



# Update: Financial Internal Controls Policies and Other Matters

**August 2020**

# Goals

- Update on Financial Policies
- Electronic Funds Transfer Process
- Discuss what's coming up
  - Budgets
  - Policy submission and compliance

# Guidelines on Sections Financial Internal Controls Policy

**State Bar of Texas Guidelines on  
Sections Financial Internal Controls Policy**

*Issued October 25, 2019*

These guidelines provide fundamental principles of financial internal controls and include a sample policy to assist sections when drafting, adopting, or updating their own financial policies. The guidelines will help ensure compliance with the State Bar's Board Policy Manual and our audit requirements. Our goal is to provide a starting point for sections so you can implement your own financial policies that meet minimum security, confidentiality and audit criteria; define various roles; and define procedures for handling section finances. It is recommended that section policies include minimum (or better) standards for internal controls as defined in these guidelines. This document is intended to provide flexibility to accommodate various section structures. As always, the State Bar's finance division is available to help as you work through your finance policies.

**REFERENCE SECTION**

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# Financial Internal Controls Policy - Elements

- Budgeting
- Defining Roles and Responsibilities
- Bookkeeping Duties
- Treasurer Duties
- Bank Accounts and Check Writing

# Financial Internal Controls Policy – Elements (cont.)

- Payment of Expenses and Invoices
- Deposits
- Confidential Data
- Financial Reports and Reconciliations
- Fund Balances

# Financial Internal Controls Policy - Monitor



# Vendor Electronic Payment

- Electronic payment process available
- Vendor authorization agreement
- Accounts Payable will verify banking information

# Fraudulent Schemes to Look Out For:

- Reverse Phishing
- Business Email Compromise Fraud
- Account Takeover



# Best Practices to avoid payment fraud

- 1. Use established vendor contacts
- 2. Review emails thoroughly
- 3. Do not open suspicious email, links or attachments
- 4. Call vendor to verify unexpected items
- 5. Do not store electronic payment in unsecure manner
- 6. Do not reply to emails. Use a saved contact in your email instead.

# Budgets

- Budget season has started
- Use miscellaneous categories sparingly
- Budgeted items should be understood by Council
- Avoid large, unexplained year-to-year variances
- Revise the budget when needed
- The new budget should not be a duplicate of last year's budget

# Other Items to Consider - Budgeting

- Conservative Budgeting in Periods of Uncertainty
- Update the budgets as needed
- Maintain a healthy minimum fund balance – many sections consider this to be one year of operating expenditures

# Financial Audit and Internal Audit

## **Financial Statement Audit by Weaver**

- **Fieldwork currently underway for fiscal year 2019-2020**
- **Target Result:** Unmodified audit opinion on the accuracy of the State Bar's Annual Financial Report for FY2020.

- **Internal Control and Compliance Audits by McConnell & Jones, LLP**

- **Fieldwork to begin in October-November 2020**
- **Target Result:** Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

# How The State Bar Can Help

- We can help you develop your policies
- We can provide sample documents, financial statements, reporting documents, etc
- We will answer any questions you have

# Q&A



# Thank You!

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