeles for deposit.
9. All reconciliation documents should be retained by the receiving unit.

10. The Accounts Receivable Clerk in the Office of Finance prepares the deposit slip and reconciles the total deposit amount to the Daily Cash Receipts Summary form. The Daily Cash Receipts Summary is reviewed by the Accounting Technician for correct amount and general ledger (GL) coding. Finance Manager reviews supporting document and verifies accuracy of receipt amount and GL coding prior to approval. After the DCRS is properly approved, the Accounting Technician processes it in the Oracle system.
11. See example below for completed Daily Cash Receipt Summary. Contact your supervisor for instructions on using the cost center(s) and account number(s) for proper coding.

B) Cash receipts from walk-in:

Currency or check from walk-in should be collected by the Office of Finance, SF or Administrative Services, LA.

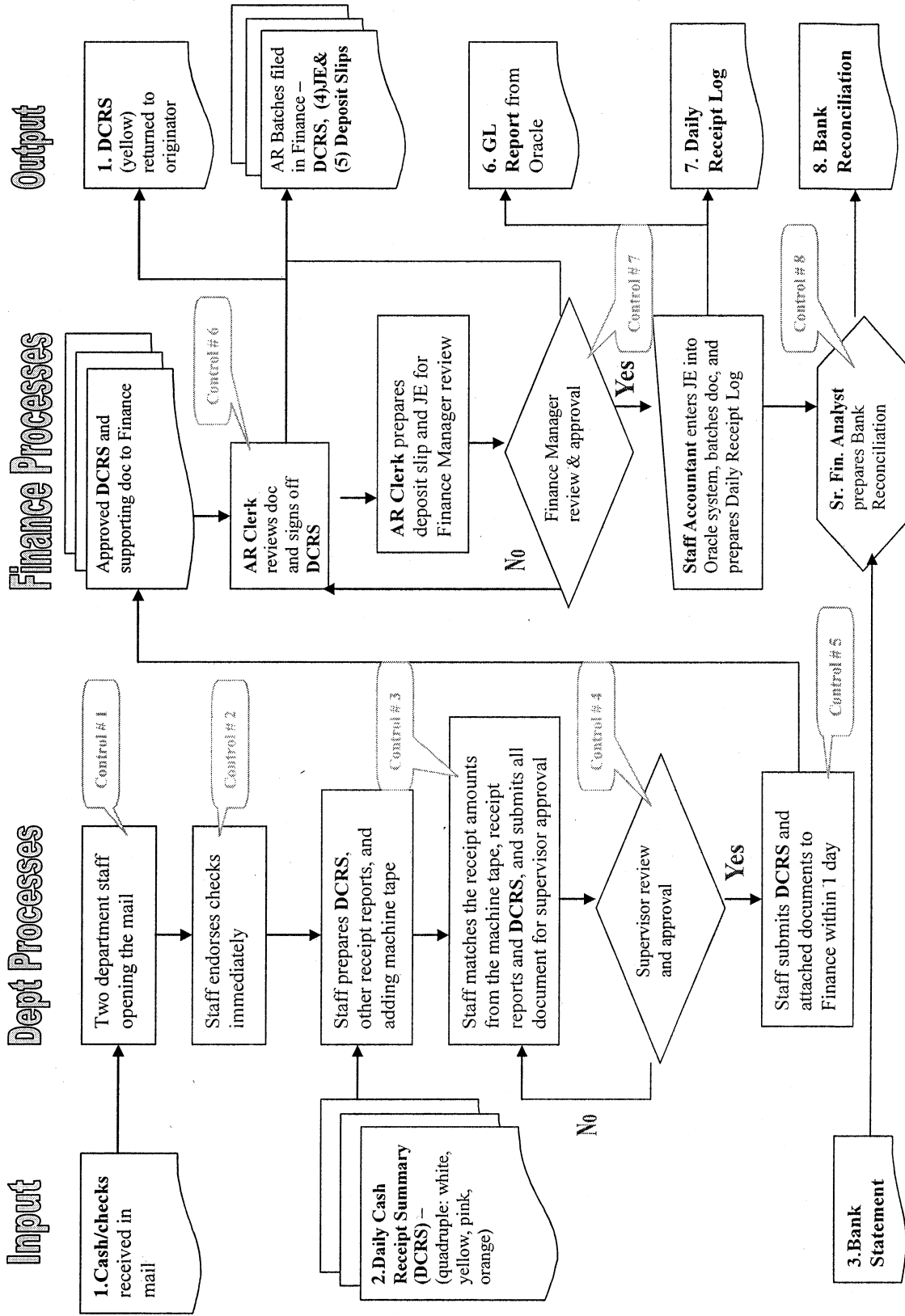
1. Upon receipt of the cash from the individual, Administrative Services in LA runs a two-part receipt from a cash register and give the original copy to the individual, and keep the copy for filing with the DCRS. Cash collected by the Office of Finance in San Francisco, Finance staff issue a three-part (white, yellow, pink) Cash Receipts and give the original copy (white) to the individual, the yellow copy is attached to the DCRS for filing, and the pink copy is retained in the Cash Receipt book for record keeping. Receipts issued from both the Office of Finance and Administrative Services are pre-numbered, and Finance staff maintains receipt logs and all receipts are reconciled to the receipt batches and general ledger on a monthly basis.
2. The Accounting Clerk prepares the Daily Cash Receipts Summary and forwards the cash and the yellow copy of the receipt form to the Accounts Receivable Clerk. The Account Receivable Clerk prepares the deposit slip and reconciles the summary total to the respective deposit slip.
3. Upon verification of the receipts, the Accounts Receivable Clerk initials the Daily Cash Receipts Summary form, keep the pink copy of the summary form on file, and return the white copy of the summary form to the originator. For any discrepancy, the Office of Finance shall contact the originator to determine the cause of error(s).
4. The yellow copy of the Cash Receipts Book will be attached to the Daily Cash Receipts Summary form for filing, and the pink copy will be retained in the Cash Receipts Book for recording.
5. The receiving unit shall provide a cash summary report detailing the appropriate cost center and revenue account for all of the receipts to the Office of Finance for verification, approval, and reconciliation.
6. All cash receipts from Administrative Services in LA are deposited within one business day through an on-line deposit system (Check 21). DCRS and supporting documents are submitted to the Office of Finance on a weekly basis.

IV. PROCESSING PROCEDURES

1. All receipts are to be entered into the accounting system on a daily basis after deposited into the State Bar's bank account.
2. The Accounting Clerk in Office of Finance is responsible for maintaining a daily log in batch of all cash receipts deposited in the bank account and entered into the system. The log should independently reflect the daily total for lockbox, wire transfer, ACH deposit, and merchant receipts entered into the accounting system.
3. Finance staff reconciles the bank statement to the general ledger (GL) records and the daily deposit summary on a monthly basis to assure completeness, accuracy and validity of all deposit transactions.
4. Cash Receipt Summary must be reviewed and approved by the Finance Manager prior to entering into the accounting system.

The State Bar of California

Cash Receipt Process Flow Chart



2a

The State Bar of California

Office of Budget and Planning

Budget Policies and Procedures Manual

11/01/09

Table of Contents

INTRODUCTION	1
Preparation and Approval of The State Bar Budget	1
Budget Formulation Process	1
Process Improvements	1
STATE BUDGET SUBMISSION.....	2
BUDGET ACCOUNTS STRUCTURE	2
General Fund.....	3
Admissions Fund	3
Annual Meeting Fund	3
180 Howard Street Facility Fund.....	3
Client Security Fund	3
Discipline Fund	3
Education Foundation Fund.....	3
Elimination of Bias & Bar Relations Fund.....	4
Equal Access Fund.....	4
Lawyers Assistance Program Fund.....	4
Affinity & Insurance Fund.....	4
Legal Services Trust Fund	5
Legal Specializations Fund	5
Legislative Activities Fund	5
Public Protection fund.....	5
Sections Fund.....	5
Support and Administration Fund.....	5
Technology Improvements fund	5
Fixed Assets Fund.....	6
Justice Gap Fund.....	6
IT Special Assessment Fund	6
Building Assessment Fund	6
State Bar Budget Development Process	7

Revenues	7
Personnel	7
Salary Savings	7
Budget Transfers	7
Corrections	8
Revenue Estimates	8
Requests for Supplemental Funding	8
Carry-forwards	8
Direct Costs	8
Indirect Costs	9
Establishment of Accounts	9
Quarterly Budget Review	9
 APPENDIX	 11
Mission Statement	11
Budget Office Staff Contacts	11
Annual Budget Development Calendar	12
Account Request Form	13
Request for Budget Transfer	14
Request for Capital Budget Appropriation	15
Request for Transfer of Expense	16
Chart of Accounts: Object Code Listing	17
Glossary	18

INTRODUCTION

This policy and procedures manual describes the general guidelines for budgeting and the budget process at The State Bar of California. Included are The State Bar's policies governing the preparation, approval and implementation of operating and capital budgets, as well as the policies defining the role of the Finance Office and other departments that participate in the budgetary process.

The State Bar budget expresses, in terms of dollars, the funded programs and plans of the State Bar for the budget year and the estimated income (by sources) necessary to finance these programs and plans. The budget is the primary instrument of fiscal control and, accordingly, contains all income and expenditures of the State Bar. The State Bar's strategic plan provides the framework for the annual budget process.

The various departments of the State Bar assign a budget liaison to assist on budgetary matters. The liaison is available to answer questions, provide assistance with their annual budget submission and to work closely with the Office of Finance to meet their financial goals. A listing of staff contacts and the departments they are assigned to can be found in the Appendix, Page 15.

Preparation and Approval of The State Bar Budget

The Office of Finance under the direction of the Chief Financial Officer is responsible for the development and monitoring of the State Bar's annual operating budgets.

The Office of Finance prepares the annual budget submission to the Board of Governors; fulfills internal and external budgeting reporting requirements; processes budget transfers and funding requests for new initiatives; reviews and monitors capital budget requests; provides financial analyses for departments and the Board; and ensures the State Bar's budget is linked to the strategic plan.

Budget Formulation Process

The budget development process, driven by the budget development calendar (see Appendix, Page 16) typically begins in the month of March.

Budget requests from each department are reviewed by the Office of Finance and an annual budget is submitted by the Executive Director to the Board of Governors in July.

Process Improvements

The Office of Finance shall review the feasibility, costs, and benefits of implementing encumbrance accounting and reporting encumbrances as part of the Quarterly Budget Review

beginning in 2010. If it is determined that implementation is infeasible or not cost-benefit justified the Office of Finance shall identify alternative methods to monitor expenses against approved purchase orders and contracts.

The Office of Finance shall review the feasibility, costs, and benefits of implementing automatic "blocks" in the financial system to prohibit expenditures or encumbrances exceeding budgets beginning in 2010. If it is determined that implementation is infeasible or not cost-benefit justified the Office of Finance shall identify alternative methods to monitor expenses against approved purchase orders and contracts.

BUDGET SUBMISSION

The Office of Finance has primary responsibility for preparing the annual budget request and submitting it to the Board of Governors. The budget submission is an opportunity for the Bar to not only provide details of the appropriation request for the next fiscal year but to list the major accomplishments of the Bar in the current fiscal year and anticipated changes in the coming years ahead.

Preparation for the budget request typically begins in March and the budget is submitted to the BOG in July. Following a review by the Planning Committee, the Executive Director presents the proposed budget to the BOG. The annual budget shall be formally adopted by the Board of Governors at the fund level. The expenditure budget for any fund shall not be increased without the consent of the Board of Governors by formal resolution.

For management purposes, the budget shall be developed at the department, service area, and cost center level, and by detailed object of expenditure. Comparisons of actual expenditures to budgets at this detailed level shall be made available to management on a monthly basis.

The budget request includes actual results from the prior two years, the budget for the current fiscal year and the proposed budget for the next fiscal year. The submission also includes the following requirements:

The Executive Director's transmittal letter highlights important details of the proposed budget and indicates how the budget furthers the Bar's mission including key accomplishments and major changes. The Proposed Budget includes proposed revenues, expenditures and transfers by Operating Service Areas, Support Services Areas, Budget by Fund and a Staffing summary.

BUDGET ACCOUNTS STRUCTURE

The State Bar of California conforms to the GASB (Governmental Accounting Standards Board) guidelines of generally accepted accounting principles and practices, as well as applicable FASB (Financial Accounting Standards Board) principles and practices.

For internal purposes, the principles of fund accounting are being utilized. Fund accounting is the method of classifying resources into categories according to the purpose of use. Each fund

is self-balancing and has separate assets, liabilities and a fund balance. The fund groups currently being utilized by the Bar are:

General Fund

The General Fund accounts for all financial resources of the State Bar except those required to be accounted for in another fund.

Admissions Fund

The Admissions Fund accounts for the costs of administering the provisions of the State Bar Act pertaining to admission to the practice of law, as well as for the fees paid by applications to defray these costs, including application fees, late fees and other incidental charges.

Annual Meeting Fund

The Annual Meeting Fund accounts for the costs of the State Bar's annual meeting, excluding the share of those costs attributable to the Conference of Delegates of California Bar Associations and to the State Bar Sections. The fund also accounts for registration fees and other incidental fees intended to fully defray the cost of the annual meeting.

180 Howard Street Facility Fund

The 180 Howard Street Facility accounts for costs and revenues associated with the Bar-owned office building at 180 Howard Street.

Client Security Fund

The Client Security Fund is established by the statute to relieve or mitigate pecuniary losses caused by dishonest conduct of active members of the State Bar and certain other practitioners of the legal profession. The fund accounts for a portion of the annual membership fee which is legally restricted to expenditure for the purposes of the Client Security Fund and for related administrative costs. Payments from the fund are at the discretion of the State Bar and are governed by regulations and conditions established by the Board of Governors.

Discipline Fund

The Discipline fund accounts for the proceeds of a special regulatory assessment enacted by the California State Supreme court in December of 1998 to finance the operation of the discipline program in the absence of legislative authorization for annual membership dues. The legislature has authorized the assessment of member dues since 2000, and collection the special regulatory assessment has ceased. Currently, the fund accounts for the unexpended balance of assessments collected prior to 2000.

Education Foundation Fund

The State Bar operates a 501©3 non-profit educational foundation in conjunction with the Bar Sections. As a non-profit, the foundation qualifies for certain special treatment which would not otherwise be available to the Bar, such as a favorable postage rate. The education Foundation found accounts for the finances of the foundation.

Elimination of Bias & Bar Relations Fund

The Elimination of Bias and Bar Relations fund accounts for the proceeds of voluntary fees collected to support programs which address issues of access and bias in the legal profession and in the justice system based upon race, ethnicity, gender, sexual orientation, age, or disability: to increase participation of such diverse groups of attorneys who have been under-represented in the administration and governance of the Bar; and to maintain relations with voluntary bar associations.

Equal Access Fund

The Equal Access Fund accounts for grant revenues received from State of California's Equal Access Fund Program for the purpose of expanding the access of indigent persons to legal services in civil matters. The use of these revenues is legally restricted by statute and by the terms of the Bar's contracts with the Judicial Council of California, which oversees the program. Grants Fund

The Grants Fund accounts for revenues received by the State Bar from a variety of granting agencies and other sources. The use of these revenues is typically legally restricted by the terms of the grants or contracts under which they are received.

Lawyers Assistance Program Fund

The Lawyers Assistance Program Fund accounts for the portion of the mandatory annual membership fees legally restricted to the support of an attorney diversion and assistance program, as well as other resources obtained by the State bar in support of this program. By statute, the program is intended to assist in the identification and rehabilitation of attorneys with impairments due to mental illness or substance abuse.

Affinity & Insurance Fund

The Affinity y& Insurance fund accounts for the costs and proceeds of the Bar's member affinity and insurance programs. A portion of these receipts is used to defray the cost of staffing the committee overseeing the insurance program; the majority of the funds received are currently used to support the Lawyers Assistance Program.

Prior to 2009, certain costs of the Lawyers Assistance Program were directly charged into this fund. Beginning in 2009, all LAP costs will be accounted for within the LAP Fund, and an interfund transfer will be recorded to recognize the financial support from the A&I Fund for the LAP program.

Legal Services Trust Fund

The Legal Services Trust Fund accounts for resources received by the Bar under contract with the State Supreme Court for distribution to local programs which provide access to legal series for low-income individuals. Primary revenue sources include interest on attorney trust accounts (IOLTA), legislative appropriations, and a state-imposed surcharge on legal filing fees.

Legal Specializations Fund

The Legal Specializations fund accounts for the costs of the State Bar's program for the certification of attorneys within specific areas of practice.

Legislative Activities Fund

The Legislative Activates Fund accounts for the portion of member dues legally available to support Bar's legislative advocacy role. Members who decline to support the Bar's activities in this area have the option of withholding this portion of their annual dues. The resources of this fund support the Bar's legislative activities as well as a number of public policy oriented committees.

Public Protection Fund

The Public Protection Fund accounts for reserves set aside to ensure the continuity of the Bar's ability to protect the public in the event that it is unable to collect member dues.

Sections Fund

The Sections Fund accounts for the costs of the Sections of the State Bar, which are advisory and educational organizations addressing the concerns and interests of specific segments of the legal profession. By law, the Sections are required to be financially self-supporting, primarily by means of voluntary fees paid by Section members. The Bar is prohibited from expending mandatory dues on the activities of the Sections.

Support and Administration Fund

The Support and Administration Fund accounts for the costs of providing a variety of administrative and support services – such as legal counsel, finance, information technology, and human resources – to the operational programs of the Bar. Costs accumulated in this fund are recovered from the Bar's operating funds in accordance with an indirect cost allocation plan.

Technology Improvements fund

The Technology Improvements fund was established to account for the costs of the implementation of the Bar's PeopleSoft enterprise software application. The balance remaining in the fund is use to finance technology improvement projects.

Fixed Assets Fund

The Fixed Assets fund is used as an accounting entity in which to record the depreciation of the Bar's fixed assets. Currently, the major fixed assets of the Bar consist of the 180 Howard Street building in San Francisco and a parking lot in Los Angeles.

Justice Gap Fund

The Justice Gap fund accounts for voluntary donations to the State bar for the purpose of expanding access to legal series for individuals with limited means.

IT Special Assessment Fund

The IT Special Assessment Fund accounts for the proceeds of the \$10 special assessment authorized by California Business & Professions Code section 6140.35. The proceeds of this assessment are dedicated to upgrading the Bar's information technology systems.

Building Assessment Fund

This fund accounts for the proceeds of the \$10 annual per-member Building Special Assessment.

POLICIES AND PROCEDURES

The internal budget process generally typically begins in April. At the beginning of this annual process, a combination of documents is distributed to the Bar's service areas by the Office of Finance. The information is distributed electronically and includes historical account activity. This provides the necessary information for the preparation of departmental budget requests. Included are the following elements:

- A memo to each Service Area's Director which includes guidelines and a brief description of the required forms
- Cost center account worksheets which summarize that division's current budget and expenses as well as a base line for the following year; and
- A personnel roster for the department head listing all full-time filled or vacant positions for the current fiscal year.

During this process departments may have the opportunity to request above base allocations, as well as reallocate existing funds within their base. Budget plans must support the important priorities outlined in the Bar's strategic plan. This enables the Bar to fulfill the shared vision that has been established for its future. The following guiding principles are to be used while developing the operating budgets:

- Operating budgets will be developed with a long-term perspective and with reference to the Bar's strategic plan.
- Non-personnel expenditures will be managed efficiently, with particular emphasis on ensuring that activities with the highest priorities are adequately supported.

- Existing resources shall be reallocated to meet the highest priorities in each division.

Each department is also required to submit prior year's accomplishments and the coming year's initiatives. The Office of Finance completes an analysis for each department's submission and prepares summaries for the Executive Director. After the budget is reviewed and preliminary allocations and changes are made, the Office of Finance then uploads preliminary budget data from department worksheets into the budget system.

BUDGET DEVELOPMENT AND CONTROL PROCEDURES

Revenues

The forecast for membership dues revenues and interest income are prepared by the Office of Finance. Fees and revenue sources other than member dues and interest income are forecast by the department responsible for the related revenue sources and provided to the Office of Finance for review and inclusion in the proposed budget.

Personnel

Personnel costs including salaries and benefits are prepared by the Office of Finance. Any requests for additional staffing must be submitted to the Office of Finance along with a justification of the need for increased staff.

Salary Savings

Effective with the 2010 budget, an estimate of salary savings will no longer be included in the budget.

Budget Transfers

Subject to the constraints of the adopted budget at the fund level, management may transfer budgeted amounts between line items as follows:

- Service area managers may transfer budget amounts between detailed objects of expenditure within the same major object group and service area upon request.
- Department directors may transfer budget amounts between detailed objects of expenditure within the same major object group and department (and specifically between service areas of the same department) with the approval of the deputy Executive Director or the Executive Director.
- The Executive Director may authorize the transfer of budget amounts between detailed objects of expenditure and between departments.

To move budgeted funds from one object pool to another, either within the same cost center or between two different costs centers within the same fund a "*Request for Budget Transfer*" form must be completed (see appendix, page 18). The requestor must include a brief justification for

the change to the original budget and a description of the expense. The requestor is responsible for verifying that there are sufficient funds to cover the request.

Once completed, the form is approved by the department head. The form should be submitted to the Office of Finance for processing.

Corrections

Subject to the constraints of the adopted budget at the fund level, the CFO may reduce or transfer budgeted amounts as needed to correct technical or clerical errors.

Revenue Estimates

Revenue amounts included in the annual budget are estimates, not budgets subject to adoption. The CFO may adjust revenue estimates from time to time to reflect additional information as it becomes available or to correct technical or clerical errors.

Requests for Supplemental Funding

Requests for additional funding (above base) can be made during the internal budget process for proposed projects or planned new initiatives. When such supplemental funds are requested, the requesting department must submit a proposal to the Office of Finance justifying the expense. The approval of a supplemental budget request is subject to the availability of funding.

Carry-forwards

As a general rule, budgets should be realistic projection of revenues and expenditures, and funds budgeted for one fiscal year should be spent in that same fiscal year.

Direct Costs

The total cost of a program consists of direct and indirect costs. Direct costs are all costs explicitly identified with delivery of the program. Typically, but not exclusively, such costs include:

- Salaries and Wages
- Fringe Benefits
- Professional services
- Capital Equipment
- Travel
- Supplies
- Computer Software
- Equipment Maintenance and Repair
- Printing
- Photocopying
- Telephones

- Postage

These costs are itemized in the program budget.

Fringe Benefits – Several elements are included in Fringe Benefits. Depending on employee type, an aggregate average rate is charged for each employee. Fringe benefits include the following:

- Payroll Tax Allocation
- Fringe Allocation
- Health Insurance
- Other Insurance
- Retirement
- Misc Benefits

Indirect Costs

Indirect costs are those incurred by the Bar but that cannot be directly traced and charged to a specific program. Generally, examples of indirect costs include:

- Operation and Maintenance of Facilities
- General Counsel
- Financial and Accounting Services
- Procurement Services
- Human Resources
- IT

The Bar fully costs all direct service areas by allocating indirect costs to all services areas based on an indirect cost methodology.

Establishment of Accounts

If it is determined that changes to the attributers of an existing account need to be made (e.g., new account title, department) or a new cost center needs to be established because a department is expanding or adding a new program, an “*Account Request*” form (see Appendix, Page 17) must be completed by the department.

The department must include the proposed title, department, division, source of funds, a brief description of the program and the period the program will be active.

After the form has been approved by the Department Director, it is submitted to the Office of Finance for authorization and forwarded to the Accounting Office for processing.

Quarterly Budget Review

The Senior Executive Team shall review a comparison of budgeted to actual expenditures on a quarterly basis. This comparison shall be at the fund, department and service area level and by major object group.

APPENDIX

Mission Statement

The Office of Finance is responsible for the development and monitoring of the State Bar of California's annual. It conducts analytical studies to support the planning and budget development processes and produces management information related to the State Bar's operations.

The Office of Finance offers the primary support for identifying, obtaining, allocating and maximizing resources. The office strives to provide efficient and productive methods of budget preparation, using sound budget and management practices, financial planning that supports management decision making, and developing innovative solutions to challenging problems.

Major Responsibilities:

- Prepare the annual budget submission to the Board of Governors.
- Develop and monitor the State Bar's annual budget.
- Fulfill internal and external budgeting reporting requirements.
- Process budget transfers and funding requests for new programs and new initiatives.
- Review capital project requests and monitor capital budget expenditures.
- Provide financial analysis for departments and the Board of Governors.
- Link State Bar budgets with strategic planning.

Finance Office Staff Contacts

Staff Member	Position	Telephone	E-mail
Peggy Van Horn	Chief Financial Officer	415-538-2353	Peggy.VanHorn@calbar.ca.gov
John Buelter	Sr. Financial Analyst	415-538-2271	John.Buelter@calbar.ca.gov
Lynn Taylor	Administrative Specialist	415-538-2229	Lynn.Taylor@calbar.ca.gov

Annual Budget Development Calendar

April

- Memo to budget liaisons on budget timeline; request updated information on previous year accomplishments, coming year initiatives; performance measures and activity measures.
- Departmental accomplishments/initiatives/performance/activity measure information are submitted to Finance
- Office of Finance updates the 3-year forecast of General Fund revenue and expenses.
- Agenda item for Planning Committee budget input submitted to the Executive Director's office.

May

- Budget discussion with senior executive team
- Meeting with Planning Committee for budget direction.
- Baseline budgets sent to departmental budget liaisons.
- Departmental budget submissions due to Finance.
- Budget information entered into budget system.

June

- Mail Proposed Budget document to Board of Governors

July

- Meetings with Planning Committee to discuss budget.
- Budget Adoption by Planning Committee and Board of Governors.

January

- Adopted budget loaded into financial system.

Account Request Form

Request for Budget Transfer

Request for Capital Budget Appropriation

Request for Transfer of Expense

Chart of Accounts: Object Code Listing

Glossary

Activity Measure – a measure of performance that relates services to the amount of resources used to provide them.

Admissions Department – responsible for all activities pertaining to the admission of attorneys to the practice of law in the State of California. Its principal activities include developing, administering and scoring the Bar Exam as well as conducting moral character investigations.

Admissions Fund – accounts for the costs of administering the provisions of the State Bar Act pertaining to admission to the practice of law, as well as for the fees paid by applicants to defray these costs, including application fees, late fees and other incidental charges.

Annual Meeting Fund – accounts for the costs of the State Bar's annual meeting and for the registration and other incidental fees.

Bar-Wide Accounts – includes a number of revenue and expenditure lines which are meaningful for the Bar as a whole, but which are not connected with specific departments, programs or operations. Mandatory dues, which are resources supporting the Bar as a whole, make up the largest revenue item. Interest earnings on balances in the General Fund are also included here.

Baseline Budget - the starting point for the budget development. Salary/benefit costs are calculated by Finance based on MOU provisions and non-personnel costs are based on 2008 adopted budget adjusted for a small inflationary increase.

Beginning Fund Balance – an amount representing at the end of the previous year, the total accumulation of resources received over the amount spent.

Building & Equipment – includes capital purchases

Building Fund – accounts for costs and revenues associated with the Bar-owned office building at 180 Howard Street, as well as for the proceeds for the \$10 per member building assessment.

CalPers – California Public Employees' Retirement System, a multiple-employer plan that acts as a common investment and administrative agent for participating entities within the State of California.

Certification Fund – accounts for the costs of a number of programs related to the administration of the legal profession including: Mandatory Continuing Legal Education, Lawyer Referral Services (Certification and Regulation), Law Corporations, Counsel Pro Hac Vice, Out of State Attorney Arbitration Counsel, Foreign Legal Consultants, Limited Liability Partnerships, Practical Training of Law Students, and Special Masters, as well as for associated fees and charges.

Chief Trial Counsel Department – has primary responsibility for carrying out the disciplinary functions of the State Bar. This includes receiving and investigating complaints from members of the public, and, where necessary, acting as the prosecution in the quasi-judicial proceedings leading to the suspension and/or disbarment of attorneys in California.

Client Security Fund – accounts for the reimbursement to victims of attorney theft by processing, investigating, reviewing and approving applications.

Discipline Fund – accounts for the proceeds of a special regulatory assessment enacted by the California State Supreme Court in December of 1998 to finance the operation of the discipline program in the absence of legislative authorization for annual membership dues. The legislature has authorized the assessment of member dues since 2000, and collection of the special regulatory assessment has ceased. Currently the fund accounts for the unexpended balance of assessments collected prior to 2000. Effective in 2009, the remaining balance of this fund will be consolidated with the Technology Improvements Fund to be used for discipline related technology needs.

Education Foundation Fund – accounts for the finances of the 501(c) 3 non-profit educational foundation in conjunction with the Bar Sections.

Elimination of Bias & Bar Relations Fund – accounts for the proceeds of voluntary fees collected to support programs that address issues of access and bias in the legal profession and in the justice system based upon race, ethnicity, gender, sexual orientation, age, or disability; to increase participation of such diverse groups of attorneys who have been under-represented in the administration and governance of the Bar; and to maintain relations with voluntary bar associations.

Equal Access Fund – accounts for grant revenues received from State of California's Equal Access Fund Program for the purpose of expanding the access of indigent persons to legal services in civil matters. The use of these revenues is legally restricted by statute and by the terms of the Bar's contracts with the Judicial Council of California, which oversees the program.

Executive Director Department – is responsible for the overall direction and administration of the day-to-day operations of the State Bar, as well as for legislative activities on behalf of the Bar.

Expenditures – operating and capital expenses requiring the use of net current assets.

Fees – consists primarily of dues received from attorneys for annual licenses and application fees for the Bar exam.

Finance Department – responsible for accounting, payroll, procurement, financial reporting and financial analysis for the State Bar.

Fixed Assets Fund – an accounting entity in which to record the depreciation of the Bar’s fixed assets. Currently the major fixed assets of the Bar consist of the 180 Howard Street building in San Francisco and a parking lot in Los Angeles.

Fund – a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equity or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Budget – presents the Bar’s budget by fund type.

General Counsel – functions as the State Bar’s lawyer with responsibility for providing legal advice and counsel to all departments of the Bar.

General Fund – accounts for all financial resources of the State Bar except those required to be accounted for in another fund.

Grants & Claims – expense category that includes Client Security Fund payouts and grant disbursements from IOLA and State Equal Access grant proceeds.

Grants Fund – accounts for revenues received by the State Bar from a variety of granting agencies and other sources.

Human Resources Department – responsible for policies governing the compensation of State Bar employees, for negotiation with the Bar’s collective bargaining units, and for advising Bar staff with regard to personnel matters.

Information Technology Department – responsible for the Bar’s IT infrastructure (including PC’s, networks, servers, and mini-computers), for custom software development, for maintenance and administration of the Bar’s existing software, and for the Bar’s public-facing internet presence.

Interfund Transfer – the movement of money between funds of the Bar. The transfer will be a resource in the receiving fund and an operating requirement in the transmitting fund. Transfers indicate the amount of support provided from the General Fund to the Annual Meeting and Lawyers Assistance Program funds.

Initiatives – identified goals and areas of specific focus for the budget year.

IOLTA – Interest on Lawyer Trust Accounts.

Information Technology Special Assessment Fund – accounts for mandatory dues assessed to members for the upgrade of technology systems, including purchasing and maintenance costs and both computer hardware and software. Special assessment fee sunsets in 2011.

Interest Income – earnings received on the investment of State Bar cash balances.

Internal Charges – costs of providing a variety of administrative and support services to direct program service areas. Support departments include the Offices of Finance, General Counsel, Human Resources, and Information Technology.

Justice Gap Fund – accounts for voluntary contributions from members to legal aid pursuant to AB 2301. Funds are used to help close the justice gap for needy Californians.

Lawyer Assistance Program Fund – accounts for the portion of the mandatory annual membership fees legally restricted to the support of an attorney diversion and assistance program, as well as other resources obtained by the State Bar in support of this program. By statute, the program is intended to assist in the identification and rehabilitation of attorneys with impairments due to mental illness or substance abuse.

Affinity and Insurance Program Fund – accounts for insurance commissions received by the Bar for the sales of certain lines of insurance (such as professional errors and omissions coverage) to its members.

Legal Service, Access and Fairness Department – responsible for several programs intended to ensure that all Californians have appropriate access to the legal system, regardless of income or minority status.

Legal Services Trust Fund – accounts for resources received by the Bar under contract with the State Supreme Court for distribution to local programs, which provide access to legal services for low-income individuals. Primary revenue sources include interest on attorney trust accounts, legislative appropriations, and a state-imposed surcharge on legal filing fees.

Legal Specializations Fund – accounts for the costs of the State Bar's program for the certification of attorneys within specific areas of practice.

Legislative Activities Fund – accounts for the portion of member dues legally available to support the Bar's legislative advocacy role. Members who decline to support the Bar's activities in this area have the option of withholding this portion of their annual dues. The resources of this fund support the Bar's legislative activities as well as a number of public policy oriented committees.

Mandatory Fee Arbitration – provides arbitration in cases of attorney-client disputes over legal fees, primarily through local bar associations.

Media & Information Services Department – primarily responsible for communications between the Bar, its members, and the general public. MIS produces the California Bar Journal, and is responsible for public outreach, press relations, and the content of the Bar's website.

Member Dues – fees paid by attorneys to practice law.

Member Services Department – responsible for a variety of services provided by the Bar to its members, including maintenance of member records, the member service center, insurance programs, and the Lawyer Assistance Program (LAP).

MOU – memorandum of understanding

Non-Departmental – revenues and expenses not identified to specific departments, programs or Bar operations.

Non-Departmental Budget – accounts for a variety of line items, which are not associated with specific departments, programs or Bar operations.

Obsolete Accounts – a holding area for certain accounts that are generally no longer in use, but that may have small historical amounts associated with them. .

Operations Department – responsible for the Bar’s physical facilities and real estate

Other Expenditures – miscellaneous expenditures such as in-house printing charges

Other Post Employment Benefits (OPEB) – executive staff retirement health care benefits.

Payroll Savings - savings of salary, benefits, and payroll tax amounts generated from staff turnover and vacancies.

Performance Measure – a quantification of the effectiveness and efficiency with which program objectives have been accomplished.

Personnel Expenditures - salaries, health insurance, retirement costs, payroll taxes and other employee benefits

Planning Category Budget – organizes the Bar’s budget according to the departments and service areas defined in the departmental work plans within the context of the Bar’s strategic planning framework

Probation Department– monitors probationer compliance with court orders, providing timely information to Superior Court, State Bar Court and probationers regarding non-compliance, and assisting probationers to successfully return to the practice of law.

Professional Competence Department – responsible for developing and publishing standards and guidelines pertaining to ethics in the practice of law in California

Public Protection Fund – accounts for reserves set aside to ensure the continuity of the Bar’s ability to protect the public in the event that it is unable to collect member dues.

Restricted Funds – funds that account for fees and expenditures in accordance with special regulations, restrictions or limitations

Revenue – income sources including member dues, applications fees, grants, facility rentals and interest income

Sections Fund – accounts for the costs of the Sections of the State Bar, which are advisory and educational organizations addressing the concerns and interests of specific segments of the legal profession. By law the Sections are required to be financially self-supporting, primarily by means of voluntary fees paid by Section members.

Service Areas – an organized set of activities carried out to accomplish a specified goal. Service areas are identified in departmental work plans.

Staffing – authorized permanent positions.

State Bar Court – hears the charges and has the power to recommend that the California Supreme Court suspend or disbar those attorneys found to have committed acts of professional misconduct or convicted of serious crimes.

Supplies & Services – expenditures such as postage, outside printing, proctor costs, exam graders, consultants, and rent.

Support and Administration Fund – accounts for the costs of providing a variety of administrative and support services – such as legal counsel, finance, information technology, and human resources – to the operational programs of the Bar. Costs accumulated in this fund are recovered from the Bar's operating funds in accordance with an indirect cost allocation plan.

Technology Improvement Fund – accounts for the costs of certain technology capital projects. For 2009, the remaining fund balance in the Discipline Fund is consolidated within this fund.

Workload – information relating to the activity levels and outputs of a specific service area.

Office of Section Education & Meeting Services Compliance With 2009 State Bar Travel & Expense Policy

The Office of Section Education & Meeting Services (SEMS) is in compliance with the 2009 State Bar Travel and Business-Related Expense Policy as follows:

- (1) Sections will not reimburse the expenses of a spouse or guest who accompanies a traveler on State Bar business.
- (2) Sections will not use Section member dues monies to pay for personal gifts.

NOTE: Engraved awards such as bowls, plaques and clocks may be paid for using Section funds so long as they go through our regular promotional award companies and are paid for as "Business Expenses" in accordance with section IX of the 2009 State Bar Travel and Business-Related Expense Policy.

- (3) Sections will not reimburse beyond the current authorized lodging rates unless a prior contracted group rate arrangement has been negotiated with the hotel or unless expressly authorized.
- (4) Sections will comply with the policy which stipulates that per diem meal rates will not apply when a catered meal is provided. As noted in VI (C) (2) of the Policy, catered meals are defined as meals in which a contract for food and beverage service exists and includes contracted meals at the State Bar, hotels, convention sites and commercial restaurants.
- (5) Pursuant to VI (D) (2) of the Policy, under limited circumstances alcoholic beverages or corkage fees will be reimbursed as contracted food and beverage catering or as Business Expenses. These circumstances will be limited to (a) meals that take place in conjunction with the State Bar Annual Meeting, and (b) annual or bi-annual long range planning meetings conducted by Section Executive Committees.

Operational changes in place with relation to SEMS internal operations:

- Section funds will no longer be used for gifts of a personal nature.
- Business meals (if held **outside** of a formal contract with a hotel or a restaurant agreement) will be reimbursed only at the per diem rate of \$6/\$10/\$18.
- An object account will be set up for each Section, funded by **non-section dues revenues**, to pay for alcoholic beverages going forward (not including "ticketed events" or "sponsored events" which covers the alcohol). This will ensure transparency and that no section member dues are spent on alcohol.



Location »	Top Level > Finance
------------	-------------------------------

Finance policies, procedures, forms, templates and Web links are grouped by primary function below. Some forms may appear in multiple areas.

- » **Accounts Payable**
- » **Budget**
- » **Cash Receipts**
- » **Financial**
- » **Fixed Assets**
- » **Payroll**
- » **Petty Cash**
- » **Procurement**
- » **Purchasing Card**
- » **Travel Expense**



THE STATE BAR OF CALIFORNIA GOVERNING PRINCIPLES OF CONDUCT

INTRODUCTION

This is a statement of existing principles, which are defined in more detail in their source referenced below. These are principles that currently govern the State Bar and will continue to do so in the future.

MISSION

The purpose of the State Bar of California is to ensure that the people of California are served by the legal profession in a manner consistent with the highest standards of professional competence, care, and ethical conduct; to carry out such additional programs as may be required by law or by rule of court; and to contribute generally to the science of jurisprudence and the administration of justice to the extent and in a manner consistent with the First Amendment rights of its members.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution, August 1991, May 20, 1997 Planning Meeting, reaffirmed Board of Governors' Resolution July 11, 2008)

GOALS

The goals of the State Bar are:

- a) Public Protection – The public is protected and served by attorneys and other legal service providers that meet the highest standards of competency and ethics.
- b) Administration of Justice – The State Bar is recognized and respected as a contributing and accountable leader in improving the administration of justice and ensuring the rule of law in our civil society.
- c) Member Services – The State Bar provides a wide array of services and benefits to members that meet their professional development, business, and personal needs.
- d) State Bar Administration – The State Bar obtains and uses resources effectively and efficiently to support all aspects of its operations and demonstrates the cost effectiveness of State Bar services and activities.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution, August 1991, September 1996, amended January 2002, July 11, 2008)

PURPOSE/GOVERNANCE

The State Bar of California is a statutory public corporation and a constitutional agency in the Judicial Branch of state government. It was created as the "administrative assistant" or "adjunct" of the Supreme Court for the purpose of assisting the Court in matters pertaining to the admission and discipline of attorneys. It is *sui generis*, not an administrative board in the ordinary sense.

(Source: Business & Professions Code Section 6001; Cal. Const. Art. VI, Section 9; *In re Attorney Discipline* (1998) 19 Cal. 4th 582, 598-600)

Although the State Bar was originally a purely legislative creation, its unique nature has been recognized by the Legislature throughout the existence of the State Bar. The State Bar's special character further was emphasized when it became a constitutional body, placed within the judicial article of the California Constitution and thus expressly acknowledged to be an integral part of the judicial function.

(Source: *In re Attorney Discipline* (1998) 19 Cal. 4th 582, 599)

For state law purposes, the State Bar is a government entity.

(Source: *Keller v. State Bar of California* (1989) 47 Cal. 3d 1152 (rev'd on other grounds); *Keller v. State Bar of California* (1990) 496 U.S. 1)

All members of the Board are public officials, acting under oath, and the Board constitutes the highest decision-making body of the State Bar.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution August 2000: Governance Principle 1.1)

The role of the Board of Governors is to establish and monitor policies which fulfill the mission, goals and objectives of the State Bar. The Board is to establish and monitor policies which implement the mission, goals and objectives of the State Bar within parameters set by the Board, the State Bar Act, the Supreme Court and other appropriate provisions of law.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution August 2000: Governance Principle 1.2)

The Board is responsible for establishing policies, programs and services which benefit and advance the interests of the public, the members of the State Bar, the justice system, and the Legislature in access to justice and ethical, competent and professional legal services. Services to the membership shall include providing member resources related to the practice of law and the enhancement of the profession.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution August 2000: Governance Principle 1.5)

The board may aid in all matters pertaining to the advancement of the science of jurisprudence or to the improvement of the administration of justice, including, but not by way of limitation, all matters that may advance the professional interests of the members of the State Bar and such matters as concern the relations of the bar with the public.

(Source: Business & Professions Code §6031)

COMPLIANCE WITH LAW, PROFESSIONAL RESPONSIBILITIES AND ETHICAL STANDARDS

Employees and representatives of the State Bar strive to comply with governing legal principles, applicable professional codes, prudent standards of work place conduct and standards of ethically moral conduct in all aspects of their work for the State Bar. It is the policy of the State Bar that employees are encouraged to report, without retaliation, to the State Bar through the Office of Human Resources or the Office of the Executive Director when they believe that State Bar representatives are not adhering to these standards.

(Source: <http://statebar/files/2008-GU-MOU-1.pdf> § 16, Memorandum of Understanding Between the State Bar of California and Service Employees International Union; California Labor Code §§1102.5, 98.6)

ALCOHOL AND DRUG FREE WORKPLACE PRINCIPLES

It is the policy of the State Bar to conduct its operations free from the abuse or illegal use of alcohol, drugs and/or other controlled substances. This policy is in the best interests of the State Bar and of society in general because drug and alcohol abuse threatens workplace health and safety, diminishes professionalism, undermines productivity and efficiency, and increases costs.

(Source: <http://statebar/files/A0830%20Drug%20Free%20Workplace-1.pdf>
<http://statebar/files/A0830-Attachment%20-%20Drug%20Free%20Workplace-1.pdf>
Administrative Advisory No. 08-30: Drug-And-Alcohol-Free Workplace Policy and Program; <http://statebar/files/2008-GU-MOU-1.pdf> §§ 16.C.7,8, Memorandum of Understanding Between the State Bar of California and Service Employees International Union)

EQUAL EMPLOYMENT OPPORTUNITY PRINCIPLES

It is the policy of the State Bar to encourage and support equal employment opportunity for all employees and applicants for employment without regard to race, color, religious creed, sex (gender), sexual orientation, marital status, national origin (including language use restrictions), ancestry, disability (mental and physical, including HIV and AIDS), medical condition (such as cancer or genetic characteristics), age (over 40), request for family care leave, request for leave for an employee's own serious health

condition, request for Pregnancy Disability Leave, marital status, denial of family and medical leave, denial of Pregnancy Disability Leave, political affiliation, disabled veteran or Vietnam Era veteran status, and union affiliation.

Equal employment opportunity at the State Bar means that no one shall be discriminated against in recruitment, selection, appointment, training, promotion, retention, discipline, or in any other aspects of employment, based upon the above factors.

Additionally, employees have the right to work in an environment free from unlawful harassment based upon the above-named factors. The State Bar's policy also prohibits retaliation against employees who have filed complaints of discrimination, even if insufficient evidence is found to support the complaint.

(Source: <http://statebar/files/A0828%20EEO-Non-Discrimination%20Policy-1.pdf>
Administrative Advisory No. 08-28: Equal Employment Opportunity Nondiscrimination Policy; <http://statebar/files/2008-GU-MOU-1.pdf> § 8, Memorandum of Understanding Between the State Bar of California and Service Employees International Union)

DISCRIMINATION AND HARASSMENT-FREE WORKPLACE PRINCIPLES

The State Bar is committed to providing a work environment that is free from unlawful discrimination and harassment. In keeping with this commitment, the State Bar has a zero-tolerance policy prohibiting unlawful harassment based on race, color, religious creed, sex (gender), sexual orientation, marital status, national origin (including language use restrictions), ancestry, disability (mental and physical, including HIV and AIDS), medical condition (such as cancer or genetic characteristics), age (over 40), request for family care leave, request for leave for an employee's own serious health condition, request for Pregnancy Disability Leave, marital status, denial of family and medical leave, denial of Pregnancy Disability Leave, political affiliation, disabled veteran or Vietnam Era veteran status, and union affiliation.

This policy applies to all employees, including non-management and management staff. Additionally, the State Bar's commitment to maintaining a workplace free from unlawful harassment is not limited to unlawful harassment from managers and supervisors. Employees are entitled to be free from unlawful harassment in the workplace by any individuals, including non-employees, with whom they have contact in the course and scope of their employment with the State Bar. This includes coworkers, supervisors, managers, vendors, visitors, participants in disciplinary proceedings and other State Bar activities, State Bar volunteers and others with whom employees have contact in the course of their job duties for the State Bar.

A harassment- and discrimination-free work place can be maintained only with the commitment of all employees. Employees are encouraged to do their part to avoid any conduct that could be interpreted as discriminatory or harassing in nature and to report

any conduct that is experienced, observed or believed to be unlawful under the State Bar's policy.

(Source: <http://statebar/files/A0829%20Unlawful%20Harassment%20and%20Complaint%20Procedure-1.pdf> <http://statebar/files/A0829%20Attachment%201-Unlawful%20Harassment%20Reporting%20Form.pdf> Administrative Advisory No. 08-29: Policy Against Unlawful Harassment and Complaint Procedure; <http://statebar/files/2008-GU-MOU-1.pdf> § 8, Memorandum of Understanding Between the State Bar of California and Service Employees International Union)

The State Bar is committed to providing a work environment that is free from inappropriate treatment of the public, members of the State Bar or other employees.

(Source: <http://statebar/files/A0717%20Inappropriate%20Treatment-1.pdf> Administrative Advisory No. 07-17: Policy Against Inappropriate Treatment of the Public, Members of the State Bar or Other Employees; <http://statebar/files/2008-GU-MOU-1.pdf> § 16.C.12, Memorandum of Understanding Between the State Bar of California and Service Employees International Union)

SERVICE PRINCIPLES

The State Bar's business is service – service to the public and to the legal profession. The State Bar's ability to meet this goal depends upon each of us taking personal and professional responsibility for providing high quality service.

The changing demands upon the legal system and upon the State Bar make it imperative that employees and management join forces to assure high quality service which meet the needs of the public and the profession.

Accordingly, Employees and the State Bar jointly undertake a commitment to provide high quality service to the members of the legal profession and the public in a prompt, courteous, and efficient manner thereby furthering the Mission of the State Bar.

The delivery of State Bar services in an efficient, effective and courteous manner is of importance to the State Bar and its employees. Such achievement is recognized to be a mutual obligation of the employee and the State Bar within their respective roles and responsibilities.

(Source: 04-13: WORKPLACE POLICY AND PRACTICE REMINDERS :: State Bar Administrative Advisory 04-13, as amended: Workplace Policy and Practice Reminders; <http://statebar/files/2008-GU-MOU-1.pdf> § 23/24.D, Preamble, Memorandum of Understanding Between the State Bar of California and Service Employees International Union)

As a public agency serving members of the bar and the public, the State Bar is called upon to provide a wide scope of services to a variety of individuals and groups. As such, the State Bar is accountable to both members and the public for the quality of services rendered. All commit to providing the highest level of customer service in all

aspects of customer interaction and constantly strive to improve the way business is done.

Each individual, regardless of department, is expected to take ownership of all calls. All State Bar employee telephone numbers are accessible from the outside. As such, employees occasionally receive calls that belong to other employees or departments. When this occurs, it is imperative that calls are handled in a professional and courteous manner.

Voicemail greetings should be updated whenever employees are going to be out of the office, so callers know when to expect a call back and/or are provided with the number for someone else in the department to contact for assistance. Do not forget to change greetings when upon returning to the office.

Consider forwarding phones to voicemail when away from your desk so that incoming calls and people transferring calls do not have to wait four rings to get to voicemail.

Use Microsoft Exchange Out-of-Office Assistant consistently, to let co-workers and customers know when you will be out of the office.

(Source: 03-01: CUSTOMER SERVICE :: State Bar; State Bar of California Administrative Advisory No. 03-01: Customer Service)

FISCAL PRINCIPLES

All employees and representatives of the State Bar shall assist the Executive Director manage the financial affairs of the State Bar of California in an ethical and prudent fashion. For the Executive Direction, this means: Avoiding financial conditions that would result in fiscal jeopardy to, or disruption of, the programmatic integrity of the State Bar's services and activities; Establishing a financially prudent fund reserve in the State Bar's budget; Establishing a financially prudent technology improvement fund in the State Bar's budget; Basing salaries, contracts, and other expenditures on appropriate business considerations of the fair market value or cost of such transactions; Establishing an annual budget within the limitation that expenditures shall not exceed revenue and available funds and present this budget and its rationale to the Board of Governors; Annually establishing a three year financial plan and presenting this plan and its rationale to the Board of Governors.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution, July 1981, August 1981, June 2000, September 2004)

FISCAL PRINCIPLES –Cash

All receipts shall be properly controlled and accounted for by recording the cash receipts on a daily basis and restrictively endorsing the checks as soon as they are received and retained in a secure place.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution, July 1981, August 1981, June 2000, September 2004)

FISCAL PRINCIPLES--Travel

The Travel and Business Expense reimbursement Policy authorizes reimbursement for certain expenses, which may be incurred by persons traveling on State Bar business. Only when a traveler is considered to be on travel status is he or she eligible for reimbursement and/or travel advances as stated in the Travel Expense Policy. The Business Expense Policy authorizes reimbursement for certain expenses, which may be incurred when a person is not on travel status. Pursuant to the Executive Director's Financial Limitations policy, the Executive Director may modify the Travel Expense and Business Expense Policies and the authorized rates on behalf of the Board of Governors.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution, January 2001, September 2004.)

As a general rule, travelers are urged to travel economically. However, in the application of this general rule, extenuating circumstances such as the best economic use of the traveler's time may be taken into consideration in selecting transport, accommodation and other travel means. Written explanations of extenuated circumstances must be approved by a Senior Executive and accompany Expense Reports submitted to Finance.

There will be no reimbursement for the expenses of a spouse or guest who accompanies a traveler on State Bar business.

No traveler will be reimbursed for travel expenses other than their own even if the traveler paid for another State Bar representative's expenses. Each traveler is responsible for his/her own expenses and must account for his/her own Pcard charges.

Except where noted otherwise, only when a person is on Travel Status is s/he eligible to seek travel reimbursement; to charge travel expenses to a State Bar P-card; or to request a travel advance as stated in this policy.

A person is on Travel Status when, in the course of performing duties for the State Bar, s/he travels to one or more destinations that are at least thirty miles (one way) from the person's primary workplace. A person's primary workplace is determined by the Office of Human Resources.

(Source: http://statebar/files/2009_Travel-Expense-Adv-1.pdf State Bar of California Administrative Advisory No. 09-01: Travel and Business-Related Expense Policy; <http://statebar/files/2008-GU-MOU-1.pdf> §§ 33/34, Memorandum of Understanding Between the State Bar of California and Service Employees International Union)

FISCAL PRINCIPLES-Procurement

It is the policy of the State Bar that the State Bar's procurement (contracting) needs be administered in a fair, unbiased process where competitive bidding is used as required to obtain the services needed at a competitive price. It is the responsibility of all State Bar employees and representatives to know and follow the State Bar's Procurement principles.

(Source: <http://statebar/files/A0601%20Competitive%20Bidding.pdf> Administrative Advisory 06-01: Competitive Bidding)

NON-SOLICITATION PRINCIPLES

The State Bar limits solicitation of employees and the distribution of literature on the State Bar's premises to the extent that it involves non-State Bar business. The following principles apply: People who are not State Bar employees cannot solicit or distribute literature on the State Bar's property for any purpose without advance State Bar permission; Employees must adhere to State Bar policies limiting the use of State Bar facilities, equipment and resources (e.g., computers, fax machines, copy machines, e-mail, internet access, interoffice mail and voicemail) for non-State Bar business (see Administrative Advisory No. 06-12); Employees are not to solicit or distribute literature pertaining to non-State Bar business during employee work time or in employee work areas, with the exception of State Bar-related Union business in accordance with State Bar policies and MOU § 7.

(Source: <http://statebar/files/A0827%20-%20Solicitation.pdf> Administrative Advisory No. 08-27: Solicitation)

CONFLICT OF INTEREST PRINCIPLES

The Political Reform Act imposes limits on gifts received by designated employees of state agencies. The State Bar's Conflict of Interest Code for Designated Employees, which was adopted by the Board of Governors pursuant to the Act, prohibits employees from accepting gifts aggregating more than \$420 in a calendar year from any single source if the employee receiving the gift would have to report the receipt of the gift on a statement of economic interests (Form 700). In other words, employees may not accept over \$420 worth of gifts per year from any vendor in their disclosure category. To find out your disclosure category, please see the list of employee designations and disclosure categories. (<http://statebar/files/A0826%20Gifts%20and%20Attachment.pdf> Administrative Advisory 08-26, as amended).

Disclosure. You must disclose receipt of gifts that aggregate \$50 or more if the gifts are from a vendor in one or your disclosure categories. This disclosure should be listed on your annual statement of economic interests (Form 700). These forms are distributed in early March and are due on April 1st. Failure to disclose reportable gifts can subject you to criminal and civil penalties.

Disqualification. In addition, you must disqualify yourself from any further decision making or participation in decision making if you receive gifts from a single source that aggregate \$390 or more if the gift is from a source that you deal with in the course of your employment with the State Bar. This is a requirement imposed by Business and Professions Code § 6036. Business and Professions Code § 6037 makes intentional violation of this provision a misdemeanor, punishable by a fine of up to \$1,000 and up to five days imprisonment in county jail.

The general rule is that no employee may accept gifts aggregating more than \$390 from a single source, if the employee deals with that source in the course of their employment with the State Bar. Even if you are allowed to accept the gift because it is less than \$390, you may still have to disclose the gift on your annual statement of economic interests, and you may have to disqualify yourself from making any decisions regarding the source of the gift.

(Source: <http://statebar/files/A0826%20Gifts%20and%20Attachment.pdf> Administrative Advisory No. 08-26: Rules and Restrictions on Acceptance of Gifts)

PRINCIPLES GOVERNING USE OF STATE BAR TECHNOLOGY, FACILITIES AND EQUIPMENT

The State Bar provides key card access, networked computers, e-mail, voice mail, Internet access, and other hardware and software to State Bar employees to assist them in their work. This technology – and the data created, transmitted, received or stored by it – belongs to the State Bar. Employees are advised that data is routinely backed up and may be retrieved and accessed even when deleted.

When employees utilize any State Bar technology, they do so without any expectation of privacy, even when they password protect or encrypt information. Employees who are absent from the workplace may share their passwords with supervisors to assist the supervisors in the performance of the State Bar's work, but the fact that employees have not shared their passwords with supervisors does not preclude State Bar access to their data.

Use of State Bar technology may be monitored at management's discretion at any time and without notice, except as prohibited by law. The Office of Information Technology regularly provides managers with reports that track individual employees' Internet and telephone usage. These management tools are used to evaluate the adequacy of State Bar resources and monitor their appropriate use. Generally, employee voice mail, e-mail, electronic key card access, and computer-stored data may be accessed by managers only after the Office of Human Resources has granted permission to do so for a legitimate business purpose. The State Bar acknowledges that the electronic key card access system is intended to control premises access, not to track employees' time, and is therefore an imperfect tool for accurately documenting employee arrival and

departure times. Nevertheless, the State Bar reserves the right to use electronic key card access data that may be relevant to any State Bar management issue.

Technology resources are provided to employees for the conduct of State Bar business. Although incidental and occasional personal use may periodically occur, the State Bar reserves the right at any time to prohibit personal use of such resources. Incidental and occasional use should not interfere with work. For instance, employees should avoid sending or downloading large image or sound files that affect the operational efficiency of the entire network. Excessive or inappropriate usage will be addressed through the disciplinary process.

(Source: <http://statebar/files/A0820%20Technology%20Resources%20Policy.pdf>
Administrative Advisory No. 08-20: Technology Resources Policy)

The State Bar building, office space, computers, telephones, copy machines, fax machines, voice mail, e-mail, internet access, interoffice mail system and other State Bar resources are intended for official State Bar usage. The Union compensates the State Bar for usage of State Bar copy machines. Occasional usage of State Bar computers, internet access, e-mail, voice mail, interoffice mail, and other resources for Union-related or other non-State Bar business will periodically occur. However, any usage of State Bar resources for non-State Bar business should be limited.

This includes, but is not limited to, the use of computers, fax machines, copy machines, e-mail, and voice mail for non-State Bar business; the use of internet access through State Bar equipment for non-State Bar business; the use of State Bar interoffice mail for non-State Bar business; the use of computer games during work time; the use of desks or cabinets for storage of personal belongings except placement of purses, billfolds or similar personal items during the work day.

(Source: 99-13: USE OF STATE BAR FACILITIES AND EQUIPMENT :: State Bar
Administrative Advisory No. 99-13, as amended: Use of State Bar Facilities and Equipment)

NO EXPECTATION OF PRIVACY

There is no expectation of privacy when using State Bar technology, equipment or facilities for non-State Bar business.

(Source: 99-13: USE OF STATE BAR FACILITIES AND EQUIPMENT :: State Bar
Administrative Advisory No. 99-13, as amended: Use of State Bar Facilities and Equipment)

TRANSPARENCY

Much of the work of the State Bar is confidential. Examples include the investigations of the Office of the Chief Trial Counsel; the work of the Office of Admissions; the work of

the Judicial Nominee Evaluation Commission; personnel administration; appointment administration; consultations with counsel; the administration of the State Bar's insurance, specialization, and other programs.

(Source: Business & Professions Code §§ 6026.5, 6086.1, 6060.2;
<http://statebar/files/Board-Book-5.pdf> Rules Governing Open Meetings, Closed Sessions and Records of Regulatory and Special Committees; Title 6, Division 2, Chapter 1 Rules of the State Bar of California)

Where the work of the State Bar is not confidential, the State Bar operates in conformity with the public policy of this state that public agencies exist to aid in the conduct of the people's business and the proceedings of public agencies be conducted openly so that the public may remain informed. The State Bar of California finds and declares that it is the intent of the law that actions of the board be taken openly and that its deliberation be conducted openly.

(Source: <http://statebar/files/Board-Book-5.pdf> Title 6, Division 2, Chapter 1 Rules of the State Bar of California; Rules Governing Open Meetings, Closed Sessions and Records of Regulatory and Special Committees)

NEPOTISM AND CRONYISM

Members of the Board of Governors and Senior Managers designated by the Executive Director, for a period of twelve months following expiration of their term of office or termination of employment, shall not: (a) Seek to do, or do, business with the State Bar for monetary gain, or (b) Act as agent or attorney for, or otherwise represent any person, for compensation by making any formal or informal appearance, or any oral or written communication before the State Bar, or any officer or employee or agent thereof, if the appearance or communication is for the purpose of influencing official State Bar action, including the awarding or revocation of services, contracts, or the sale or purchase of goods or property. The board, or its designee, may waive the requirements of this policy for good cause.

(Source: <http://statebar/files/Board-Book-5.pdf> Board of Governors' Resolution, July 1997, May 1998)

Applications for employment from employee relatives will be considered with other qualified applicants when personnel vacancies occur. Some restrictions on eligibility for employment, as set forth below, apply to help assure fair treatment for all employees.

For purposes of this policy, "relative" means spouse, including person assuming role of spouse; child, including foster, step or adopted; parent; brother; sister; father-in-law, including father of person assuming role of spouse; mother-in-law, including mother of person assuming role of spouse; grandparents; grandchild; son-in-law; daughter-in-law; aunts, uncles, and first cousins.

Any relative the State Bar hires must meet all selection standards and fulfill all job qualifications. The following applies to eligibility: 1) Relatives will not be hired into an office where they directly or indirectly supervise or are supervised by a relative; 2) Relatives will not be hired into positions where they have access to sensitive or confidential personnel information regarding relatives.

(Source: <http://statebar/content.aspx?OID=11293&CID=1046>; Administrative Advisory 00-33, as amended: Policy on Employment of Related Persons)

WORKPLACE BEHAVIOR

The State Bar seeks to provide a collegial and friendly atmosphere. However, the need remains to respect the fact that the workplace is for work. Therefore, please assure that personal conversations are kept to a minimum and do not disrupt the work of others. Loud voiced discussions should be reserved for outside the workplace. Speaker phones should be used only behind closed doors. Cell phones should not be used except for emergency purposes and should never ring in a disruptive manner in the workplace.

Keep in mind that the State Bar of California is a constitutional agency in the Judicial Branch of state government charged with, among other things, enhancing the administration of justice. State Bar employees should conduct ourselves in a manner that reflects this important responsibility. We should always present ourselves to those with whom we come into contact in a manner that assures them that we ourselves take our responsibilities in this regard seriously. Therefore, our conduct, dress, language, and behavior should always communicate the highest standards to the members of the public, profession, and others we serve. Dress should be business-like and present the professional image our constitutional and judicial branch status warrant.

The delivery of State Bar services in an efficient, effective and courteous manner is of importance to the State Bar and its employees. Such achievement is recognized to be a mutual obligation of the employee and the State Bar within their respective roles and responsibilities.

(Source: **04-13: WORKPLACE POLICY AND PRACTICE REMINDERS :: State Bar**
Administrative Advisory 04-13, as amended: Workplace Policy and Practice Reminders;
<http://statebar/files/2008-GU-MOU-1.pdf> §§ 23/24.D, Memorandum of Understanding
Between the State Bar of California and Service Employees International Union.)

Employees and representatives of the State Bar shall not engage in fraud or demonstrate incompetence; fail to perform work in a prompt, courteous and efficient manner; inexcusably neglect their duties; be insubordinate or dishonest; use illegal substance on duty; be absent without leave; inappropriately treat the public, members of the State Bar or other employees; engage in willful disobedience in connection with the performance of work duties; misuse State Bar property; be excessively tardy or absent from work.

(Source: <http://statebar/files/2008-GU-MOU-1.pdf> § 16, Memorandum of Understanding Between the State Bar of California and Service Employees International Union.)

OUTSIDE EMPLOYMENT

In order to assure consistency in the means by which employees seek permission to engage in outside employment and the process by which the State Bar fulfills its contractual obligation to determine whether the proposed outside employment conflicts with the performance of the employee's duties or presents an actual or substantial potential conflict of interest, we have developed questionnaires to be completed by employees requesting outside employment. Because potential and actual conflicts of interest are greater where an employee's outside employment involves or is associated with the practice of law, we have developed different questionnaires seeking information pertaining to non-legal versus legal employment.

Any employee interested in outside employment must obtain the Request Form and Questionnaire from the Office of Human Resources, complete it, and submit it to his or her manager for ultimate approval by the employee's Senior Executive. Employees who are currently engaged in outside employment but who have not previously sought approval should immediately do so with this form. Employees who have previously been granted approval will continue to have approval unless there is a change in circumstances or an actual or substantial potential conflict of interest is presented by the employment.

(Source: <http://statebar/files/2008-GU-MOU-1.pdf> §§ 20/21, Memorandum of Understanding Between the State Bar of California and Service Employees International Union; <http://statebar/content.aspx?OID=11297&CID=1046> Administrative Advisory 99-16: Outside Employment.)

SECURITY PRINCIPLES

As an employer, the State Bar of California is firmly committed to providing a workplace that is in compliance with workplace safety and security requirements of the State Bar of California's Injury and Illness Prevention Program. In keeping with this commitment, the State Bar has a strict policy prohibiting unsafe, harassing and violent behavior, including possession of weapons on State Bar premises except for active-duty peace officers. This policy applies to all visitors and employees, including non-management and management staff. Security and safety in the workplace are every employee's responsibility. It is, therefore, essential that every employee understand the importance of workplace safety and security.

Employees who violate any of the terms of the Workplace Security Policy, who engage in or contribute to unsafe behavior, may be subject to disciplinary action, up to and including termination.

Any unsafe condition, including acts of violence and threats of violence, should be reported immediately to the employee's supervisor, The Office of Human Resources, The Office of Operations at your location.

In situations where an employee becomes aware of an imminent act of violence, a threat of imminent violence or actual violence, emergency assistance must be sought immediately. In such situations, the employee should immediately contact a security officer at their specific location.

Upon receipt of a report by an employee of an unsafe condition, act of violence or threat of violence, an investigation will be conducted. After the investigation, if it is determined that there has been a violation of this policy, appropriate action will be taken to remedy the situation. Those found to be at fault will be subject to discipline, up to and including termination.

(Source: 99-12: POLICY ON WORKPLACE SECURITY :: State Bar Administrative Advisory
99-12: Policy on Workplace Security.)

**REVISIONS TO BUSINESS EXPENSE PROVISIONS OF TRAVEL POLICY IN
RESPONSE TO RISK SCAN AUDIT RECOMMENDATIONS**

KHA Recommendation:

“The State Bar should refrain from using ‘business expense’ accounts or other purchasing mechanisms that do not provide definitive guidance related to inappropriate expenditure of public funds. If the need for these accounts is determined to be necessary, the State Bar should expand the existing policies and procedures to describe the types of disbursements allowed and unallowed, maximum amounts per transaction and per year, and distribution of related expenditure reports to the Chief Executive Officer, Chief Financial Officer and Audit Committee.”

Management Comments: Management continues to believe that the business expense mechanism imparts a valuable flexibility – within well defined limits – to the State Bar’s travel and expense reimbursement policies. That said, management agrees with the recommendation to expand the existing policy statement to provide more definitive guidance regarding the limits on the use of funds budgeted for business expenses.

Management’s Proposed Actions:

The Office of General Counsel will enhance existing policy statements governing the expenditure of business expense funds, establishing appropriate limits and making clear that expenditures must be reasonably related to the State Bar’s business or functions sponsored by the State Bar. The policy will be reviewed and adopted by the Senior Executive Team.

Revisions to State Bar Travel Policy

VI. MEALS

A.

D. Alcoholic Beverages

1. Alcoholic beverages or corkage fees cannot be charged to a Pcard and are not generally reimbursable travel/ business expenditures.

2. In limited circumstances, alcoholic beverages or corkage fees may be reimbursed as contracted food and beverage catering or as Business Expenses. Such charges must be reasonable both in cost and in consumption per person and charged only against non-mandatory fee revenues. See Section IX, Business Expense Account.

IX. BUSINESS EXPENSE ACCOUNT

Senior Managers may budget for “Business Expenses” (account code 40570). The amount in this account is determined by the Executive Director annually during the budget planning process and is to be funded with non-mandatory fee revenues. This account is to be used at the Senior Managers’ discretion in the course of their duties to cover applicable business expenses for themselves and others. Reasonable expenses charged to this account and approved by the appropriate manager are exempt from this State Bar Travel and Business-Related Expense policy and its Catered Meals Guidelines. Only a Senior Manager or his or her designee may make expenditures from this account. A Senior Manager must determine in each instance that there is a business purpose to permit the business meal expenditure. Expenditures by a designee must be approved in advance by the Senior Manager. Please note that no reimbursement will be made against the Business Expense Account unless there is a sufficient amount budgeted in the account to cover the expenses. Any Pcard charges that default to any other account must be reallocated to a budgeted 40570 account during the statement review period and reconciled before the annual fiscal close.

Business Expenses that may be covered under this section include meals during which discussion of State Bar business occurs where there is a business need to keep participants together. Expenses for business meals will not be authorized for informal meetings or meetings with potential or existing vendors.¹ Business Expenses may also include costs for a meal or nominal gift intended to recognize an individual for work-related accomplishments on behalf of the State Bar. Reimbursements will not be allowed under this section for attendance at entertainment or sporting events.

Reimbursement for meal expenses incurred under this section will not exceed the authorized maximum business meal rates which appear in Appendix D. These rates include all expenses such as food, beverages, service charge, tip and tax.

¹ This policy mirrors the AOC policy which prohibits reimbursing meals for potential or existing vendors. The AOC policy notes that existing vendors should be reimbursed for travel expenses pursuant to their contract.

APPENDIX D

AUTHORIZED TRAVEL EXPENSE RATES

Effective January 1, 2009

Lodging:

(excluding all taxes)

.....

Meals:

Breakfast \$ 6.00
Lunch \$10.00
Dinner \$18.00

Business Meals Reimbursed Pursuant to Section IX:²

Breakfast..... \$12.00
Lunch.....\$18.00
Dinner.....\$40.00

Mileage:

.....

² These are the AOC rates for reimbursement of business meals at a restaurant. They have somewhat higher breakfast and lunch rates for meals purchased at a Conference Site.

**STATE BAR OF CALIFORNIA
Payroll Policies & Procedures**

Table of Contents

Page(s)

I.	POLICY STATEMENT.....	1
II.	SCOPE	1
III.	AUTHORITY AND RESPONSIBILITY	1
IV.	PROCEDURAL GUIDELINES	2
	1. Payroll Cycle and Time Card Processing	2
	i. Payroll Cycle	2
	ii. Time Card Processing.....	2
	iii. Preparing Departmental Time Summary (DTS)	3
	2. Payroll Cutoff	3
	3. Classes of Employees	4-5
	4. Pay Types/Pay Codes	5
	i. Dockage.....	6
	ii. Holiday Pay.....	6
	iii. Jury Duty	6
	iv. Leave of Absence.....	6-7
	v. Military Leave	7
	vi. Paid Over-time.....	7-8
	5. Payroll Entries and Processing	8
	i. Departmental Employee Time Summary Processing.....	8
	ii. Salary Change Forms (Maintained by Human Resources).....	8-9
	iii. Payroll Record Retention.....	9

iv. Payroll Output.....	9-10
-------------------------	------

V. CONTROL PROCEDURES	10-11
-----------------------------	-------

VI. EMPLOYEE BENEFITS AND PAYROLL DEDUCTION	12
---	----

1. Insurance Billing.....	12
2. CalPERS Contribution.....	12-13
3. Deferred Compensations (457 Plan).....	14
4. Unemployment Insurance.....	14
5. Alternative Work Schedule Program.....	15
6. State Disability Insurance (SDI).....	15
7. Termination.....	16

THE STATE BAR OF CALIFORNIA

Office of Finance

Payroll Policy and Procedures

Effective 01/01/08	Date:	Approval: CFO	Number: FINPR09
Supersedes: NA		Date of Issuance: 01/01/08	Section: Payroll
Revision No: NA		Subject: Payroll	

I. POLICY STATEMENT

This Payroll Policies and Procedures set forth the standardized policies, guidelines, and control procedures for the Office of Finance to make salary and wage payments to State Bar employees in accordance with the State Bar's compensation policies, including those established by the Human Resources Department and the provisions of the applicable Memorandum of Understanding (MOU) for members of recognized bargaining units.

Should this policy differ from the provisions contained in a MOU or in rules and regulations that are applicable to State Bar employees, the MOU or other rules and regulations adopted by the Board of Governors shall govern.

II. SCOPE

This policy describes the State Bar's payroll process in general, including administration of salary and wage payments, timekeeping and accrual maintenance, benefit payments, and contributions, payroll deductions, payroll tax payments, wages attachment and garnishment, tax levy, payroll

schedules, and payment methods in accordance with Federal and State court orders and other appropriate legal authorities. For information related to a more comprehensive guide, compensation structures, salary administration, and other personnel matters that are not contained in this policy, employees are encouraged to consult Human Resources Department, or refer to MOU, and their related policies.

III. AUTHORITY AND RESPONSIBILITY

The Office of Finance has the authority and responsibility for establishing, and enforcing the policies and control procedures for payroll processing. The Office of Finance relies on individual departments for assistance in the collection of employment time records and reports for payroll processing. It is the responsibility of the employee to comply with this Payroll Policy for timekeeping and reporting, as appropriate to the position classification. Employees' home departments are responsible for record retention, accurate recording and reporting of employee attendance and absences, and ensuring that salary and wage payments are authorized in accordance with established policies and are appropriate within the department's annual budget adopted by the Board of Governors.

IV. PROCEDURAL GUIDELINES

1. Payroll Cycle and Time Card Processing

i) Payroll Cycle

Salaries and wages are payable on a bi-weekly basis. Paydays are scheduled for every other Friday except when such day falls on a holiday then the previous workday automatically becomes the payday.

The pay period is from Monday through the next Sunday, which covers fourteen (14) calendar days.

ii) Time Card Processing

All employees must submit a time card to their department supervisors or managers, to reflect hours worked for the pay period, on a bi-weekly basis. Executive staff only submits the time card to record absences from work. The primary function of the time card (Form 5100) is to "capture" hours worked paid time off and hours absent from work.

The following is a guideline to complete the time card:

- 1 Express hours worked and taken in fixed numbers two digits to the right of the decimal point. Example: 7.25 hrs. (Remember, 7.25 hrs is 7 hrs & 15 minutes, not 25 minutes)
- 2 Use appropriate code to record daily activities.
 - a) Exempt full-time employee — Record all hours worked other than normal work schedule hours using the proper activity codes for these hours, also record all hours absent from work for non-executive staff exempt employees. For Executive Staff, it is not necessary to record or deduct hours away from work for less than one day from leave banks. Exempt employees are not eligible for over-time pay.

- b) Non-exempt full-time employee — Record all hours worked other than the normal work schedule hours and all hours absent from work using the proper activity codes.
 - c) Exempt part-time employee — Record all hours worked and hours absent from normal work schedule using proper activity codes. Also, record paid legal holidays. These employees are not eligible for over-time pay.
 - d) Exempt casual-hourly employee - Record all hours worked. Hours absent from normal work schedule are non-paid. These employees are not eligible for over-time pay.
 - e) Non-exempt part-time employee — record all hours worked and hours absent from employee's normal work schedule. Also record paid legal holidays that fall on an employee's scheduled workday.
 - f) Non-exempt casual hourly - Record all hours worked. Hours absent are non-paid. Over-time is paid for all hours worked by casual hourly employees over 40 hours in a week or 8 hours in a day at the rate of time and a half.
3. At the end of each pay period, summarize and post totals to the pay period summary portion of the form. Submit completed time card to your immediate supervisor by 9:00 a.m. on the first working day following payday.

iii) Preparing Departmental Time Summary (DTS)

1. Payroll will distribute a Departmental Employee Time Summary Form (DTS) to each department with the pay checks on a pay day. The leave balances reported on the form are as they appear on the employee pay check stubs.
2. Employees must submit their completed time cards to their supervisor by 9:00 a.m. on the first working day following pay day.
3. A supervisor or his/her designee must complete the DTS using the employee time cards as input.
4. Please use red ink to complete the DTS.
5. If a time card shows no activities to be posted, mark a solid line across the area provided for posting of absences and over-time hours on the DTS.
6. Add employees (newly hired or transferred), during the pay period by writing in the full name, employee number and first day worked and the words "new hire" or "transferred."
7. If a termination or a leave of absence is expected during the **coming** pay period, write the word "Terminated" or "Leave of Absence" and last day worked under the employee's name.
8. When an employee is absent and has not submitted a time card, the supervisor shall try to contact the employee and prepare a substitute time card. If that fails and there is no record of the employee's attendance during the pay period, write "CAN" (time Card Not Available) under the comments area. **Note: The employee's paycheck will not be processed when "CAN" is marked.** After the employee returns to work and completes a time card, the supervisor may obtain a blank DTS from Payroll to transmit the late time card data. Write the word "late" across the top, and write in the employee's name, employee number, department, pay period and any reportable hours. This special DTS must be completed for Payroll to process a payroll check.
9. The preparer must enter department totals.

10. The preparer must sign the form to signify that the data posted are taken from the time cards and have been checked for accuracy.
11. The completed DTS and time cards shall be submitted to the department supervisor or manager for review and approval. After approving the DTS, make a copy for the department records and send the original to Payroll.
12. File time cards within the employee's department. Do not send them to Payroll.
13. The DTS preparers must be alert that any time card codes that should be a reduction to the employee's pay must be transferred to the Department Summary Sheet (Form 202) under code "N" for dockage. Examples of Dockage: Non-paid personal leave, PTO hours in excess of leave bank, suspension without pay, etc.... Employees not on paid status before a legal holiday must not be paid for it.
14. Part-time employees must not be paid for the legal holiday that does not fall on their regular scheduled workday.

2. Payroll Cutoff

1. The DTS is due in Payroll by 2 p.m. on the first working day following pay day.
2. A DTS that misses the 2 p.m. deadline will be too late for a computer generated check. Payroll will prepare manual payroll checks for the employees affected but these checks will not be available until after 3:30 p.m. but before 5:00 p.m. on pay day.
3. Payroll Change Forms and Transit Subsidy Reports from Human Resources Department are due in Payroll by 12:00 noon on the first Friday following a payday.

3. Classes of Employees

Employees are governed by the Rules & Regulations and the Memorandum of Understanding (MOU) contracts for their respective unit.

The classes of employees are as follows:

- i. **Judges**- Appointed by the California Supreme Court
- ii. **Executive Staff** - Rules & Regulations
- iii. **Confidential Unit** - Rules & Regulations
- iv. **Attorney Unit** - Memorandum of Understanding contract
- v. **General Unit** - Memorandum of Understanding contract
- vi. **Casual Hourly** – Memorandum of Understanding Section

4. Pay Types/Pay Codes

All employees must complete a time card for all hours worked (not including executive staff.

OVER-TIME Over-time pay is authorized for non-exempt employees only. Over-time pay is not authorized for exempt employees

ABSENCES Full time and part time employees must identify absences from scheduled workday by using the applicable code. Casual employees are paid only for hours worked and do not report absences. San Francisco casual employees may use accrued sick leave per the San Francisco Sick Leave Ordinance.

HOLIDAY Holiday hours are reported as regular hours. Employees who are required to work on a holiday may code hours worked as "H-(hrs)" for time and one-half pay in lieu of taking compensatory time.

Part time employees must record "R-(hrs)" if they are required to work that day.

Part time employees will be paid for holidays on a pro rata basis according to the percentage of the normal individual workweek within which they work.

REPORTING Write the applicable CODE followed by the numbers of hours in the date box (e.g. V-7.25 for a vacation day).

PAY CODE LEGEND

R	Regular Hours	V	Vacation
O	Over-time at straight pay rate (after working 7.25 but less than 8 hours in one day up to 40 hours in a calendar week)	S	Sick
H	Over-time at time and one-half (after working 8 hours in one day or 40 hours in a calendar week) Over-time at double time (effective on the 7 th consecutive day worked in a calendar week)	B	Bereavement
D		C	Compensatory time
P	Personal time off	J	Jury Duty
F	Floating holiday	M	Military Leave
		W	Worker's Compensation
		N	Dockage (time off with no pay)

- i) **Dockage** -Dockage shall be defined time not paid.

There shall be no payment of vacation/sick/personal or floating holiday time in excess of accrued leave available and any excess shall be docked from the employee's paycheck.

- ii) **Holiday Pay** - Except as noted, employees Not on Paid status before or after the holiday shall not receive holiday pay. However, employees returning from an approved leave of absence on a holiday shall be paid for that holiday.

Regular part-time employees or employees on a reduced hour schedule shall receive pay for recognized holidays on a pro-rata basis according to the percentage of full time hours they are scheduled to work on that holiday. Part-time employees or employees on a reduced

hour schedule not scheduled to work on the day on which the holiday falls will not receive holiday pay.

- iii) **Jury Duty** –In the event that an Employee is called for Jury Duty or is subpoenaed to appear as a witness in a state or federal court proceeding in which the Employee is not a party nor has an economic interest, the Employee will receive his/her regular salary.

Any payments received by the employee for serving on a Jury or as witness must be returned to the Bar by the employee. (Note: Reimbursement for mileage paid by a court belongs to the employee and does not have to be remitted to the State Bar of California.)

Upon receipt of the jury duty, witness fee, or personal check from the employee, the check is endorsed "For deposit to the Account of The State Bar of California." The check is entered on the weekly summary of receipts crediting the cost center of the respective employee and salary account. The check is forwarded to Office of Finance for deposit.

- iv) **Leave of Absence** - An unpaid leave of absence shall be defined as an approved absence from work without pay. An unpaid leave of absence shall not exceed a period of twenty-six (26) workweeks.

A Leave of Absence with integration is a leave wherein the employee is supplementing disability or Workers Compensation payments with payments for hours drawn from his/her leave banks. This can only be done through prior arrangement with Human resources. Integrating with SDI or other non-State Bar income sources does not make the leave of absence paid for State Bar purposes. There shall be no accrual of vacation or paid sick leave during an unpaid leave of absence consisting of thirty (30) days or more.

There shall be no holiday pay while on an unpaid leave of absence status.

An employee on unpaid leave of absence may choose to integrate accrued sick leave or vacation (paid time off) with the unpaid leave of absence. In such cases, the employees shall receive the same benefits as being on paid status during the period paid time off is used prorated to the percentage the paid time off is to a full time schedule.

(Employees shall accrue sick/vacation hours prorated to the hours actually paid.)

- v) **Military Leave** -Military Leave and accompanying rights will be granted as provided by law.

Public employees' rights while on temporary military leave as interpreted by General Counsel is as follows:

Military and Veteran Code Section 395 provides that a public employee who has been employed for a period of more than one year, or whose employment and prior full time active military service during time of War combined exceed one year, is entitled to receive his/her salary as a public employee for the first 30 calendar days while on temporary military leave of absence. Employees of the State Bar are considered public employees within the meaning of this section.

A Public employee on military leave shall continue to accrue Paid Time Off during their absence in the same amount they would have received if they had not been absent from employment.

- vi) **Paid Over-time** - Non-exempt employees must obtain the authorization of his/her immediate supervisor/manager prior to working any time in excess of the individual workweek or individual workday.

A non-exempt employee is any individual employed by the State Bar to perform duties, which are not executive, professional or administrative in nature as those terms are defined in the Fair Labor Standards Act. Non-exempt employees are eligible for over-time pay or Compensatory Time Off as follows:

Straight Over-time: Time worked in excess of 7.25 hours but less than 8 hours per day, or hours worked on a weekend to bring total hours up to 40 hours in a calendar week. **(Timecard Code "O")**.

Time and One-Half Over-time: Chargeable time worked in excess of eight (8) hours during the calendar day or forty (40) hours during the calendar week will be paid at one and one-half (1 1/2) times the employee's straight time hourly rate. **(Timecard Code "H")**.

Double Time: Time worked on the seventh consecutive day of a calendar week will be paid at two (2) times the employee's straight time hourly rate. **(Timecard Code "D")**.

Compensatory Time Off: A Non-Exempt Employee may elect in writing to receive compensatory time off in lieu of Over-time pay. Compensatory time will be calculated in a similar manner to that in which over-time is paid. For example, hours which would be paid at "straight over-time" equal 1 hour each comp. time, hours that would be paid at "time and one-half over-time" equal 1.5 hours each comp. time and hours that would be paid at "double time" equal 2 hours each comp. time. Compensatory time off is not shown on the paycheck or Department Time Summary. The information is held in the department only and is administered by the department manager.

Workers' Compensation: The State Bar pays wages for the first three (3) days of approved disability absence due to injuries on the job and is reported as a "W" on the time card. Time spent for physical therapy and medical appointments related to the injury may also be reported as a "W" on the time card.

Alternative Work Schedules (AWS): Non-exempt employees on AWS are paid over-time in conformity with their AWS agreement. Over-time is calculated based on the adjusted "normal" workday as set forth in the AWS agreement. Over-time is not paid for time worked within the "normal" workday. Over-time is paid for time worked beyond the "normal" workday as adjusted in the AWS agreement.

During a payperiod which includes one or more holidays, non-exempt employees must work an additional 0.75 hours for each holiday during the pay period to make up the difference between the AWS schedule and the "normal" holiday hours paid.

Part-time -- A regular part-time employee is an employee who is employed on a regular and continuous basis, but whose actual work schedule is less than full-time, but in no event, less than 20 hours per week. Wages for part-time employees are prorated to the percentage the part-time schedule is to a full-time schedule. Employee insurance benefit coverage continues unprorated. Sick and vacation accruals are pro-rated.

5. Payroll Entries and Processing

All DTS forms and payroll change forms must be approved prior to any payroll processing by the payroll or Human Resources units. Any data change in the payroll system must be substantiated by necessary documentation.

i) Departmental Employee Time Summary Processing

1. Sort Departmental Employee Time Summary forms submitted by State Bar departments by Cost Centers;
2. Review supervisor's approval for authenticity;
3. Enter Departmental Employee Time Summary data onto the payroll system.

ii) Salary Change Forms (Maintained by Human resources)

1. New Hire - Regular full-time employees are paid the first payday after hire date. Casual hourly and regular part-time employees are paid a pay period behind.
2. Salary changes - Salary Changes, LOA's (leave of absence), and Returns from LOA are effective on the pay period shown on the Employee Change Form and are retroactive to the effective date appearing on the form.
3. Termination - Employees that are terminating are paid for the number of days worked during the last pay period only after submitting their final time card. They are also paid, if applicable, for any vacation/sick leave accrued but not used in accordance with the MOU.
4. For those employees with direct deposit, the direct deposit account is canceled after the last paycheck to ensure that money cannot be deposited into a terminated employee's account.
5. Calculate the appropriate pay and attach the calculations to the employee change form for input. Employee information from the Salary Change Form is entered into the payroll system by Human Resources.

iii) Payroll Record Retention

These documents as enumerated below are processed and filed in Payroll or Human Resources by pay period except as otherwise stated.

1. Form W4 - filed by Human Resources in employee's personnel file
2. Form DE-4 - filed by Human Resources in employee's personnel file
3. Direct Deposit Forms by Human resources in employee's personnel file
4. Garnishment - Filed in Garnishment File by Payroll
5. Union Dues Authorization Form - filed by Human Resources in employee's personnel file

6. Medical Health Deductions - Maintained in Oracle database
7. Other Miscellaneous documents received - filed by Payroll

iv) Payroll Output

Payroll output consists of payroll checks, advice of deposits, and a payroll reports that contain all related information.

The following steps are taken to ensure control over payroll output:

1. San Francisco Location - the Chief Financial Officer designates an individual to keep the payroll checks, direct deposit stubs and payroll reports for the northern California offices. (This individual should not be involved in Payroll processing.) The payroll reports are prepared by the Payroll Office. The checks are distributed on payday to office representatives for further distribution.
2. Los Angeles Location - The Administrative Services Dept. in the Los Angeles office receives the payroll checks and direct deposit stubs from the Office of Finance in San Francisco. The checks are distributed on payday to office representatives for further distribution.
3. Sacramento Location - The Office of Government Affairs receives the payroll checks and direct deposit stubs for the Sacramento Office. The checks are distributed to employees on payday.

An employee's pay deposit advice can be accessed electronically and printed by using a secure employee self-service application. Payroll checks/paystubs printed by Payroll are to be distributed to the individuals specifically authorized by the department managers in writing to receive them. If an employee is away from the office on payday, their check is to be returned to the Office of Finance S.F., or the Office of Human Resources, L.A., by the end of the day. The returned paychecks can be picked up from the designated offices by the employee upon return. Alternatively, paychecks/paystubs can be mailed to employees away from the office if requested by the employee.

V. CONTROL PROCEDURES

Internal controls provide assurance that the large volume of information required for each payroll run is processed promptly and accurately. The State Bar of California must be in compliance with federal and state laws, which govern employee wages, payroll taxes and contracts with employee labor organizations. Concise internal controls are necessary in this area due to the impact on individual employees and the large costs involved.

Payroll Procedure Controls:

1. All changes in employment status (additions and terminations), salary and wage rates and employee deductions should be properly authorized, approved and documented in writing.
Purpose: This control decreases and limits fraud and unintentional errors.
2. All payroll forms for status changes should be immediately forwarded to the payroll unit for prompt review and processing.
Purpose: To ensure that payroll records are accurate, to eliminate future adjustments

and to comply with employee bargaining unit contracts.

3. Access to payroll change forms should be controlled at all times and locked, whenever possible.

Purpose: To reduce the risk that fraudulent transactions could be made by forging authorized signatures and other information.

4. The assigned employee responsible for monitoring and approving the hours worked should be different from the employee who distributes the paychecks.

Purpose: Segregation of duties between employees responsible for employment, time cards, payroll preparation, record keeping and distribution of payroll checks reduces the risks of fraud and theft.

5. Supervisors should verify by direct observation, the actual time worked by hourly employees and review the time-card documentation.

Purpose: Supervisors determine whether the hours stated on the employees' time-card are accurate/valid.

6. Require prior authorization by a supervisor for all employee over-time hours during a pay period.

Purpose: Prior authorization should be required for all over-time hours and should be allowed only for a specific, verifiable purpose. This control reduces payroll fraud of reporting over-time hours worked (when the employee didn't actually work the over-time), especially if the supervisors are not on-site during the over-time hours.

7. Authorized employees that have payroll information located or transmitted using their computers should be required to log off their computer whenever they leave their area for breaks, lunch, meetings etc.

Purpose: To ensure that unauthorized individuals cannot view, review or input data.

8. Authorized employees that transmit payroll information using computers, should restrict access to the payroll programs by assigning passwords. These non-obvious passwords must not be placed or posted anywhere near the terminal.

Purpose: Passwords provide a control over sensitive payroll information.

9. Each pay period, a designated Confidential employee, who has no other payroll duties, should review the payroll reports, which show the changes to the payroll records.

Purpose: A review by an independent employee ensures that all the payroll changes were properly authorized and encoded correctly.

10. Undistributed payroll checks should be locked at all times.

Purpose: To limit access by unauthorized individuals. Undistributed payroll checks are negotiable instruments and can be cashed.

11. The distribution of payroll checks should be delegated to an employee with no other payroll functions.

Purpose: Segregation of duties requires that employees who have physical custody of payroll checks not be allowed access to records, authority to hire, or to approve payroll transactions.

12. Payroll checks should never be distributed to employees prior to the actual pay dates without providing specific instructions not to cash the checks prior to the date on the check. Payroll checks picked up by a representative prior to the date shown on the checks should be locked.

Purpose: Premature distribution of paychecks to employees creates the possibility that a check will be deposited or cashed by an employee prior to the date that it is legally valid.

VI. EMPLOYEE BENEFITS AND PAYROLL DEDUCTION

The following describes the State Bar's payroll procedures relating to employee insurance contributions and deduction. For further information, consult the MOU, Human Resources Department and their related policies.

1. Insurance Billing

The Kaiser Foundation, Aetna, Dental and Vision Plan bills are due by the first day of the month covered. Human Resources is responsible for ensuring the accuracy of these billings before payment.

ADDITIONS:

Employees, upon their eligibility date, are added to the billing by the Human Resources Department. Payment is made retroactively when forms miss the billing process for that particular effective month.

DELETIONS:

Employees are deleted from their coverage at the end of the month upon termination of employment or discontinuation of coverage

COBRA and LOA COVERAGE:

Terminated employees can opt to be covered for medical, dental, and vision care by paying the actual premium price for these options each month.

Terminated employees requesting COBRA coverage can be covered for only for the period allowed by law.

LOA employees continue benefits coverage according to the MOU and appropriate federal and state laws.

2. **CalPERS Contribution.** All regular must be enrolled in the California Public Employees Retirement System" (CalPERS) immediately upon date of hire. Casual hourly employees must be enrolled in CalPERS upon completing 1000 hours of work during a CalPERS fiscal year (July-June).

Member Earnings

The employee's CalPERS deduction is based on for services during that one pay period.

- a) Calculations for a new enrollee or a terminated/LOA are computed for the actual number of days worked during the pay period.
- b) In addition to monthly earnings, retroactive payments or adjustments are also reported

to CalPERS as a separate entry using codes 13 for adjustments or 15 for retroactive payments. The gross amount of the retro is reported in full.

Membership Contribution - The monetary amount of contributions to be posted to the member's account for each payroll entry is as follows:

7% of the Members earnings are paid by the State Bar as an Employee Benefit.

CalPERS Report - The CalPERS report is generated bi-weekly after all changes are made dealing with employees' accounts. The report shows the social security number, name, pay rate, earnings and contribution amount and codes amongst other important information that CalPERS requires to maintain complete files.

At the close of each pay period, the Payroll Department generates a report that parallels the information that is required by CalPERS. Changes as necessary are then made to the individual accounts.

Retros, adjustments and dockage are the most common reasons why there are discrepancies. The system CalPERS has three codes, which are most often used when reporting pay data information.

11 -Regular Payroll information

13 -Adjustment to Previous Payroll

15 -Retro Adjustment

Eighty Percent (80%) of the total payment is due in the CalPERS office within 15 days of the pay date. The original hard copy and diskette is sent to CalPERS no later than thirty-one days following the close of a service period. At this time the balance of the CalPERS payment is due.

3. **Deferred Compensation (457 Plan)** The Deferred Compensation Plan Salary Reduction Agreement, signed by the employee must support all payroll deductions for the deferred compensation plan.

An employee may be eligible to enroll on the 457 Deferred Compensation Plan Program only after completion of three full months of employment with the Bar as a regular full-time or part-time (20 hours per week or more) employee.

Changes to contribution amounts are completed by the employee through employee self-service. Reallocations are completed by the employee through the Fidelity website.

4. **Unemployment Insurance** Unemployment insurance of State Bar employees is strictly on a reimbursable basis. Payment is made directly from the EDD's Employer Account Statement form DE 2176 billed on a quarterly basis to State Bar account #932-0097-0.

The breakdown of the unemployment insurance is enumerated on EDD's form DE 428R.

- a) Check form DE 428R to ensure that each and every claimant is indeed a former employee of the State Bar.

- b) Upon receipt of form DE 2176, crosscheck the billed amount with form DE 428R then process for payment assuming everything is correct. The GL account number to charge it under should be affixed.

5. **State Disability Insurance (SDI)** State Disability Insurance is deducted only for the Attorney and the General Units. The Judges, Executive and Confidential Units are covered by the State Bar disability policy. The Proctors and Casual Hourly employees are not covered by SDI.

SDI is an automatic payroll deduction to the Attorney and the General Units. The deducted percentage and the maximum amount to be deducted is set by The Employment Development Department and may vary on an annual basis.

7. **Termination** The Termination date must be the employee's last day of work, and manual checks shall be issued for final paychecks only with the Finance Manager's approval, unless an exception is made final checks shall be manually prepared.

1. Receive from Human Resources employee's change form to ~~Payroll~~ as early as ten (10) days before employee's termination date.
2. Receive from Human Resources employee's approved timecard two (2) days before termination date.
3. Cancel employee's direct deposit or computer check if applicable.
4. Prepare check request for final paycheck using estimated number of hours due employee and deduct medical, outstanding advances, etc. from the final pay.
5. Any change on the estimated timecard submitted should be reported to Payroll one day prior to the issuance of final paycheck. Properly reflected timecard changes will appear on the paycheck.