

State Bar of Texas
LEGISLATIVE AND CAMPAIGN LAW SECTION

INTERNAL CONTROL POLICY

Adopted by the Section Council on June 18, 2020
Effective as of June 15, 2020

The following policy establishes requirements over financial processes of the Legislative and Campaign Law Section that ensure appropriate controls are in place for the maintenance and disbursement of Section funds in accordance with State Bar of Texas Board Policy Manual Section 5.01.06. This Internal Control Policy was adopted by the Section Council on June 18, 2020, and is effective on June 15, 2020.

Part 1. BUDGET

1.01 The Section Council shall adopt a budget each fiscal year that provides detailed projected expenditures and revenue. The Council may amend the budget as necessary.

1.02 The current Treasurer and Chair will work with the presumptive Treasurer to prepare a draft budget for the upcoming fiscal year.

1.03 The Section Council shall review and adopt the budget at its annual meeting after the election of officers and councilmembers.

1.04 When a deviation from the approved budget revenue or expenditures occurs which is more than \$1000, the Treasurer shall report the deviation to the Section Council and provide an explanation therefor. . If the deviation is in excess of \$7,500, the Section Council must adopt a budget amendment to cure the deviation.

1.05 The Treasurer shall submit the adopted budget to the State Bar by July 15th of each year.

Part 2. ROLES AND PROCEDURES

Subpart A. General

2.01 Bookkeeping duties, approval duties and second approval duties for the Section shall be separated into distinctly defined roles:

a. "Bookkeeper" means each individual who is a provider of bookkeeping services as described below.

b. "Treasurer" means the Section officer who is authorized to supervise and review bookkeeping services and to authorize, sign, and approve deposits and expenditures.

c. "Second approver" means the person designated as an additional approver for expenditures over a designated amount or for payments issued to a check-writer. The second approver for the section shall be the elected Chair.

2.02 The individual who performs bookkeeping and reconciliation services for the Section may not be the same individual who is responsible for approving expenditures.

2.03 If there is a significant change in circumstance or if the Section changes bookkeepers, the Section Council will evaluate and, if necessary, adopt and file an amended internal controls policy with the State Bar.

Subpart B. Bookkeeping Duties

2.04 The Bookkeeper shall provide bookkeeping services to the Section, including, but not limited to, the following duties:

- a. Issue checks.
- b. Pay invoices within two weeks of receiving the invoice.
- c. Obtain approval on all payments as established in these policies.
- d. Deposit revenue within three business days of receipt.
- e. Custodian of the Section checkbook
- f. Keep accounting books according to Generally Accepted Accounting Standards.

Revenues should be recognized when earned and expenses should be recognized when a liability is incurred.

- g. Reconcile bank and investment accounts by the end of the month following the reporting month.
- h. Prepare financial reports by the end of the month following the reporting month.
- i. Retain all documentation, such as invoices, approvals, reports, etc. according to the records retention policy.
- j. Calculate and pay sales tax.
- k. Collect W-9 forms for all contracted services.
- l. Provide State Bar with financial reports in a timely manner.
- m. Provide Section Chair and Treasurer with financial reports in a timely manner.
- n. Protect the confidentiality of and access to Section financial information.
- o. Provide financial information or complete other duties as required.
- p. Communicate yearly with State Bar auditors.
- q. Provide explanation on budget-to-actual variances.

2.05 The State Bar Accounting Department shall serve as the Section Bookkeeper and provide the bookkeeping services required under this Policy.

Subpart C. Treasurer Duties

2.06. In addition to the duties prescribed by the Section Bylaws, the Treasurer must be an elected member of the council and have a fiduciary duty to the Section. The treasurer reviews and monitors finances through the following activities:

- a. The Treasurer is the primary approver of Section expenditures in accordance with the procedure prescribed by this Policy.
- b. All invoices are approved in advance of payment by the Treasurer through e-mail approval. The bookkeeper will retain documentation of all approvals.

2.07 Any reimbursement request by or invoice from the Treasurer requires an additional e-mail approval by the Second Approver. The bookkeeper will retain documentation of all approvals.

2.08 Except as provided by Section 2.09, any payment of \$2,000 or more that is an unbudgeted expenditure requires an additional e-mail approval by the Second Approver in advance of payment. The bookkeeper will maintain documentation of all approvals.

2.09 Section 2.08 does not apply to the monthly bill payment to the State Bar of Texas, provided that every invoice or reimbursement contained therein has already been appropriately approved.

Subpart D. Council Duties

2.10 The Section Council shall review a detailed financial report, including a list of all checks written, at least quarterly. The Secretary will record the Council's review and disposition of the report in the meeting minutes.

Part 3. BANK ACCOUNTS AND CHECK WRITING

3.01 There shall be at least three individuals who are authorized signors on the Section bank account at all times. The authorized signors on the checking, savings, or investment accounts are the current Treasurer and at least two signors from the State Bar of Texas to be designated by the Chief Financial Officer.

3.02 The State Bar Accounting Department shall be the custodian of the Section checkbooks and shall physically secure them at all times. In preparing checks, the Accounting Department shall observe the following:

- a. Checks should be written in sequential order and a record retained of all checks written or voided.
- b. Checks should be dated at the time the check was written and should be recorded on the same date.
- c. No post or pre-dated checks are allowed.
- d. Blank checks or checks made out to "cash" are prohibited.*

3.03 A second signature is be required for all checks over \$1,000

Part 4. PAYMENT OF EXPENSES AND INVOICES

4.01 The State Bar Accounting Department shall provide a copy of its monthly bill to the Treasurer.

4.02 A detailed invoice and/or contract is required for any payment or deposit. No money shall be paid to any person or company without detailed back-up and documentation.

- 4.03 An invoice submitted for payment should contain the following information:
- Vendor name and address
 - Itemized description of the goods or services provided
 - Total amount billed
 - Period of time for which the services will be/were rendered
 - Terms of payment for late fees or discounts for early payment (if applicable)
 - Due date
 - Invoice number and date
 - Itemized fees
- 4.04 Vendors shall not be paid in advance of full completion of the contracted services with the exception of reasonable advance deposits, airfare, or payments for subscription services, such as insurance, rent, software licenses, or similar services.
- 4.05 Payment should meet the following criteria:
- The expenses are reasonable and necessary.
 - The expenses have been budgeted.
 - The goods and services have been received.
 - Contracted terms have been met.
- 4.06 Reimbursement requests should contain the following information:
- Completed reimbursement request form, signed by requestor. (An electronic signature is acceptable).
 - Itemized receipts and invoices.
 - A second approval, if the requestor is a signor on the bank account.
 - Explanation for any lost receipts or requests that do not have back-up documentation.

Part 5. DEPOSITS

5.01 All money or checks received by the Section should be deposited within three business days of receipt by the State Bar of Texas Accounting Department. The Treasurer shall be notified of any deposits. Immediately upon receipt, the Bookkeeper should stamp the check “for deposit only” and the bank account number of the Section. Associated invoices or other supporting documents demonstrating the reason the deposit was collected should be attached to the check/deposit slip and retained for audit purposes and/or customer inquiries.

Part 6. CONFIDENTIAL DATA

- 6.01 All confidential data must be protected and shall be handled as follows:
- Credit card numbers should not be transmitted through e-mail.
 - All confidential information should be redacted, or stored in a protected manner.
 - Access to bank accounts, credit card processing accounts, and financial records should be limited to the council and essential users only.
 - Care is required in the destruction of credit card and other sensitive information to ensure

that the information cannot be copied or duplicated..

- Controls will be established with any credit card processor so that refunds may only be made to the credit card originally charged, and the refund cannot exceed the original payment

Part 7. FINANCIAL REPORTS AND RECONCILIATIONS

7.01 Checks and deposits must be reconciled in the Section's bookkeeping system within 30 days of receipt of the Section's bank statements. The reconciliation should also note all outstanding deposits and checks. All checks or deposits that are outstanding for longer than three months should be reviewed for resolution. Voided and/or reissued checks should also be reported in the regular monthly documentation.

7.02 The Treasurer should use monthly budgets, financial statements, and historical financial records to investigate significant variances, whether positive or negative. Inquiry should be made on projects with excessive costs.

7.03 The Section shall provide explanation for any significant variances, upon request, for State Bar Audit purposes.

7.04 Financial statements should be provided to the council on a quarterly basis. The financial statements should include: 1) bank and investment statements, 2) a bank reconciliation, 1) an income statement that compares current year to prior year, 3) an income statement that compares current year to the approved budget, 4) a balance sheet.

Part. 8. FUND BALANCES

8.01 A minimum fund balance for the Section is defined as \$30,000, which is approximately 1.5 years of operating expenditures.

8.02 The Section Council will evaluate an investment strategy when the Section fund balance exceeds \$150,000. Any investment policy strategy will protect the Section's principle while producing the best yield for the Section.

8.03 Any investments will comply with the Public Funds Investment Act.

8.04 The Section will carry a minimum reserve of \$30,000.

8.05 If the Section determines the need to reduce its reserve, the negative spending shall be budgeted to specific projects within the Section's budget. and shall not reduce the corpus by more than 25 percent per year.

Part. 9. REIMBURSEMENT POLICY

9.01 The Section reimbursement policy is set out in Appendix A.

APPENDIX A REIMBURSEMENT POLICY FOR COUNCIL MEETINGS

The Legislative and Campaign Law Section will reimburse Council members (and authorized guests) for the following:

- Meals: actual costs not to exceed \$50 per day.
- Air travel: actual cost for a coach ticket only. Council members should take advantage of advance purchase programs to reduce travel costs whenever available. Tickets purchased at least two weeks in advance are preferred. While the Section will not reimburse more expensive business- or first-class travel, it will reimburse baggage fees, nominal fees for preferred boarding, such as early bird check-in, and reasonable flight change fees.
- Personal car: reimbursement at the mileage rate established by the State Bar. No reimbursement for fuel costs.
- Rental car: Reimbursement for rental rate and fuel costs. The type of vehicle should be no larger than a full-size sedan. Council members should consider carefully the decision to rent a vehicle versus taking a taxi, Uber, etc. A decision to rent a vehicle should consider the rental costs, fuel, and parking expenses. Carpooling by Council members is recommended and qualifies for a size-upgrade, if needed to accommodate all passengers. Additional car insurance is not reimbursable. It is recommended that Council members utilize Enterprise, where the State Bar has negotiated a favorable rate which includes insurance.
- Parking: actual cost.
- Taxis/Uber/Lyft, etc: actual cost, and limo or town car services will be reimbursed at the same rate as taxi service.
- Lodging at the State Bar rate at host hotel: reimbursement for one night for Council meetings, two nights for retreats unless the Section Chair directs otherwise.
- Tips: reimbursement not to exceed 22 percent of the pre-tax amount of the bill, excluding alcoholic beverages.

The Section will not reimburse Council members for the following:

- Alcohol or entertainment expenses.
- Expenses associated with a spouse or other guest.
- During most meetings and retreats, the Section will host meals. Council members and their spouse or personal guest, as well as Section invited guests are invited to these meals. Only beer, wine and well drinks will be provided at Section expense at these dinners. Any other type of alcoholic drink may be ordered at the individual's personal expense. Any beverages consumed apart from the Section sponsored dinner may be ordered at the individual's personal expense.
- Individuals attending a Council meeting must submit their reimbursement request within 90 days, using the Council reimbursement form, to the Treasurer. All reimbursement forms must be accompanied by appropriate supporting documentation (hotel, airline, taxi or car rental receipts, etc.).