

DRAFT

The following policy establishes requirements over financial processes within Section name that ensure appropriate controls are in place for the maintenance and disbursement of section funds in accordance with Board Policy Manual Section 5.01.06. This Section Internal Control Policy was adopted by Section Name council on XX/XX/XX and is effective on XX/XX/XX.

XYZ Section Internal Financial Controls Policy Adopted Month, XX, 20XX

A.) BUDGET

- 1.) Section council shall adopt a budget each fiscal year that provides detailed projected expenditures and revenue.* This budget may be amended, if necessary.
 - a. (Optional) The section will begin preparing its budget in the fiscal year prior to the budget's implementation.
 - b. The name officer(s), in consultation with the current council, shall draft the next year's proposed budget by (recommend spring date in year prior).
 - c. The section council shall review and adopt the budget during its recommend spring meeting.
 - d. If a significant deviation from a budget occurs, as defined by a variance in excess of \$2,500/\$5,000 (recommended thresholds for small/large section) an explanation should be presented to the full council. A variance in excess of \$10,000/20,000(recommended thresholds for small/large section) will require the council to adopt an amended budget.
- 2.) The section will submit the adopted budget to the State Bar by July 15th of the fiscal year.*

B.) DEFINING ROLES AND PROCEDURES

- 1.) Bookkeeping services, approval duties and second approval duties for sections' financial records will be separated into distinctly defined roles*:
 - a. the 'Bookkeeper' who is a provider of bookkeeping services as described below.
 - b. the 'Treasurer', who is authorized to supervise and review bookkeeping services, and authorize, sign and/or approve deposits and expenditures.
 - c. the person designated as an additional approver for expenditures over a designated amount or for payments issued to a check-writer.
- 2.) The person who performs the section's bookkeeping and reconciliation is not be the same person responsible for approving expenditures.*
- 3.) If there is a significant change in circumstance or if the section changes bookkeepers, the section will evaluate and file an amended internal controls policy with the State Bar.

C.) BOOKEEPING DUTIES

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

2. The provider of bookkeeping services responsible for the duties described in this section will be the State Bar accounting Department.

D.) TREASURER DUTIES

The treasurer reviews and monitors finances through the following activities and/or meets the following criteria:

- 1.) The treasurer is the primary approver of section expenditures. The treasurer must be a member of the council with a fiduciary duty to the section. *
- 2.) When an additional approval is required for any transaction, or the treasurer is unavailable, the secondary approver or signor will be the chair/other officer/describe – can be more than one

3.) The process of approving payment must comply with both/each/one of the controls listed below:*

- a. All invoices are approved in advance of payment by the treasurer or chair through: email approval or describe. Documentation of approval is retained.*

Detailed transactions and checks are reviewed by describe: officers/council on a monthly/quarterly basis.. Documentation of approval is retained.

- b. All reimbursement requests or invoices made by a check signor require an additional approval by second signature/an email approval. Documentation of approval is retained. *

All payments over \$X,XXX require additional approval in advance of payment by describe: additional email approval by X/additional check signature by X) Documentation of approval is retained.

E.) BANK ACCOUNTS AND CHECK WRITING

- 1.) At least two individuals are required signors on the bank account at all times. The authorized signors on the checking, savings, or investment accounts are the current choose all that apply: treasurer/chair/SBOT accounting/other*
- 2.) Checkbooks should be physically secured at all times. Checks should be written in sequential order and a record retained of all checks written or voided. Checks should be dated at the time the check was written and should be recorded on the same date. No post or pre-dated checks are allowed.*
- 3.) Blank checks or checks made out to "cash" are prohibited.*
- 4.) A second signature/second approval by email should be required for all checks over \$ 1,000.00.

F.) PAYMENT OF EXPENSES AND INVOICES

- 1.) A detailed invoice and/or contract is required for any payment or deposit. Money should not be paid to any person or company without detailed back-up and documentation. * An invoice should contain the following information:
 - a. Vendor name and address
 - b. Itemized description of the goods or services provided
 - c. Total amount billed
 - d. Period of time for which the services will be/were rendered
 - e. Terms of payment for late fees or discounts for early payment (if applicable)
 - f. Due date
 - g. Invoice number and date
 - h. Itemized fees
- 2.) 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, etc.

- 3.) Payment should meet the following criteria:
 - a. The expenses are reasonable and necessary.
 - b. The expenses have been budgeted.
 - c. The goods and services have been received.
 - d. Contracted terms have been met.

- 4.) Reimbursement requests should contain the following information:
 - a. Completed reimbursement request form, signed by requestor. (An electronic signature is acceptable).
 - b. Itemized receipts and invoices.
 - c. A second approval, if the requestor is a signor on the bank account.
 - d. Explanation for any lost receipts or requests that do not have back-up documentation.

G.) DEPOSITS

- 1.) All money or checks received by the section should be deposited within **three** business days of receipt. 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. *

H.) CONFIDENTIAL DATA

- 1.) All confidential data must be protected. *
 - a. Credit card numbers should not be transmitted through email.
 - b. All confidential information should be redacted, or stored in a protected manner.
 - c. Access to bank accounts, credit card processing accounts, and financial records should be limited to the council and essential users only.
 - d. Care is required in the destruction of credit card and other sensitive information to ensure that the information cannot be copied or duplicated..
 - e. 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

I.) FINANCIAL REPORTS AND RECONCILIATIONS

- 1.) Checks and deposits must be reconciled in the section's bookkeeping system within **30 days**. 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.*
- 2.) 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.
- 3.) An explanation should be provided to the State Bar of Texas accounting department for variances in excess of XXX% (whether positive or negative) for audit purposes.

- 4.) Financial statements should be provided to the council on a **monthly/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.*

J.) FUND BALANCES

- 1.) A minimum fund balance for the section is defined as **recommend one year of budgeted operating expenditures**.
- 2.) The section council will evaluate an investment strategy when the section fund balance exceeds **\$recommend 150,000**. Any investment policy strategy will protect the section's principle while producing the best yield for the section.
- 3.) Any investments will comply with the Public Funds Investment Act.
- 4.) The section will carry a reserve of approximately **recommended two to five years** of operating expenditures, or **\$XXXX**.
- 5.) 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 **XX% per year**.

K. REIMBURSEMENT POLICY

The section has developed a reimbursement policy which is attached to this financial policy.