Secretary of State

State of Oregon

OREGON STATE BAR

For the Two-Year Period Ended December 31, 1997

Audits Division

-

Secretary of State

State of Oregon

OREGON STATE BAR

For the Two-Year Period Ended December 31, 1997

Audits Division

No. 98-27

July 15, 1998

OFFICE OF THE
SECRETARY OF STATE
Phil Keisling
Secretary of State

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Director

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Auditing for a Better Oregon

The Honorable John Kitzhaber
Governor of Oregon
State Capitol
Salem, Oregon 97310

Board of Governors
Oregon State Bar
5200 SW Meadows Road
Lake Oswego, Oregon 97035

This audit was conducted for the purpose of reporting on the financial statements of the Oregon State Bar Fund of the Oregon State Bar (bar) as of and for the two-year period ended December 31, 1997. Our Independent Auditor's Report on the financial statements is included in the FINANCIAL SECTION of this report.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As also required by those standards, we reviewed the bar's internal controls and compliance with applicable laws and corporation bylaws. Our report on the results of those reviews are included in the AUDIT RESULTS section of this report.

OREGON AUDITS DIVISION

John N. Lattimer
Director

Fieldwork Completion Date:
April 24, 1998

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SUMMARY

BACKGROUND

The Oregon State Bar (bar) licenses and disciplines attorneys and examines applicants for admission to the practice of law in Oregon. All persons actively practicing law in Oregon are required to be members of the bar. At the end of 1997, there were more than 11,000 active members.

The bar is funded primarily through annual membership fees and program fees. For the two-year period ended December 31, 1997, the bar reported total revenues of $15.7 million and total expenses of $15.5 million.

The bar is comprised of the Oregon State Bar Fund and the Professional Liability Fund (PLF). The financial activities of the PLF are audited and presented separately from the bar's activities.

AUDIT PURPOSE

The audit was conducted for the purpose of reporting on the bar's financial statements for the two-year period ending December 31, 1997 and on the bar's internal controls and compliance with applicable laws and corporation bylaws.

AUDIT RESULTS

The audit resulted in an unqualified opinion, which is a conclusion that the financial statements taken as a whole are presented fairly.

INTRODUCTION

ORGANIZATION AND FUNCTIONS

The Oregon State Bar (bar) was created in 1935 as a public corporation and instrumentality of the Judicial Department of the state of Oregon. It is not part of the reporting entity of the state because it does not meet the requirements for inclusion under Governmental Accounting Standards Board (GASB) Statement No. 14. The bar is both legally separate from and fiscally independent of the state.

The bar is comprised of the Oregon State Bar Fund and the Professional Liability Fund (PLF). The financial activities of the PLF are not included in this presentation. Financial information and statements of the PLF are presented in a separate annual report, which is available from PLF headquarters located in the Oregon State Bar Center building at 5200 SW Meadows Road in Lake Oswego.

The bar is administered by a 16-member Board of Governors, which is charged with the executive functions of the bar. The Board is comprised of 12 active attorney members, representing six geographic regions, and four public members. The bar membership elects attorney members of the Board for four-year terms. The Board appoints public members.

The Board of Governors has authority to appoint such officers, employees, and committees as it deems necessary and to fix and pay their compensation and expenses. The Board appoints an Executive Director to act as the principal administrative officer of the bar.

FINANCIAL ACTIVITIES

Funding for Oregon State Bar activities comes from annual membership dues, continuing legal education (CLE) programs and publications, admissions fees, and other income. Member dues and fees, increases in which must be approved annually by a vote of the membership in attendance at the bar's annual meeting, represent approximately 48 percent of total revenues; program revenues, including fees from admissions, CLE programs, and the sale of publications, represent another 46 percent of total revenues. Investment and other miscellaneous income make up the remainder.

The bar operates under annual budgets that are adopted and approved by the Board of Governors. Expenses are incurred by the following divisions: Member and Public Services, Regulatory Services, Executive Services, and Support Services. Support Services include finance and administration and the Oregon State Bar Center (building) costs. Expenses are also incurred by and charged separately to the Client Security Fund, Affirmative Action Program, and 36 substantive law sections. The bar also provides certain support services to the Professional Liability Fund and the Oregon Law Foundation. The Oregon Law Foundation is a charitable and public service corporation and is legally separate and fiscally independent of the bar.

Accounting policies of the bar comply with generally accepted accounting principles for governmental units. All financial activities are accounted for in enterprise funds; that is, they are accounted for in a manner similar to private business enterprises where the intent is to recover all expenses through charges and services.

AUDIT RESULTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Oregon State Bar Fund (bar), as of and for the two-year period ended December 31, 1997, and have issued our report thereon dated April 24, 1998.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control

The management of the bar is responsible for establishing and maintaining a system of internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of an internal control system are to provide management with reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with laws and regulations. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of the Oregon State Bar for the two-year period ended December 31, 1997, we obtained an understanding of internal control. With respect to the internal control system, we obtained an understanding of the design of relevant controls and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control. Accordingly we do not express such an opinion.

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Our consideration of internal control would not necessarily disclose all matters affecting internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We found no matters involving internal control or its operations that we consider to be material weaknesses as defined above.

Compliance

Compliance with laws and corporation bylaws applicable to the bar is the responsibility of the bar's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the bar's compliance with certain provisions of laws and bylaws. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

April 24, 1998

REPORT DISTRIBUTION

This report is a public record and is intended for the information of Oregon State Bar management, the Board of Governors, the governor of the state of Oregon, the Oregon Legislative Assembly and all other interested parties.

COMMENDATION

The courtesies and cooperation extended by the officials and staff of the Oregon State Bar during the course of the audit were very commendable and sincerely appreciated.

AUDIT TEAM

Joel Leming, CPA, Audit Administrator
Ann Waterman, CPA
Jason Stanley, CPA
Nancy Young
Ronald Forehand
Heidi Kolibaba

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Oregon State Bar Fund of the Oregon State Bar, as listed in the table of contents, as of and for the two-year period ended December 31, 1997. These financial statements are the responsibility of the Oregon State Bar management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the transactions and balances attributable to the activities of the Oregon State Bar Fund and are not intended to present fairly the financial position of the Oregon State Bar as a whole and the results of operations and cash flows of all its enterprise funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon State Bar Fund of the Oregon State Bar as of December 31, 1997, and the results of its operations and cash flows for the two-year period then ended in conformity with generally accepted accounting principles.

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A report in accordance with *Government Auditing Standards* on the bar's internal control and compliance with applicable laws and corporation bylaws is separately presented in the AUDIT RESULTS section of this report.

OREGON AUDITS DIVISION

Sharron E. Walker, CPA, CFE
Deputy Director

April 24, 1998

EXHIBIT A

STATE OF OREGON

OREGON STATE BAR

Lake Oswego, Oregon

BALANCE SHEET

December 31, 1997

Assets	Oregon State Bar Fund
Cash and Cash Equivalents (Note 2)	$1,813,756
Investments: (Note 3)	
Marketable Securities	2,918,062
Deferred Compensation Funds (Note 4)	511,639
Interest and Other Receivables – Net of Allowance for Uncollectible Accounts	194,248
Publications Inventory (Note 1)	493,664
Prepaid Expenses and Deposits	200,647
Land	242,017
Building (net)	2,238,078
Furniture and Equipment (net)	562,814
Total Assets	$9,174,925

Liabilities and Equity	
Liabilities:	
Accounts and Other Payables	$ 292,397
Deferred Compensation Funds (Note 4)	511,639
Compensated Absences (Note 6)	214,784
Deferred Revenue (Note 1)	1,461,350
Long-Term Payables (Note 9)	231,159
Mortgage Payable (Note 8)	1,375,469
Total Liabilities	$4,086,798
Equity:	
Retained Earnings: (Note 10)	
Reserved	$ 741,947
Unreserved	4,346,180
Total Retained Earnings	$5,088,127
Total Liabilities and Equity	$9,174,925

The accompanying notes are an integral part of the financial statements.

STATE OF OREGON
OREGON STATE BAR
Lake Oswego, Oregon
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Two-Year Period Ended December 31, 1997

Revenues	Oregon State Bar Fund
Bar Membership Fees (Note 11)	$ 7,499,389
Bar Program Fees	7,149,563
Investment Income	592,352
Rental Income (Note 12)	262,971
Other Income	169,576
Total Revenues:	$15,673,851

Expenses	
Administrative Expense:	
Salaries and Benefits	$ 7,509,148
Services and Supplies	2,052,432
Depreciation (Note 1)	456,079
Interest Expense	241,254
Total Administrative Expense:	$10,258,913
Program Expenses	$ 5,230,262
Total Expenses:	$15,489,175
Net Income	$ 184,676
Retained Earnings – January 1, 1996 as previously reported	$ 4,870,300
Cumulative effect to restate beginning investment balance at fair value (See Note 10)	33,151
Retained Earnings – January 1, 1996 as restated	$ 4,903,451
Net Income	184,676
Retained Earnings – December 31, 1997	$ 5,088,127

The accompanying notes are an integral part of the financial statements.

EXHIBIT C

STATE OF OREGON
OREGON STATE BAR
Lake Oswego, Oregon
STATEMENT OF CASH FLOWS
For the Two-Year Period Ended December 31, 1997

Increase (Decrease) in Cash and Cash Equivalents	Oregon State Bar Fund
Cash Flows from Operating Activities:	
Net Income	$ 184,676
Adjustments to Reconcile Net Income to	
Net Cash Provided by Operations:	
Depreciation	456,079
Interest Expense	241,254
Investment Income	(592,352)
Loss on Disposal of Fixed Assets	14,442
Changes in Operating Assets and Liabilities:	
Decrease in Net Receivables	$ 838
Increase in Prepaids and Deposits	(96,593)
Increase in Publication Inventory	(21,616)
Decrease in Accounts and Other Payables	(32,571)
Increase in Deferred Revenues	399,457
Increase in Compensated Absences Payable	$ 34,985
Net Cash Provided by Operating Activities	$ 588,599
Cash Flows from Investing Activities:	
Purchases of Investments	$(1,612,132)
Proceeds from Investments Sold or Matured	1,118,000
Interest Received from Investments	578,899
Net Cash Provided by Investing Activities	$ 84,767

The accompanying notes are an integral part of the financial statements.

Increase (Decrease) in Cash and Cash Equivalents	Oregon State Bar Fund
Cash Flows from Capital Financing Activities:	
Principal Paid on Mortgage and Capital Lease	$ (191,301)
Purchase of Building Improvements	(288,179)
Interest Expense	(241,254)
Purchase of Fixed Assets	$ (187,490)
Net Cash Used for Capital Financing	$ (908,224)
Net Decrease in Cash and Cash Equivalents	(234,858)
Cash and Cash Equivalents – January 1, 1996	$ 2,048,614
Cash and Cash Equivalents – December 31, 1997	$ 1,813,756

STATE OF OREGON
OREGON STATE BAR
Lake Oswego, Oregon
NOTES TO FINANCIAL STATEMENTS
JANUARY 1, 1996 TO DECEMBER 31, 1997

(1)

Summary of Significant Accounting Policies

A. Organization

The Oregon State Bar (bar) was created in 1935 as an official state body charged with the duty of licensing and disciplining attorneys and examining applicants for admission to the practice of law. The bar is a public corporation and an instrumentality of the Judicial Department of the State of Oregon. All persons actively engaged in the practice of law in Oregon are required to be members of the bar.

The bar is governed by a 16-member Board of Governors. The Board is comprised of 12 active member attorneys representing six geographic regions, and four public members. Attorney members of the Board are elected by the bar membership for four-year terms. Public members are appointed by the Board.

The bar is comprised of the Oregon State Bar Fund and the Professional Liability Fund (PLF). The financial statements and accompanying notes presented for the Oregon State Bar Fund represent only a portion of the bar. The accounts of the Professional Liability Fund are not included in this presentation. Financial information and statements of the Professional Liability Fund are presented in PLF's annual report, which is available from PLF headquarters located in the Oregon State Bar Center building at 5200 SW Meadows Road in Lake Oswego.

B. Basis of Presentation

The accompanying financial statements are prepared in accordance with generally accepted accounting principles applicable to enterprise funds. Enterprise funds are used to account for operations that are financed and managed in a manner similar to private business enterprises or where the governing body had decided that periodic determination of net income is appropriate.

C. Basis of Accounting

The accrual basis of accounting is used by the bar in measuring financial position and operating results. Revenues are recognized in the period when earned and expenses are recognized in the period incurred.

As permitted by the Governmental Accounting Standards Board (GASB) Statement No. 20, the bar has elected not to apply FASB pronouncements issued after November 30, 1989, unless GASB amends its pronouncements to specifically adopt FASB pronouncements after that date.

(1)-Continued

D. Cash and Cash Equivalents

For financial reporting purposes, the bar considers cash and cash equivalents to include cash on hand, cash in bank checking and savings accounts, and other short-term investments which are readily convertible to cash (cash equivalents). Cash equivalents include deposits in the state treasurer's Local Government Investment Pool (LGIP), which are reported at fair value.

E. Investments

Investments, consisting primarily of government notes, are stated at fair value as required under GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As stated above, the bar considers all highly liquid investments (such as the deposits in the LGIP) with a maturity of three months or less to be cash equivalents for financial reporting purposes.

F. Fixed Assets and Depreciation

Fixed assets (building, office and data processing equipment and furniture) are recorded at cost and charged to expense over their useful lives by use of the straight-line method of depreciation. The Oregon State Bar Center building is being depreciated over a 50-year period. All other assets, including assets acquired under lease-purchase contracts, are depreciated over their estimated useful lives ranging from three to ten years.

G. Publications Inventory

The bar maintains an inventory of publications for sale to members and other interested parties. The ending inventory of unsold publications is valued largely at estimated cost. Expenses of the Continuing Legal Education program are adjusted upward or downward for changes in the inventory valuation at year-end.

H. Deferred Revenues

Bar membership fees received prior to the beginning of the membership year (January 1) are reflected as Deferred Revenues in the bar's balance sheet.

(2)

Cash and Cash Equivalents

At December 31, 1997, the bar had book balances totaling $365,683 and bank balances totaling $691,600 on deposit with two financial institutions. Bank balances in excess of federal depository insurance limits are uninsured and uncollateralized. The difference between bank and book balances is primarily due to outstanding checks and deposits in transit at year end.

(3)

Investments

Bar investments are made in accordance with policy guidelines adopted by the Board of Governors. The policy requires that bar funds be invested in a manner which ensures the protection of the bar's cash assets and emphasizes safety, liquidity and rate of return.

Bar Fund investments are categorized to give an indication of the level of risk assumed by an entity at year-end. Category A includes investments that are insured or registered, with securities held by the bar or its agent in the bar's name. Category B includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the bar's name. Category C includes uninsured and unregistered investments, with the securities held by the counterparty or by its trust department or agent but not in the bar's name.

The following table summarizes the fair value and custodial risk of the bar's investments at December 31, 1997.

Type	Fair Value	Risk Category
Classified as to Risk:		
Government Securities	$2,918,062	C
Unclassified as to Risk:		
Deposit in LGIP	1,447,673	
Deferred Compensation (see Note 4)	511,639	
Total Investments:	$4,877,374	

The total carrying amount of investments shown in the previous schedule includes LGIP deposits which are reported as cash equivalents on the balance sheet.

(3)-Continued

As a result of implementing GASB Statement No. 31, investments are reported at fair value. In previous periods, investments were reported at amortized cost. The change to fair value reporting resulted in a restatement of beginning retained earnings. See Note 10.

The change in the fair value of investments is now considered a component of investment income. The change in the fair value of investments from January 1, 1996, to December 31, 1997, was $13,452, which represents approximately 2.3% of the total investment income of $592,352 reported for the period.

(4)

Deferred Compensation Plans

The bar has an established deferred compensation plan, as authorized by Internal Revenue Section Code 457, which is available to all employees who elect to participate. The plan allows employees to defer a portion of their compensation until future years. Such compensation, as deferred, is nontaxable until actually received by the employee upon retirement, termination, death or unforeseeable emergency.

Under Internal Revenue Service regulations, all plan contributions, earnings, and rights thereunder, remain the property of the employer (bar) until actually received by the employee subject only to the claims of general creditors. Therefore, to recognize this fiduciary relationship, plan assets and the related liability are reflected in the bar balance sheet at year-end. Plan assets are carried at fair value ($511,639 at December 31, 1997) as prescribed by governmental accounting standards.

Under new Internal Revenue Code regulations, as of January 1, 1999, Section 457 plans will be required to be amended so that plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the employer or its creditors. As of December 31, 1997, only one of the bar's three plan administrators amended its plan documents to effect the change in the code. Ownership of the assets managed by this administrator were transferred to a custodian as of October 1997; as a result, assets valued at $518,545 and the related liability are no longer reflected in the bar's financial statements.

(5)

Defined Benefit Retirement Plan

Bar employees may participate in the Oregon Public Employees Retirement System (PERS), a cost-sharing, multiple-employer public employee retirement system. All employees of the bar are eligible to participate in the system after completing six months of service. The PERS retirement plan offers some 12 retirement benefit options. Options include annuities, survivorship benefits and lump sum payments. PERS also provides death and disability benefits.

(5)-Continued

Covered employees are required by statute to contribute 6 percent of their salaries to the plan. The employer is required to contribute actuarially computed amounts determined by PERS. Currently, the rate is 8.20 percent of covered employees' salaries. Bar employee contributions to PERS in the two-year period ending December 31, 1997, totaled $319,519, and employer contributions totaled $447,082. No pension liability existed at December 31, 1997, determined in accordance with statement No. 27 of the Governmental Accounting Standards Board.

A copy of the Oregon Public Employees Retirement System annual financial report may be obtained from PERS, PO Box 23700, Tigard, Oregon 97281-3700.

(6)

Liability for Compensated Absences

Bar employees earn vacation leave at rates from 8 to 20 hours per month depending, in part, upon their length of service. Unused vacation leave is compensable to the employee upon termination of employment. At December 31, 1997, the value of vacation leave earned by all bar employees totaled $214,784, including the employer's share of social security taxes and other related payroll costs.

(7)

Unemployment Benefits

Bar employees who qualify are entitled to benefit payments during periods of unemployment. Like state agencies, the bar does not pay unemployment insurance. The bar is required to reimburse the Employment Department for actual benefit payments made to its former employees; therefore, the potential liability cannot be determined. The bar paid unemployment expenses of $12,851 during 1997, and $32,362 during 1996.

(8)

Mortgage Payable

On May 5, 1994, the bar signed a promissory note with Harding Fletcher Co. for $1,605,500 at an annual interest rate of 7 5/8 percent. The note was to refinance the bar's mortgage and is secured by a deed of trust on the Oregon State Bar Center. The note subsequently has been purchased by Norris, Beggs, & Simpson.

The note is amortized over 15 years, and calls for monthly payments of $14,997. The entire note is due and payable on or before June 1, 2009. At December 31, 1997, the outstanding principal balance of the mortgage totaled $1,375,469.

(9)

Leases

Financial reporting and accounting procedures differ between operating leases and capital leases. Operating leases are rental agreements where the payments on these leases are chargeable as rent and recorded in the on-line charge expense account. Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded.

The bar is currently leasing office equipment under 48 and 36 month operating leases. The bar is also leasing computer equipment under 54 and 48 month capital leases which will expire in June 2001. The following is a schedule by year of the future minimum lease payments for the operating and capital leases. Total lease expenses for the year ended December 31, 1997, and 1996 were $47,408 and $14,735, respectively.

Year	Operating Leases	Capital Leases
1998	$ 31,404	$ 75,331
1999	31,404	75,331
2000	30,114	75,331
2001	12,817	37,424
2002	0	0
Total Future Minimum Lease Payments	$105,739	$263,417
Less Amounts Representing Interest		32,258
Present Value of Minimum Lease Payments		$231,159

(10)

Retained Earnings

Reserved: The Client Security Fund was established by Oregon Revised Statutes section 9.625 to mitigate monetary losses to clients caused by dishonest conduct of active members of the bar in the practice of law. It is funded with assessments from bar members and is used to reimburse losses up to a maximum of $50,000. Costs of administering the fund may also be paid from the fund. At December 31, 1997, the balance of the Client Security Fund was $741,947.

(10)-Continued

Unreserved: The following table summarizes the composition of amounts designated by the Board of Governors for specific purposes.

Purpose	Amount
Bar Section Activities	$ 356,280
Affirmative Action Program	96,070
Mortgage Prepaid Sinking Fund	380,939
Legal Services Program (Note 14)	(488)
Unrestricted Retained Earnings	3,513,379
Total	$4,346,180

Cumulative Effect of Change in Accounting Principle: The beginning retained earnings balance at January 1, 1996, was increased to reflect a cumulative change in accounting principle. This change was due to the implementation of GASB Statement No. 31, which requires investments to be reported at fair value rather than amortized cost and for the changes in fair value to be reported as an element of income. Therefore, beginning retained earnings was increased by $33,151 to write up the bar's investments to fair value and recognize the effect as an element of prior period income.

(11)

Membership Fees

Bar Fund fees assessed for membership in the bar for the two-year period ended December 31, 1997, consisted of:

Membership Fee	Amount
General Membership Fees	$6,076,872
Section Fees	479,529
Client Security Fund Fees	333,644
Affirmative Action Fund Fees	609,344
Total Membership Fees:	$7,499,389

(12)

Rental Income

The PLF occupies space in the Oregon State Bar headquarters building in Lake Oswego, Oregon. Space rental income to the bar totaled $132,972 during 1997, and $129,999 during 1996. Rent for future years has not been determined pending any adjustments for increases in operation and maintenance costs or revisions in the specific space to be occupied.

(13)

Litigation

The bar is a defendant in various lawsuits. The likely outcome of these lawsuits is not determinable at this time; however, it is the opinion of the bar's management, based on the advice of in-house counsel with respect to litigation, that the ultimate disposition of these lawsuits will not have a materially adverse effect on the bar's financial statements.

(14)

Legal Services Program

With the passage of House Bill 3737, the Legislature established a program to fund the provision of legal services to the poor. The program is funded by a portion of fees collected by the State Court Administrator which are paid to the bar for distribution to various legal service providers. The Board of Governors has established an Interim Legal Services Task Force which has been given the responsibility to recommend standards and guidelines for legal service providers as well as a permanent structure for an advisory group to the program.

FACTS ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The mission of the Audits Division is to "Protect the Public Interest and Improve Oregon Government." The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

DIRECTORY OF KEY OFFICIALS

Director	John N. Lattimer
Deputy Director	Catherine E. Pollino, CGFM
Deputy Director	Sharron E. Walker, CPA, CFE

This report is intended to promote
the best possible management of public resources.

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Auditing to Protect the Public Interest and Improve Oregon Government