

# STATE BAR OF TEXAS

## SECTION TREASURER GUIDE 2021-2022



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*\*for list of Sections managed by this accountant, see page 46*

# STATE BAR OF TEXAS



## TREASURER CHECKLIST

### ESSENTIAL (ONGOING) RESPONSIBILITIES:

- Pay Section bills (as received)\*
- Receive and deposit Section revenues (as received)\*
- Reconcile bank and investment accounts\*
- Submit bank/investment account statements to SBOT (monthly)\*
- Submit copies of check/deposit registers to SBOT (monthly)\*
- Prepare Section financial reports (monthly)\*
- Send monthly financial reports prepared by Section to SBOT (monthly)\*
- Present Section financial reports to Section council
- Collect sales tax and remit to the State Bar\*
- Collect W-9 from service vendors prior to payment\*
- Submit completed W-9 forms to SBOT (as collected)\*
- Maintain and update Financial Policies for the Section and submit changes to SBOT
- Other duties as described in individual Section by-laws

### AS SOON AS POSSIBLE:

- Submit 2021-22 budget to SBOT Executive Director by July 15th (through your SBOT Sections accountant, Rhonda Bridges or Vira Lukyanova)
- Update signature card and address on bank and investment accounts\*

### BY 10TH OF THE MONTH:

- Submit sales tax collected in the prior month to SBOT

### BY LAST DAY OF MONTH:

- Submit prior month bank and investment statements, along with copies of check/deposit registers, to SBOT

*\*Service provided by State Bar free of charge to Sections utilizing  
accounting management services*

# STATE BAR OF TEXAS



## ACCOUNTING MANAGEMENT SERVICES GUIDE

Services provided at no charge to Section:

- Monthly financial reports provided to the Section Treasurer
- Monthly cash and investment account reconciliation
- Dues checks deposited directly into the Section's account immediately upon issue
- Other deposits made to Section bank account(s)
- All Section bills paid, including reimbursements and State Bar billings
- Sales tax is calculated and paid
- Vendors are tracked for IRS compliance; tax forms are collected as necessary, and tax payments are made to the IRS
- Liaison with PlainsCapital Bank, (when applicable – NOT a requirement for making use of the accounting management services offered)

Deposits are made as they arrive at the State Bar. The Treasurer receives reimbursement requests and invoices, and forwards them to the Section Accountant with approval for payment. The State Bar pays these expenses using State Bar funds. At the end of the month, the Treasurer receives an itemized report listing all the expenses paid on behalf of the Section in the prior month. At this time Section payment will be transferred to SBOT. The Section's Treasurer approves all expenditures before they are paid.

These services ensure the Section's compliance with State Bar financial reporting requirements. Another benefit is the accounting and financial reporting consistency provided, since the Section does not transfer accounting records and change banks, bookkeeping methods and/or software programs each year.

# STATE BAR OF TEXAS



## SECTION TREASURER INFORMATION

### DUES:

Section dues collected by State Bar of Texas

- Paid to the Sections quarterly: April, July, October, January

Dues collected by Sections

- Funds deposited to Section account
- Member names and bar card # sent to State Bar Membership Department

### DEPOSITORIES & INVESTMENTS:

Each Section shall deposit its funds into either:

- A branch of the State Bar banking depository

#### Plains Capital Bank

\*No monthly fee checking account

\*High yield savings account for public funds

\*Collateralization of funds

\*Client Services Professional dedicated to SBOT Accounts

\*Certificates of deposit

\*Free ACH Debit Block

\*SBOT is Section Liaison

- Or, an alternative banking depository meeting the requirements of the State Bar investment policy (attached). Additionally, single or combined account balances in one banking institution should not exceed \$250,000 per FDIC protections.

### ACH PAYMENTS SERVICES:

The State Bar of Texas now offers ACH payment and deposit services. Contact us for the necessary forms and assistance setting up this service.

### 2021-2022 SECTION BUDGETS:

Due to State Bar of Texas Executive Director (through your SBOT Sections accountant, Rhonda Bridges or Vira Lukyanova) by **July 15<sup>th</sup>** of each year

# STATE BAR OF TEXAS



## SECTION FINANCIAL REPORTING:

- Section financial reporting is included in State Bar of Texas annual audit
- Sections that do not utilize State Bar Accounting Management Services submit the following information (by the last day of each month for prior month):
  - ✓ Copies of latest statements for all bank and investment accounts, including certificate of deposit notices (example: July statement copies submitted on or before August 31<sup>st</sup>)
  - ✓ Transaction history or copy of check and deposit register for each Section account  
Include the following for each check or deposit: date, number, payee or payer, amount, purpose of payment/deposit (template available in attached 'Templates' document)
- Financial reports are prepared by the Section Accountants for each Section on a monthly basis.
- See the June 2020 SBOT Board policy and procedures on Section finances

## COLLECTING SALES TAX:

- Sections shall display a copy of State Bar of Texas Sales and Use Tax Permit (Forms document) wherever items or services are sold
- Sections shall collect sales tax on taxable goods or services sold and remit to the State Bar of Texas
  - Example of taxable goods: books, t-shirts, extra copies of newsletters, luncheon tickets (if not connected with a CLE event), etc.
  - On or before the 10<sup>th</sup> day of each month, remit to State Bar of Texas all sales tax collected during the immediately preceding month; included with the payment should be a report showing total sales revenue collected and county in which sales occurred
- See Section Sales Tax Guidelines (pg. 1) for directions on collection, reporting and calculating sales tax
- Customers **MUST** provide a Texas Sales and Use Tax Exemption Certification (pg. 0) at the time of the sale to be exempt from sales tax
- Please feel free to contact us for assistance

## SECTION PURCHASES:

Sections are exempt from paying sales tax, but must provide a Texas Sales and Use Tax Exemption Certification at the time of the purchase (Forms document)



# STATE BAR OF TEXAS



## **RECORD RETENTION:**

Section financial records should be retained for audit purposes as follows:

- Records of individual sales for four years after the close of the current fiscal year
  - ✓ For 2021-22 fiscal year, retain records dated on or after 6/1/18
- All other Section financial records for three years after the close of the current fiscal year
  - ✓ For 2021-22 fiscal year, retain records dated on or after 6/1/19

Records may be stored at the State Bar, or sent to off-site storage at the State Bar's expense if given to the Sections Accountant.

## **MISCELLANEOUS INFORMATION:**

**State Bar of Texas (Section) Federal Tax ID# 74-6000148**

### **Monthly invoicing from State Bar of Texas**

Each month Section Treasurers are sent an itemized report listing expenditures paid by the State Bar of Texas on behalf of the Section.

### **W-9 Request for Taxpayer Identification Number and Certification**

- Treasurers must request a Form W-9 (Forms document) from new vendors and award/scholarship/intern and other gift recipients prior to payment. These forms should be submitted to the State Bar as collected. The State Bar of Texas Accounting Department will prepare and send a form 1099-MISC as required at calendar year end.
- Special rules apply for scholarship awards (see letter in Forms document)
- You may receive a request for a form W-9 on occasion, especially when receiving contributions. A signed and completed State Bar of Texas Form W-9 is included in the Forms document. You may print and submit the W-9 as requested.

# STATE BAR OF TEXAS



## **Section Request for Reimbursement Form**

A blank Request for Reimbursement form is included in the Forms document attached. These forms can be provided to Council and Section members for reimbursement of expenses incurred on behalf of the Section. All receipts should be attached to the reimbursement form prior to submission to the Treasurer and the form must be signed by the claimant (see bottom of form).

This form is also available as an auto-fill Excel file, updated with Section Treasurer contact information. We will update the forms for individual Sections and send them to the treasurers for distribution. We will also send out updated forms if the mileage reimbursement rate should change.

If you need a form, please contact your Section's account, [Rhonda.Bridges@Texasbar.com](mailto:Rhonda.Bridges@Texasbar.com),

512.427.1428 or [Vira.Lukyanova@texasbar.com](mailto:Vira.Lukyanova@texasbar.com), or 512.427.6853

Bar Card	DatePaid (mm/dd/yy)	Amount	Complementary (0= No, 1=Yes)	Name
1234567	06/01/21	30.00	0	Smith, John
3456789	06/30/21	0.00	1	Smith-Jones, Susan
2345678	06/28/21	30.00	0	Jones, Mary
	total:	60.00		
Complete and email spreadsheet to your Section accounting assistant				

## Section Budget FY 2021-2022

Account	Section Description	Period 1 - 2022
F0-9330-40100	Section Dues	-1.00
F0-9330-40400	Book Sales	-1.00
F0-9330-40435	Sales	-1.00
F0-9330-40500	Interest Income	-1.00
F0-9330-41010	Royalties	-1.00
F0-9330-41035	Miscellaneous Revenue	-1.00
<b>Total Revenues</b>		<b>-6.00</b>
F0-9330-50239	Travel	1.00
F0-9330-50265	Setup/Decorations	1.00
F0-9330-50286	Meeting/Conferences	1.00
F0-9330-50310	Bank Fees	1.00
F0-9330-50311	Credit Card Fees	1.00
F0-9330-50358	Media Production	1.00
F0-9330-50360	Website	1.00
F0-9330-50365	Consultant - Other	1.00
F0-9330-50490	Other Publicity	1.00
F0-9330-50600	Supplies	1.00
F0-9330-50660	Awards/Certificates	1.00
F0-9330-50665	Gifts	1.00
F0-9330-50725	Storage	1.00
F0-9330-50825	Postage	1.00
F0-9330-50826	Delivery Charge	1.00
F0-9330-50845	Website	1.00
F0-9330-50925	Scholarships	1.00
F0-9330-50952	Contributions/Donations	1.00
F0-9330-50954	Sponsorships	1.00
F0-9330-50955	Miscellaneous Expenses	1.00
F0-9330-50958	Section Rep to the Board	1.00
F0-9330-51505	Printing	1.00
<b>Total Expenses</b>		<b>22.00</b>
<b>Total Net Income (Loss)</b>		<b>-16.00</b>

## SAMPLE CHECK/DEPOSIT REGISTER

6/30/2021	XYZ Section Register
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Check#	Payee	Date	Amount	Expense Acct	Explanation
1234	Tim Jones	6/29/2021	500.00	Travel	Reimburse Travel Expense
5678	David Smith	6/30/2021	10.00	Supplies	Stamps

Deposits	Date	Amount	Revenue Acct	Explanation	Memo
Attorneys, LLP	6/1/2021	200.00	Conference Revenue	Registration Fees	Spring Conference

**Section**  
**Summary of Revenues and Expenditures**  
**For the Twelve Months Ending May 31, 2021**

	Current Month Actual	YTD Actual	Annual Budget	YTD Budget	Variance Fav/(Unfav)	Variance %	Prior Year Current Month	Prior Year YTD Actual
Revenues:								
Dues		\$20,260	\$20,000	\$20,000	\$260	1%		\$640
Fees	1,320	4,630	500	500	4,130	826%		1,150
Investments	11	131	100	100	31	31%	10	29
Contributions	180	1,680	4,000	4,000	(2,320)	(58%)		
Total Revenues	1,511	26,701	24,600	24,600	2,101	9%	10	1,819
Expenditures:								
Travel	2,552	11,756	10,000	10,000	(1,756)	(18%)	123	947
Meetings & Conferences	49	8,514	7,150	7,150	(1,364)	(19%)	786	786
Professional Services		152			(152)			
Supplies/Awards/Gifts/Spec. Items		195	500	500	305	61%		
Telephone	56	740	3,500	3,500	2,760	79%	99	529
Administrative	24	24	500	500	476	95%		
Total Expenditures	2,681	21,381	21,650	21,650	269	1%	1,008	2,262
Total Expenditures & Transfers	2,681	21,381	21,650	21,650	269	1%	1,008	2,262
Excess (Deficit) of Revenues Over Expenditures & Transfers	(1,170)	5,320	2,950	2,950	2,370	80%	(998)	(443)
Excess (Deficit) of Revenues over Expenditures, Transfers & Investment Value Changes	(1,170)	5,320	2,950	2,950	2,370	80%	(998)	(443)
Total YTD Increase (Reduction) in Fund Balance	(1,170)	5,320	2,950	2,950	2,370	80%	(998)	(443)

**State Bar of Texas  
Section  
Balance Sheet  
March 31, 2021**

Assets		
Cash and Cash Equivalents		\$85,624
Accounts Receivable:		
Other		600
Total Assets		<u>\$86,224</u>
Liabilities and Fund Equity		
Liabilities:		
Due To (From) General Fund		<u>2,141</u>
Total Liabilities		2,141
Fund Equity:		
Beginning Fund Equity	74,966	
Current Year Operations	<u>9,116</u>	
Fund Balance		<u>84,083</u>
Total Liabilities and Fund Equity		<u>\$86,224</u>

# STATE BAR OF TEXAS



## SECTION SALES TAX GUIDELINES

Sections receiving money for taxable goods or services must collect and pay to the State Bar of Texas the appropriate sales tax. (Please see State Bar of Texas Board Policy, Section 5.01.06 and Procedures for Section Financial Reporting.)

- Sections Sales Tax Report and a check (made out to the State Bar of Texas) for sales tax is due to the State Bar by the 10<sup>th</sup> of each month for the prior month's sales.
- State Bar of Texas Accounting Department prepares and submits monthly sales tax deposit and report for each taxing jurisdiction.
- Sections must display a copy of the State Bar's Texas Sales and Use Tax Permit wherever taxable items and/or services are sold. This includes displaying the permit at Section seminars/courses.
- Customers MUST provide a Texas Sales and Use Tax Exemption Certificate at the time of the sale to be exempt from sales tax. There are no exceptions to this.
- Sections are required to maintain the records of individual sales for four years after the close of the current fiscal year for audit purposes.
- Some examples of taxable goods are mugs, t-shirts, sales of printed materials, meals paid for separately from CLE course fees, and extra copies of newsletters.
- See "Calculating Sales Tax Guide" for instructions on sales tax rate calculations. (page 16) Please contact your Section accountant to request a Texas Sales and Use Tax Permit or with any questions on collection, reporting, and/or payment of sales tax.



# STATE BAR OF TEXAS



## CALCULATING SALES TAX GUIDE

### **Items sold at a seminar/meeting held in Texas:**

1. Local Sales and Transit Tax for the jurisdiction where seminar is held
2. Examples:
  - Seminar held in Austin, charge and report tax rate for sales in Austin, 8.25%
  - Seminar held in San Antonio, charge and report tax rate for sales in San Antonio, 8.25%
  - For automatic sales tax rate calculation- see Texas Comptroller website
    - <https://mycpa.cpa.state.tx.us/atj/addresslookup.jsp>
    - Enter city and county of seminar, click on Search

### **Items sold at a seminar held outside of Texas:**

1. Check with that state's equivalent of the Comptroller's office for applicable sales tax collection and reporting

### **Items mailed/shipped to customer in Texas:**

2. Local Sales and Transit Tax for the jurisdiction items mailed **from** (for example- Section Treasurer's office, Bookkeeper's office, or State Bar of Texas)
3. Example:
  - Section Treasurer's office in San Antonio receives mail order for books to be shipped to a customer in Corpus Christi
  - Sales tax rate is the rate for sales made in San Antonio, 8.25%

### **Items mailed/shipped to customer outside of Texas:**

4. **No** sales tax is collected

Please contact your Sections Accountant with any questions on collection, reporting, and/or payment of sales tax.

# STATE BAR OF TEXAS



## FINANCIAL REPORTS PREPARED BY SECTIONS

As adopted in the revised SBOT Board Policy Manual (Section 5.01.05, attached), Sections are required to share on a monthly basis the following reports, if independently prepared:

On a monthly basis, each section shall provide the State Bar accounting department with:

1. copies of all investment statements and bank statements that include copies of cleared checks;
2. a back reconciliation for each account;
3. a detailed general ledger of recorded transactions; and
4. financial statements, **if independently prepared**, as soon as possible but no later than 30 days after receipt. (Section 5.01.05 (G))

Please note that SBOT added this policy in June 2020, so we will need those reports as part of the monthly information we receive from your section going forward. If you have not sent your section's bank reconciliations or financial statements that were independently prepared, **please send those reports for the entire fiscal year**, (June 2020 to current), to Rhonda.Bridges@texasbar.com or Vira.Lukyanova@texasbar.com.

## **Procedures for Section Financial Reporting**

Pursuant to Section 5.01.06 (C) of the State Bar Board Policy Manual, the following procedures are adopted:

1. On or before the last day of the month next following the end of each calendar month, each section shall deliver or cause to be delivered to the accounting department of the State Bar:

a. a copy of the latest bank and investment account statements received during that month for any depository or investment account in which section funds are held or invested;

b. a transaction history or the check register or equivalent for each account on which the section has written checks or otherwise disbursed funds, including for each check or other payment, the date, the number, the payee, the amount and the purpose of the payment; and

c. a transaction history or the deposit register or equivalent for each account into which section funds have been deposited, including the date, the payor, the amount and the purpose of the payment.

2. The accounting department of the State Bar shall establish an electronic reporting system that allows sections to report information in paragraph 1 above monthly to the accounting department of the State Bar through delivery of a spreadsheet, direct entry, or other electronic means. If that information is delivered in the established format on or before the 15th day following the end of the month, then on or before the last day of the following month the accounting department of the State Bar shall deliver to the section a report summarizing the section's financial position and activity for the month and the fiscal year to date.

3. The section may fulfill the requirements of paragraph 1 above in whole or in part through delivery of statements, by mail or electronically, directly from the bank, depository or other person administering the account. The accounting department of the State Bar shall add any information so delivered electronically to any information that a section delivers under paragraph 2 above when preparing any reports under paragraph 2 above.

4. To the extent required by law, each section shall (a) collect sales tax on goods or services that it sells and (b) on or before the 10th day of each month, remit to the State Bar all sales tax collected during the immediately preceding month, along with a report listing the price, quantity and description of the goods or services so sold in such detail as the State Bar accounting department may require to ensure compliance with applicable law.

5. All communications, reports and notices sent under these procedures shall be delivered to the State Bar of Texas at the following address(es):

State Bar of Texas  
Attn: Accounting Department-Sections  
1414 Colorado St.  
Austin, Texas 78701

State Bar of Texas  
Attn: Accounting Department-Sections  
PO Box 12487  
Austin, Texas 78711

Email: [scarlson@texasbar.com](mailto:scarlson@texasbar.com)

**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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**BOARD POLICY MANUAL**

***5.01.06 Finances***

**(A) *Section Dues and Other Fees.*** Each section is authorized to collect membership dues and other funds from its activities and, subject to the other provisions of this Policy Manual, applicable law, rules and regulations, to determine how its funds are invested and expended. The Board must approve the establishment or revision of any section dues.

**(B) *Depositories and Investments.*** Section funds must be invested consistent with State Bar investment policy as set forth in Section 3.05 of this Policy Manual. Each section shall deposit its funds into either a branch of the State Bar banking depository, or an alternative banking depository meeting the requirements of the investment policy as set forth in Section 3.05 of this Policy Manual.

**(C) *Books, Records and Reports.*** Each section shall maintain accurate financial books and records and have appropriate controls on the maintenance and disbursement of sections' funds, all in a fashion that permits the inclusion of the sections' financial information in the State Bar's financial statements and audit. Each section also shall provide to the State Bar such financial information as may be required for compliance with the requirements for the independent financial and/or internal audits of the State Bar as required by applicable law, rules and regulations. To this end, the Audit and Finance Committee of the Board, in consultation with the State Bar's external auditors and the Council of Chairs, shall adopt, subject to approval by the Board, procedures for sections to report financial information for inclusion in the State Bar's financial statements and audit. **(Emphasis added).** These procedures may include requirements for delivery to the State Bar accounting department, on a basis as often as monthly, of copies of depository and investment statements and transaction histories for disbursements and deposits. Each section also shall submit to the Executive Director by July 15 of each year a section budget for the current Fiscal Year. *(Note: The procedures referred to in this paragraph are attached as **Attachment A**).*

**(D) *Sales Tax.*** To the extent required by law, each section shall collect sales tax on goods or services that it sells, and timely each month, remit to the State Bar all sales tax collected during the immediately preceding month,

along with a report listing the price, quantity and description of the goods or services so sold in such detail as the State Bar accounting department reasonably may require to ensure compliance with applicable law, rules and regulations. The Audit and Finance Committee of the Board shall adopt, in consultation with the Council of Chairs and subject to the approval of the Board, procedures for the sections to report sales tax information to the State Bar for inclusion in the State Bar's monthly sales tax report filed with the State Comptroller's Office.

**(E) State Bar Assistance to Sections.** For each section supplying the required monthly financial information of the section, the accounting department of the State Bar shall prepare and provide to the treasurer of the section, a monthly and year-to-date section financial report and a monthly cash and investment account reconciliation. Upon request, the accounting department of the State Bar shall be available to work with the bank and the treasurer of the section to facilitate the submission of the financial information to the State Bar. **(Emphasis added).** Additionally, any section may elect to have the State Bar manage section funds, including depositing dues, managing operating expenses, issuing checks, and preparing financial reports and budgets. The State Bar will provide assistance to sections under this Subsection 5.01.06 at no charge to sections, except that expenses incurred in providing financial information in a format other than an electronic format prescribed by the accounting department of the State Bar shall be borne by the section.

**(F) Inclusion in Bylaws.** Each section shall include the provisions of this Section 5.01.06 as part of its bylaws.

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### ***Fundamental Principles of Internal Controls***

- 1) *Section council should adopt a budget each year that sets forth both expenditures and revenue targets. A policy should also define what action should be taken if there is a significant deviation from an adopted budget (e.g. filing an amended budget).*
- 2) *Sections should implement segregation of duties within their financial processes. A fundamental principle of internal control is to segregate duties so that no one person has the ability to initiate, execute, record, reconcile, and review a single transaction from beginning to end. Specifically, the role of bookkeeping preparation and the role of review/approval of financial transactions should be separated and defined. The review process should include routine, close monitoring of section revenues and expenditures.*
- 3) *Sections should adopt policies that ensure timely and accurate financial transactions and reporting is occurring. A policy should require bookkeeping ledgers, bank reconciliations, deposits, disbursements, and financial reports to be completed in a timely manner and contain sufficient detail to allow for an adequate review and monitoring.*
- 4) *Sections should adopt policies that protect their assets. Access to bank accounts, investments, etc. should be limited, but should involve more than one person. Secure handling and storage of credit card information should be required. High-risk practices should be prohibited such as writing a blank signed check for expenses or payments processed in advance of services or payments without appropriate supporting documentation.*
- 5) *Sections should adopt a policy that specifies the minimum level of communication required between the governing section council and State Bar leadership. If the section writes its own checks and handles its own books, the section council should require that full financial information including financial statements be provided monthly to the State Bar and no less than quarterly to council members. The financial statements should contain:*
  - a. *an income statement that compares current year to prior year and compares current year to the current approved budget,*
  - b. *a balance sheet;*

- c. a bank reconciliation for each bank or investment account detailing outstanding checks;
  - d. a bank and investment statements; and
  - e. and the bookkeeping ledger.
- 6) Sections should ensure their bookkeeping complies with Generally Accepted Accounting Standards. Revenues should be recognized when earned and expenses should be recognized when a liability is incurred.
  - 7) Sections should provide the State Bar with their adopted financial internal control policies that meet the minimum requirements in these guidelines.

### **Three Models for Section Finances and Compliance with Audit**

Currently, there are three models for the sections to manage their finances and interact with the State Bar. Regardless of which model is used, financial policies should be developed and implemented using best practices as provided in the sample policy.

- 1) The section fully utilizes the State Bar's Accounting Services and the State Bar handles all deposits, bill payments, and the creation of all ledgers, bookkeeping and financial statement preparation.
- 2) The section retains full control of its finances (including checking accounts and investments) but utilizes the State Bar's Accounting Services for paying bills (with State Bar funds) and making deposits. The State Bar provides all bookkeeping and financial statement services. The section is invoiced monthly and reimburses the State Bar for funds expended on the section's behalf.
- 3) The section retains full control of its funds, i.e. it pays its own bills, makes deposits, keeps current books and financial statements. The section provides all of the appropriate information to the State Bar on a monthly basis so that the State Bar is in compliance with record keeping requirements and the annual audit. The State Bar provides financial reports to the section chair and treasurer from the information received from the section.

The following sample policy is intended to be used as a template for all three section models. The gray highlighted text identifies information that should be determined by each section. The minimum standards are identified by *\*asterisks\**. If the section needs any assistance, has questions on these guidelines, or would like help developing their own policy, please call the State Bar's finance division director, Tracy Jarratt, at (512) 427-1481.

## **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. The *Chair Elect or Vice Chair*, in consultation with the current council, shall draft the next year's proposed budget by (choose an appropriate date).
  - b. The section council shall review and adopt the budget during its XXX meeting.
  - c. 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 (suggested) will require the council to adopt an amended budget.
- 2.) The section will submit the adopted budget to the State Bar by July 15<sup>th</sup> 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 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 the treasurer.
- 2.) The person who performs the section's bookkeeping and reconciliation must not be the same person responsible for approving expenditures. \*

#### **C.) BOOKKEEPING DUTIES**

1. The bookkeeper will perform the following duties:
  - a) Issue checks to be signed by the treasurer, State Bar signor, or other signor.

- 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 (choose one) SBOT accounting department, section contracted bookkeeper, other named position.

## **D.) TREASURER DUTIES**

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

- 1.) The treasurer (and primary approver of section payments) must be a member of the council with a fiduciary duty to the section. \*
- 2.) When an additional approval is required for any transaction, that secondary approver or signor will be the chair/other officer/describe
- 3.) The process of approving payment must comply with one of the controls listed below: \*
  - a. All invoices are approved in advance of payment by the treasurer or chair through (choose all that apply): additional check signature, email approval, or



\_\_\_\_\_ (other accepted method). Documentation of approval is retained.

- b. All invoices are approved after preparation of the books through review of detailed transactions by (choose or describe) treasurer/chair/entire council. Documentation of approval is retained.
- 4.) All payments over \$X,XXX require additional approval in advance of payment by choose method) Documentation of approval is retained.
- 5.) All reimbursement requests or invoices made by a check signor require a additional approval by second signature/an email approval. 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 or describe) Section Treasurer/Chair/SBOT Controller/SBOT Finance Director/Section Bookkeeper.\*

If the section bookkeeper is a check signor, there must be an additional approval of the expenditure by email/additional check signature. \* Documentation of the additional approval is retained.

- 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. A second signature/a second approval should be required for all checks over \$\_\_\_\_\_.

#### **F.) PAYMENT OF EXPENSES AND INVOICES**

- 1.) A detailed invoice and/or contract is required for any payment. Money should not be paid to any person or company without appropriate and detailed back-up and/or 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, payments for subscription services, such as insurance, rent, software licenses, etc.
- 3.) Any 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. Automated 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 **recommended 30 days but no more than 60 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 to the State Bar's section accountant 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.) Financial statements, bank reconciliations, bookkeeping ledgers, and bank statements that include check images will be provided to the State Bar within **recommended 30 days but no more than 60 days**. \* Financial statements should contain:
  - a. an income statement that compares current year to prior year, and compares current year to the approved budget;\*

- b. a balance sheet;\*
  - c. a bank reconciliation for each bank or investment account (including outstanding checks);\*
  - d. a bank and investment statement \* which includes check images; and
  - e. the bookkeeping ledger.\*
- 4.) Financial statements should be provided by the council on a monthly/quarterly basis. The financial statements should include, an income statement that compares current year to prior year, and compares current year to the approved budget and a balance sheet. The inclusion of a bank reconciliation and bank and investment statement in the financial report is recommended, but not required.\*

## **J.) FUND BALANCES**

- 1.) A minimum fund balance for the section is defined as one year of budgeted operating expenditures.

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 in accordance with the Public Funds Investment Act.

- 2.) The section will carry a reserve of approximately one to five years of operating expenditures, or \$XXXX.
- 3.) 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.

# STATE BAR OF TEXAS



## GUIDANCE FOR PROCESSING UNCLEARED CHECKS

The state of Texas requires that all uncashed checks be forwarded to the Comptroller's office. For more information, see Title 6, Chapters 72-76 of the Texas Property Code and Section 1109.051 of the Texas Insurance Code.

### *Texas Property Code Section 73.102. Checks*

A check is presumed to be abandoned on the latest of:

- (1) the third anniversary of the date the check was payable;
- (2) the third anniversary of the date the issuer or payor of the check last received documented communication from the payee of the check; or
- (3) the third anniversary of the date the check was issued if, according to the knowledge and records of the issuer or payor of the check, during that period, a claim to the check has not been asserted or an act of ownership by the payee has not been exercised.

There are very specific rules and processes in place for transferring the funds to the Comptroller. The State Bar is available to assist Sections with the following:

1. Determine dormancy – reimbursements and vendor checks have a dormancy period of 3 years from the date of the check.
2. Notify the payee – Attempts made to contact the payee must be reviewed and recorded by March 1.
3. Due diligence notices sent by May 1. Proof of attempted contact must be presented with payment (only for amounts greater than \$250.00). If the notice is returned by the post office, a second notice to the vendor is not required.
4. Submit information to the State Bar by June 1 so that it can be included in the annual Comptroller payment in July.
5. Save all information regarding the transaction for 10 years. The State Bar will retain this information.

### **Determining Dormancy**

For each uncashed check, determine the last date of contact. Payees actively conducting business with the State Bar, do not meet the dormancy guidelines, even if no response is received to communications sent.

“Contact with the owner may be established by mail, email, accessing an online account, in person or by phone. Phone contact must be documented in writing with the date and time of the conversation. The fact that mail is not returned to you by the post office does not, by itself, qualify as contact with that owner or activity on the account.” – *TX Unclaimed Property Reporting Guide*

## Reporting Methods

Your file(s) may be submitted using the methods listed below.

- Internet
- Online Express Reporting

Texas uses the reporting format developed by the National Association of Unclaimed Property Administrators (NAUPA). Files must be prepared in the NAUPA 2 format. We offer free software that produces files in this format. We also accept files created by any commercial reporting system that generates the NAUPA 2 formatted file. The Online Express Reporting system allows users to enter data directly via our website.

Report files must be formatted to NAUPA 2 specifications and the information must comply with data entry standards outlined in our *Reporting Instructions Manual*. Reports will be subject to rejection if data does not meet these criteria. This is pursuant to Texas Administrative Code Title 34 Part 1 Section 13.21: [sos.texas.gov/tac/](http://sos.texas.gov/tac/)

Secure file transfer of NAUPA 2 files, the Online Express Reporting system and reporting software can be found at:

**[comptroller.texas.gov/programs/claim-it/report/filing.php](http://comptroller.texas.gov/programs/claim-it/report/filing.php)**

All other reporting resources, including a *Reporting Instructions Manual*, can be found at:

**[comptroller.texas.gov/programs/claim-it/report/forms/](http://comptroller.texas.gov/programs/claim-it/report/forms/)**

## Negative Reports

Negative reports are not required. Holder reports are only required in years when you actually have abandoned property to remit.

## Payment

Remittances can be made via ACH through our TEXNET program or by check. Remitting by ACH debit or credit remains the preferred method regardless of amount. If making the remittance by check, it should be made payable to Comptroller of Public Accounts Unclaimed Property. TEXNET enrollment and instructions can be found at

**[comptroller.texas.gov/programs/claim-it/report/forms/](http://comptroller.texas.gov/programs/claim-it/report/forms/)**

## Securities

Securities should be registered to the Texas Comptroller of Public Accounts, Federal Employer Identification Number 74-6000089. Electronic delivery instructions can be found on our website at:

**[comptroller.texas.gov/programs/claim-it/report/securities.php](http://comptroller.texas.gov/programs/claim-it/report/securities.php)**

**WHY?** Statutory references for reporting unclaimed property in Texas can be found in Title 6, Chapters 72-76 of the Texas Property Code and Section 1109.051 of the Texas Insurance Code.

Contact the Holder Reporting Section at

**800-321-2274,  
512-936-6246, option 2  
or via email at  
[up.holder@cpa.texas.gov](mailto:up.holder@cpa.texas.gov)**

for more information, including:

*	support for reporting software
*	compliance questions
*	instructions for filing on the Internet

**Unclaimed Property Division  
Holder Reporting Section  
Post Office Box 12019  
Austin, Texas 78711-2019**

Publication #96-863. Revised February 2017.

For additional copies write:  
Comptroller of Public Accounts  
Unclaimed Property Division

Post Office Box 12019, Austin, Texas 78711-2019

In compliance with the Americans with Disabilities Act, this document may be requested in alternative formats by calling 512-936-6246, option 2 in Austin or by FAX at 512-936-6224.



**Glenn Hegar**  
Texas Comptroller  
of Public Accounts



# Unclaimed Property Quick Start Reporting Guide



# Texas Unclaimed Property Reporting Guide

**WHO?** All financial institutions, businesses, government entities, and organizations that are holding abandoned property belonging to Texas residents should file a report with the Texas Comptroller's office.

**WHAT?** Abandoned or unclaimed property can be any financial asset that appears to have been abandoned by the owner. For example:

- Uncashed dividend, payroll, and cashier's checks
- Stocks, bonds, mutual fund accounts
- Utility deposits and other refunds
- Accounts and safe deposit box contents held by financial institutions
- Individual retirement accounts
- Insurance proceeds
- Mineral interest or royalty payments
- Court deposits, trust funds, escrow accounts

**WHEN?** All non-life insurance holder reports and payments must be postmarked or transmitted no later than July 1 of every year. The cut off date for reviewing records is March 1. Life insurance related property is due by Nov. 1 with a cut off date for reviewing records of June 30. This is in accordance with Section 1109.051 of the Texas Insurance Code.

The state does not have the statutory authority to grant extensions on the payment of your report.

**WHERE?** Submit your report electronically and remit payment.

**HOW?** Review your records every year, as of March 1, and determine if you have any property for which you have had no contact with the owner for the applicable abandonment period. The abandonment period is the length of time you hold the property before sending it to the Comptroller's office. The number of years is shown in parentheses following each property type listed at the right.

## Due Diligence Requirement

Holders reporting to Texas are required to mail a notice by May 1 to all owners of non-life insurance property over \$250 that are due to be included on their July report. For details see Texas Property Code Sec. 74.1011.

## Reporting Requirements Update

Effective Sept. 1, 2015, Senate Bill 1021 reduces the threshold limit from \$50 to \$25 for property reported in the aggregate.

Effective Jan. 1, 2016, Senate Bill 1589 requires those reporting mineral proceeds derived from a Texas lease or

well to include the following:

- The name of the lease, property well.
- Any identification number used to identify the lease, property or well.
- The county in which the lease, property or well is located.

## Property Type Codes (with Abandonment Periods)

### FINANCIAL INSTITUTION ACCOUNTS

AC01 Checking accounts (3)  
AC02 Savings accounts (3)  
AC03 Matured certificates of deposit (3)  
AC04 Code not accepted by Texas  
AC05 Code not accepted by Texas  
AC06 Code not accepted by Texas  
AC07 Unidentified deposits (3)  
AC08 Code not accepted by Texas  
AC09 Other deposit accounts (5)  
AC99 Aggregate account balances less than \$25

### TRUST, INVESTMENTS AND ESCROW ACCOUNTS

TR01 Paying agent accounts (3)  
TR02 Undelivered dividends or uncashed dividends (3)  
TR03 Funds held in a fiduciary capacity (3)  
TR04 Escrow accounts (3)  
TR05 Trust vouchers (3)  
TR06 Pre-need funeral plans (3)  
TR99 Aggregate trust property less than \$25

### SAFE DEPOSIT BOXES AND SAFEKEEPING

SD01 Contents of safe deposit boxes held by depositories (5)  
SD02 Safekeeping property (3)  
SD03 Other tangible property (3)  
SD04 Tangible unclaimed loan collateral (3)

### EDUCATIONAL SAVINGS ACCOUNTS

CS01 Educational savings accounts cash (3)  
CS02 Educational savings accounts mutual funds (3)  
CS03 Educational savings accounts securities (3)  
CS99 Aggregate educational savings account balances less than \$25

### HEALTH SAVINGS ACCOUNTS

HS01 Health savings accounts cash (3)  
HS02 Health savings accounts investment (3)  
HS99 Aggregate health savings account balances less than \$25

### INDIVIDUAL RETIREMENT ACCOUNTS

IR01 Traditional IRA cash (3)  
IR02 Traditional IRA mutual funds (3)  
IR03 Traditional IRA securities (3)  
IR05 Roth IRA cash (3)  
IR06 Roth IRA mutual funds (3)  
IR07 Roth IRA securities (3)  
IR99 Aggregate IRA balances less than \$25

### INSURANCE

IN01 Individual policy benefits or claim payments (3)  
IN02 Group policy benefits or claim payments (3)

IN03 Death benefits due beneficiaries (3)  
IN04 Proceeds from matured policies, endowments, or annuities (3)  
IN05 Premium refunds on individual policies (3)  
IN06 Unidentified remittances (3)  
IN07 Other amounts due under policy terms (3)  
IN08 Agent credit balances (3)  
IN99 Aggregate insurance property less than \$25

### OFFICIAL CHECKS

CK01 Cashier's checks (3)  
CK02 Certified checks (3)  
CK03 Registered checks (3)  
CK04 Code not accepted by Texas  
CK05 Drafts (3)  
CK06 Warrants (3)  
CK07 Money orders (3)  
CK08 Traveler's checks (15)  
CK09 Foreign exchange checks (3)  
CK10 Expense checks (3)  
CK11 Pension checks (3)  
CK12 Credit checks or memos (3)  
CK13 Vendor checks (3)  
CK14 Code not accepted by Texas  
CK15 Any other outstanding official checks or exchange items (3)  
CK16 CD Interest checks (3)  
CK99 Aggregate uncashed checks less than \$25

### PROCEEDS FROM MINERAL INTERESTS

MI01 Net revenue interests (3)  
MI02 Royalties (3)  
MI03 Overriding royalties (3)  
MI04 Production payments (3)  
MI05 Working interests (3)  
MI06 Bonuses (3)  
MI07 Delay rentals (3)  
MI08 Shut-in royalties (3)  
MI09 Minimum royalties (3)  
MI10 Current production payments (0)

### GENERAL BUSINESS, MISCELLANEOUS CHECKS AND INTANGIBLE PERSONAL PROPERTY

MS01 Wages, payroll, or salary (1)  
MS02 Commissions (3)  
MS03 Worker's compensation benefits (3)  
MS04 Payment for goods and services (3)  
MS05 Customer overpayments (3)  
MS06 Unidentified remittances (3)  
MS07 Unrefunded overcharges (3)  
MS08 Accounts payable (3)  
MS09 Accounts receivable credit balances (3)  
MS10 Discounts due (3)  
MS11 Refunds/rebates due (3)  
MS12 Stored value cards/gift certificates (1-3)  
MS13 Cash loan collateral (3)

MS14 Sums payable under pension and profit sharing plans (KEOGH) (3)  
MS15 Property distributable during involuntary dissolution or liquidation (3)  
MS16 Any other miscellaneous outstanding checks (3)  
MS17 Any other miscellaneous intangible personal property (3)  
MS18 Code not accepted by Texas  
MS99 Aggregate miscellaneous property less than \$25

### SECURITIES

SC01 Dividends (3)  
SC02 Interest payable on registered bonds (3)  
SC03 Code not accepted by Texas  
SC04 Code not accepted by Texas  
SC05 Code not accepted by Texas  
SC06 Funds paid toward the purchase of shares or interest in a financial or business organization (3)  
SC07 Bearer bond interest and matured principal (3)  
SC08 Undelivered (RPO) shares (3)  
SC09 Cash for fractional shares (3)  
SC10 Unexchanged stock of successor corporation (3)  
SC11 Any other certificates of ownership (3)  
SC12 Underlying shares (3)  
SC13 Funds for liquidation/redemption of unsurrendered stocks/bonds (3)  
SC14 Debentures (3)  
SC15 U.S. Government securities (3)  
SC16 Book-entry mutual fund shares (3)  
SC17 Warrants or rights (3)  
SC18 Matured principal on registered bonds (3)  
SC19 Dividend reinvestment plans (3)  
SC20 Credit balances (3)  
SC40 Non transferable certificated shares (3)  
SC41 Book entry shares (3)  
SC42 Securities held by broker/dealer (3)  
SC85 Demutualization cash (1)  
SC86 Demutualization shares (1)  
SC99 Aggregate securities-related cash less than \$25

### UTILITIES

UT01 Utility deposits (1)  
UT02 Membership fees (3)  
UT03 Refunds or rebates (3)  
UT04 Capital credit distributions (3)  
UT99 Aggregate utility property less than \$25

### COURTS/LEGAL

CT01 Escrow funds (3)  
CT02 Condemnation awards (3)  
CT03 Missing heirs' funds (3)  
CT04 Suspense accounts (3)  
CT05 Any other types of deposits made with a court or public authority (3)  
CT99 Aggregate court deposits less than \$25

# STATE BAR OF TEXAS



## GUIDANCE FOR CREDIT CARD SECURITY

Credit card fraud is increasingly common, especially in the era of Covid. The Payment Card Industry Security Standards Council (PCI SSC), compiled action steps to help secure this information, protecting both the company and the individual cardholder.

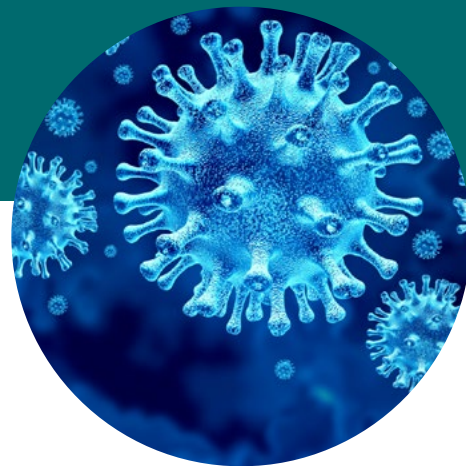
### Common Schemes

Hackers use the following ploys for obtaining access to information or networks.

1. Weak passwords are responsible for 81% of breaches.
  - a. Passwords should be changed regularly, and unique for each task
  - b. NEVER share passwords
  - c. Use strong passwords – with 7 or more characters, including upper and lower case letters, numbers and symbols
  - d. Password phrases (ie: Security\_Is\_Important\_2\_Me) are more difficult to crack than passwords
2. Remote access for unsecured point-of-sale vendors is another common problem.
  - a. Limit access, and when needed, provide only for as long as needed
  - b. Vendors with remote access must use multi-factor authentication for security
  - c. Vendors must use a unique login and password for your entity; not the same one used for other entities with whom they do business
3. Patches or software updates can be malware in disguise.
  - a. Know which vendors supply software updates
  - b. Ensure software is up-to-date
  - c. When needed, install updates promptly
4. Other safety measures:
  - a. Credit card numbers should NEVER be emailed or faxed
  - b. If absolutely necessary, they may be taken over the phone, but destroyed immediately
  - c. Secure information must be shredded with a cross-cut shredder to comply with PCI guidelines
  - d. Use redaction tools (such as Adobe), to remove electronically stored credit card information or a redaction pen for paper storage

More information may be found here: <https://www.pcisecuritystandards.org/>

# 8 Tips to Help Small Merchants Protect Payment Card Data During COVID-19



The COVID-19 pandemic is quickly changing how many small merchants accept payments. Merchants that previously only had brick-and-mortar locations are moving to accept e-commerce and over-the-phone transactions. PCI Security Standards Council shares key considerations to help small merchants keep their customers' payment data secure in this rapidly changing environment.

## UNDERSTANDING THE RISK

Cybercriminals are moving quickly to take advantage of rapid changes to payment card data environments.



**475%** increase in malicious reports related to Coronavirus in March.<sup>1</sup>



**41%** of small businesses that suffered a data breach paid more than \$50,000 to recover.<sup>2</sup>



**29%** of consumers surveyed said they would never again use a small business that suffered a data breach.<sup>3</sup>

1: Source: [BitDefender](#)

2, 3: Source: [Bank of America Small Business Payments Spotlight](#)

## TIPS FOR SMALL MERCHANTS

These resources and more can be found on the [PCI SSC Small Merchant webpage](#) and on the [PCI Perspectives Blog](#).



### TIP #1: REDUCE WHERE PAYMENT CARD DATA CAN BE FOUND

The best way to protect against data breaches is not store card data at all. Many small merchants are offering curbside pickup now and are accepting telephone payments in lieu of former face-to-face transactions. Avoid writing payment card details down and instead enter them directly into your secure terminal.

**More Information:** [PCI SSC Special Interest Group Paper: Accepting Telephone Payments Securely](#)



### TIP #2: USE STRONG PASSWORDS

The use of weak and default passwords is one of the leading causes of payment data breaches for businesses. To be effective, passwords must be strong and updated regularly. Weak and vendor default passwords are a frequent source of small merchant breaches.

**More Information:** [Strong Passwords Infographic](#)



### TIP #3: KEEP SOFTWARE PATCHED AND UP TO DATE

Criminals look for outdated software to exploit flaws in unpatched systems. Timely installation of security patches is crucial to minimize the risk of being breached. One way to keep up with all the necessary changes is by ensuring vulnerability scans are performed regularly to identify security issues. [PCI Approved Scanning Vendors](#) (ASVs) can help you identify vulnerabilities and misconfigurations in your Internet-facing payment systems, e-commerce website, and other systems, providing a report of your vulnerabilities and how to address them—for example, what patches to apply. Be sure to act upon the results of ASV vulnerability scans and keep your software up to date.

**More Information:** [Patching Infographic](#)





#### TIP #4: USE STRONG ENCRYPTION

Encryption makes payment card data unreadable to people without a specific key, and can be used to protect stored data and data transmitted over a network. Ask your vendor whether your payment terminal encryption is done via a Point-to-Point Encryption solution and is on the PCI SSC's List of [PCI P2PE Validated Solutions](#). If you are setting up a new website, confirm the shopping cart provider is using proper encryption, such as TLS v1.2, to protect your customers' data.

**More Information:** [Information Supplements on Use of SSL/Early TLS](#)



#### TIP #5: USE SECURE REMOTE ACCESS

To minimize the risk of being breached, it's important that you take part in managing how and when your vendors can access your systems. Criminals can gain access to your systems that store, process, or transmit payment data through weak remote access controls. You should limit use of remote access and disable it when not needed. If you must allow remote access, ask your vendors to use multi-factor authentication and strong remote access credentials that are unique to your business and not the same as those used for other customers.

**More Information:** [PCI SSC Secure Remote Access Infographic](#)



#### TIP #6: ENSURE FIREWALLS ARE CONFIGURED PROPERLY

A firewall is a device or software that sits between your network and the Internet. It acts as a barrier to keep traffic out of your network and systems that you don't want and didn't authorize. Firewall rules can seem complex, but configuring them properly is vital to security. If you require additional assistance to properly configure your firewall, seek help from a network professional.

**More Information:** [Resource for Small Merchants: Firewall Basics](#)



#### TIP #7: THINK BEFORE YOU CLICK

Hackers use phishing and other social engineering methods to target organizations with legitimate-looking emails and social media messages that trick users into providing confidential data, such as payment card number, merchant account number or password. Small merchants should be extra vigilant and be on the look out for common phishing and social engineering hacks.

**More Information:** [Beware of COVID-19 Online Scams and Threats](#)



#### TIP #8: CHOOSE TRUSTED PARTNERS

It's critical you know who your service providers are and what security questions to ask them. Is your service provider adhering to PCI DSS requirements? For e-commerce merchants (and those of you that recently started accepting e-commerce payments in lieu of face-to-face payments), it is important that your payment service providers are PCI DSS compliant, including the service provider that manages your payment process (your "payment service provider" or PSP).

**More Information:** [Questions to Ask Your Vendors](#)

### PCI SSC IN-DEPTH BACKGROUND MATERIALS



[Best Practices for Securing E-commerce](#)



[Protecting Telephone-Based Payment Card Data](#)



[Protecting Payments While Working Remotely](#)



[Guide to Safe Payments](#)



[Questions to Ask your Vendors](#)



[Common Payment Systems](#)

The Council has established resources for COVID-19 updates, so please be sure to check our [COVID-19 webpage](#) and our [blog](#) regularly as this is a constantly evolving situation. You can also [subscribe to our blog](#) to receive email alerts.

C-300  
(Rev 12-11-83)

# TEXAS SALES AND USE TAX PERMIT

permit is not transferable

prominently displayed in your place of business.

This

and this side must be

Merchants: DO NOT accept a copy of this permit in place of a resale or exemption certificate. You will be responsible for sales tax unless you have a valid resale exemption certificate on file.

You must obtain a new permit if there is a change of ownership, location, or business location name.

STATE BAR OF TEXAS

STATE BAR OF TEXAS  
1414 COLORADO ST  
AUSTIN

TX 78701

Type of permit  
SALES AND USE TAX

Taxpayer number  
1-74-6000148-4

Outlet number  
00001

First business date  
09/01/1961

WEISBROD 8621

DESCRIPTION ON NEXT LINE:

CITY: Professional Membership Organizations

TRANSIT: BUSINESS IN THE FOLLOWING LOCAL SALES TAX AUTHORITIES:

AUSTIN EFF: 01/01/1968

AUSTIN MTA EFF: 07/01/1985

**CAROLE KEETON RYLANDER**  
Comptroller of Public Accounts

# Texas Sales and Use Tax Exemption Certification

*This certificate does not require a number to be valid.*

Name of purchaser, firm or agency	
Address (Street & number, P.O. Box or Route number)	Phone (Area code and number)
City, State, ZIP code	

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: \_\_\_\_\_



Street address: \_\_\_\_\_ City, State, ZIP code: \_\_\_\_\_

Description of items to be purchased or on the attached order or invoice:


Purchaser claims this exemption for the following reason:


I understand that I will be liable for payment of all state and local sales or use taxes which may become due for failure to comply with the provisions of the Tax Code and/or all applicable law.

*I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.*

 Purchase		Title	Date
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NOTE: This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.

**THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.**

Sales and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

**This certificate should be furnished to the supplier.**

**Do not send the completed certificate to the Comptroller of Public Accounts.**

## Request for Taxpayer Identification Number and Certification

Give Form to the  
requester. Do not  
send to the IRS.

► Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Print or type. See Specific Instructions on page 3.	1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank. <b>State Bar of Texas</b>	
	2 Business name/disregarded entity name, if different from above	
	3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only <b>one</b> of the following seven boxes.  <input type="checkbox"/> Individual/sole proprietor or single-member LLC <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► <b>Note:</b> Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is <b>not</b> disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner. <input checked="" type="checkbox"/> Other (see instructions) ► <b>State Agency</b>	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):  Exempt payee code (if any) _____  Exemption from FATCA reporting code (if any) _____  <small>(Applies to accounts maintained outside the U.S.)</small>
	5 Address (number, street, and apt. or suite no.) See instructions. <b>1414 Colorado</b>	Requester's name and address (optional)
	6 City, state, and ZIP code <b>Austin, TX 78701</b>	
7 List account number(s) here (optional)		

<b>Part I Taxpayer Identification Number (TIN)</b> Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see <i>How to get a TIN</i> , later. <b>Note:</b> If the account is in more than one name, see the instructions for line 1. Also see <i>What Name and Number To Give the Requester</i> for guidelines on whose number to enter.	<table border="1"><tr><td colspan="9">Social security number</td></tr><tr><td></td><td></td><td></td><td></td><td>-</td><td></td><td></td><td>-</td><td></td></tr><tr><td colspan="9">or</td></tr><tr><td colspan="9">Employer identification number</td></tr><tr><td>7</td><td>4</td><td></td><td>-</td><td>6</td><td>0</td><td>0</td><td>0</td><td>1 4 8</td></tr></table>	Social security number													-			-		or									Employer identification number									7	4		-	6	0	0	0	1 4 8
Social security number																																														
				-			-																																							
or																																														
Employer identification number																																														
7	4		-	6	0	0	0	1 4 8																																						

<b>Part II Certification</b> Under penalties of perjury, I certify that:  1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and 2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and 3. I am a U.S. citizen or other U.S. person (defined below); and 4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.  <b>Certification instructions.</b> You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.
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<b>Sign Here</b>	Signature of U.S. person ► <i>Sandra Carlson</i>	Date ► <b>04/01/21</b>
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## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

## Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)  
Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

4/30/2021

## State Bar of Texas Travel Reimbursement Form

Date of Request

## Pedometer Challenge &amp; Trivia prizes

	From	To
Date(s) of travel		
Location of meeting		

Reimbursement Policies and Procedures available at:  
texasbar.com/Reimbursement

PLEASE SEE BELOW FOR A LIST OF DEPARTMENTS and STAFF  
LIAISONS to receive your request

Please complete the highlighted applicable areas and submit form  
within 45 days from the date of travel.

## MAKE CHECK PAYABLE TO:

(Name of Individual, Firm or Company)

Barcard # (if applicable)

Name

Street Address

City, State and Zip

Telephone Number

Amy Turner

PO Box 528

Manor, TX 78653

512-427-1708

## STATE BAR APPROVAL

Date Approved for Payment: \_\_\_\_\_, 20\_\_\_\_

(Officer, Committee Chair, Executive, Dept. Head, Other)

Finance Department

## TRAVEL EXPENSES

Transportation		AMOUNT
Airfare	\$ -	\$ -
Speaker Airfare (TxBarCLE use only)	\$ -	\$ -
Car Rental & Fuel	\$ -	\$ -
Charter Bus Service	\$ -	\$ -
Taxi / Transportation Service	\$ -	\$ -
Parking & Tolls	\$ -	\$ -
Auto Mileage	@ \$ 0.560 =====>	\$ -
Tips	\$ -	\$ -
Other Expenses		
Travel Subtotal		\$ -

Lodging and Meals		AMOUNT
Date	Hotel	Meals
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -
	\$ -	\$ -
Subtotal	\$ -	\$ -

Other Expenses		AMOUNT
Description	Pedometer Challenge & Trivia Prizes	\$ 65.00
Description		

\*\*\*\* For State Bar Use Only \*\*\*\*

&lt;=====

\$ 65.00

Total Reimbursement Requested

## CERTIFICATION OF CLAIMANT

The above described expenses were  
incurred by me for the purpose stated. I have  
attached receipts for applicable  
expenditures (airlines, hotels, etc.), except in  
cases where receipt is unavailable. I certify  
that this request is true, correct, and unpaid.

Signature of Claimant

Date

THANK YOU FOR YOUR SERVICE TO THE STATE  
BAR OF TEXAS.

FUND-DEPT-ACCT	LOCATION	AA	TOTAL
--50200-		-	\$ -
--50205-		-	\$ -
--50210-		-	\$ -
--50220-		-	\$ -
--50236-		-	\$ -
--50215-		-	\$ -
--50230-		-	\$ -
--50225-		-	\$ -
--50239-		-	\$ -
--50252-		-	\$ -
--50285-		-	\$ -
01-1800-50665		-	\$ 65.00
		-	\$ -

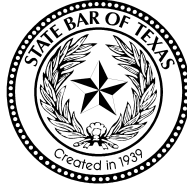
Enter Fund Code		Enter Location	
Enter Dept Code		Enter AA	

	Mail Reimbursement To:	For travel related to:	Staff Liaison:
<b>Board of Directors</b>	State Bar of Texas Officers & Directors Department P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursement Request	Reimbursements for approved Board of Directors related business, meetings and functions.	Chelsey Barber Executive Assistant (512) 427-1416 or (800) 204-2222 ext. 1416; chelsey.barber@texasbar.com.
<b>Committees</b>	State Bar of Texas Committees Department P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursement Request	Reimbursements for approved State Bar committee business, meetings and functions.	Emilee Rochester Committees Coordinator (512) 427-1517 or (800) 204-2222 ext. 1517 committees@texasbar.com
<b>Sections Department (Council of Chairs Reimbursements)</b>	State Bar of Texas Sections Department P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursement Request	Reimbursements for qualified/approved State Bar Section travel related to Council of Chairs meetings.	Tracy Nuckols Director of Sections Department (512) 427-1710 (800) 204-2222 ext. 1710 tracy.nuckols@texasbar.com
<b>Sections</b>	All Section travel reimbursements are approved by the Section Treasurer. Forms and questions should be directed to Section Treasurer. State Bar retains a copy of reimbursement forms with contact information.	Reimbursements for qualified/approved State Bar of Texas Section-related travel.	Rhonda Bridges Sections Accounting Manager State Bar of Texas (512) 427-1428 (800) 204-2222 ext. 1428 rhonda.bridges@texasbar.com
<b>Chief Disciplinary Counsel</b>	State Bar of Texas Chief Disciplinary Counsel P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursement Request	Reimbursements for approved Commission for Lawyer Discipline and Chief Disciplinary Counsel Office business and meetings held in Austin.	Shelly Hogue Executive Administrative Assistant (512) 427-1344 (800) 204-2222 ext. 1344 shelly.hogue@texasbar.com
<b>Chief Disciplinary Counsel Regional Offices</b>	Dallas Regional Office Brenda Lopez Office Manager (972) 383-2900 invoicescdcdallas@texasbar.com	San Antonio Regional Office Sandra Cuellar Office Manager (210) 208-6623 sandra.cuellar@texasbar.com	Houston Regional Office Roxanne Linton Office Manager (713) 758-8200 invoicescdchouston@texasbar.com
<b>Texas Young Lawyers Association</b>	State Bar of Texas TYLA Department P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursement Request	Reimbursements for approved TYLA business, meetings and functions.	Tracy Brown Director, TYLA (512) 427-1573 (800) 204-2222 ext. 1573 tracy.brown@texasbar.com
<b>Minority Affairs</b>	Minority Affairs State Bar of Texas P.O. Box 12487 Austin, TX 78711-2487	Reimbursements for Minority Affairs business expenses, meetings, travel, etc.	Caren Cheavens Director, Minority Affairs (512) 427-1735 (800) 204-2222 ext. 1735 caren.cheavens@texasbar.com
<b>TexasBarCLE</b>	State Bar of Texas TexasBarCLE Department P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursement Request	Reimbursements related to TexasBarCLE program business, speakers, etc.	Clinton Anderson Travel Coordinator (512) 427-1796 (800) 204-2222 clinton.anderson@texasbar.com
<b>Texas Bar Books</b>	State Bar of Texas Texas Bar Books P.O. Box 12487 Austin, Texas 78711-2487 Attn: Reimbursements	Reimbursements for approved Texas Bar Books business expenses, meetings, travel, etc.	Cynthia Day Meeting Coordinator (512) 427-6817 (800) 204-2222 ext. 6817 cynthia.day@texasbar.com
<b>SBOT Employees</b>	Reimbursements should be sent to supervisors, managers or directors.	Reimbursements for approved State Bar employee business expenses, meetings, travel, etc.	Review and approval according to the Authorized Signature Form. See Accounting for questions: Sandra Carlson, Controller, (512) 427-1408 sandra.carlson@texasbar.com
<b>Unauthorized Practice of Law Committee</b>	UPLC, P.O. Box 12487, Austin, TX 78711-2487 *NOTE: Reimbursement forms should first be approved by the appropriate District Subcommittee Chair. Received forms will be reviewed for approval by the Chairman of the UPLC.	Reimbursements for UPL Committee business expenses, meetings, travel, etc.	Zara Stanfield UPL Legal Assistant (512) 427-1341 (800) 204-2222 ext. 1341 zara.stanfield@texasbar.com



	Mail Reimbursement To:	For travel related to:	Staff Liaison:
<b>Texas Board of Legal Specialization</b>	Texas Board of Legal Specialization Attn: Priscilla Leal 505 E. Huntland Dr., Ste. 400, LB 28 Austin, TX 78752	Reimbursements for TBLS business expenses, meetings, travel, etc.	Priscilla Leal Texas Board of Legal Specialization (512) 453-7266 ext. 106 priscilla.leal@texasbar.com
<b>Law Related Education Department</b>	Law Related Education P.O. Box 12487 Austin, TX 78711-2487 Attn: Reimbursement Request	Reimbursements for Law Related Education business expenses, meetings, travel, etc.	Jan Miller Director, LRE (512) 427-1821 (800) 204-2222 ext. 1821 jan.miller@texasbar.com
<b>Texas Bar College</b>	Texas Bar College P.O. Box 12487 Austin, TX 78711-2487 Attn: Katherine Korrodi	Reimbursements for College of the State Bar business expenses, meetings, travel, etc.	Katherine Korrodi Program Coordinator (512) 427-1799 katherine.korrodi@texasbar.com
<b>State Bar of Texas Accounts Payable Department</b>	N/A - Reimbursements should be sent to staff liaison	Questions on payment status?	Amanda Caudle Accounts Payable Manager (512) 427-1412 amanda.caudle@texasbar.com

# STATE BAR OF TEXAS



Dear Vendor:

Internal Revenue rules require the State Bar of Texas to file Form 1099-Misc for recipients of miscellaneous income; reporting disbursements for rents, royalties, fees, compensation, awards, gifts and other eligible payments.

Please complete the enclosed Form W-9. Read the instructions carefully when filling out the form. There are specific instructions for choosing the appropriate boxes.

Return the completed form within 30 days to the address listed below.

If you prefer, you may fax the form to 512.427.4102 or email [Sectionacct@Texasbar.com](mailto:Sectionacct@Texasbar.com).

Feel free to call with any questions or concerns, 512.427.1408.

Please note: **checks cannot be mailed until the Form W9 is received.**

Thank you,

Sandra Carlson, Controller  
State Bar of Texas  
PO Box 12487  
Austin, TX 78711-2487  
512.427.1408



# STATE BAR OF TEXAS



Dear Scholarship Recipient,

Please find enclosed a check in the amount of \$\_\_\_\_\_ representing a scholarship award from the \_\_\_\_\_ Section of the State Bar of Texas. **In order to remain tax free for IRS purposes, this scholarship award must be used to pay for qualifying tuition or related expenses as defined below.**

For purposes of determining the taxability of this scholarship award, the following IRS rules apply:

Taxable income does not include any amount received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization. The IRS uses the following applicable definitions:

*Qualified scholarship: Any amount received by an individual as a scholarship or fellowship grant to the extent the individual establishes that such amount was used for qualified tuition and/or related expenses.*

*Candidate for degree: (1) a primary or secondary school student; or (2) an undergraduate or graduate student at a college or university who is pursuing studies or conducting research to meet the requirement for an academic or professional degree.*

*Related expenses include: fees, books, supplies and equipment required for courses of instruction at such educational organization. In order to be treated as related expenses under this section, the fees, books, supplies and equipment must be required of all students in the particular course of instruction. Incidental expenses are not considered related expenses. Incidental expenses include expenses incurred for room and board, travel, research, clerical help and equipment and other expenses that are not required for either enrollment or attendance at an educational organization, or in a course of instruction as such educational organization.*

In the case of an IRS audit, it will be up to the individual receiving the scholarship award to furnish documentation proving that the proceeds were used to pay for qualifying tuition or related expenses as defined above. If you have questions related to this information, please contact Tracy Jarratt, Finance Division Director, at 512.427.1481 or [Tracy.Jarratt@Texasbar.com](mailto:Tracy.Jarratt@Texasbar.com).

Sincerely yours,

Sandra Carlson, Controller, State Bar of Texas

512.427.1408 \* [scarlson@texasbar.com](mailto:scarlson@texasbar.com)

# STATE BAR OF TEXAS



Dear Award Recipient,

Please find enclosed a check in the amount of \$\_\_\_\_\_ representing an award from the \_\_\_\_\_ Section of the State Bar of Texas. **Please be advised that you will receive a Form 1099 in January 2021 from the State Bar as this award qualifies as taxable income. This amount will be reported to the IRS.**

IRS rules required that: *Businesses must file Form 1099 for each person to whom you have paid during the year at least \$600 in rents, services, prizes and awards.*

If you feel that you should not be issued a Form 1099 or if you have questions related to this information, please contact Sandra Carlson, Controller, at the number or email address below.

Sincerely yours,

Sandra Carlson, Controller  
State Bar of Texas  
512.427.1408  
[scarlson@texasbar.com](mailto:scarlson@texasbar.com)

**(2) Newsletters.** Each section shall publish at least two newsletters each Fiscal Year. A copy of all newsletters shall be provided to the President, President-elect, Executive Director, the State Bar Archives Department, and the State Bar Sections Department.

**(3) Texas Bar Journal.** Each section shall be allocated, at no cost, a one-fourth page advertising space in the *Texas Bar Journal* each State Bar Fiscal Year.

**(4) Section Annual Reports.** By April 1 of each year, the chair of each section shall submit to the Executive Director an annual report for publication in the *Texas Bar Journal*. A section's annual report should contain a brief overview of the projects and accomplishments of the section over the course of the Fiscal Year.

#### **5.01.05 Finances**

**(A) Sound Fiscal Fiduciary Management.** Sections shall practice sound fiscal fiduciary management, which requires operating in a fiscally-sound manner by establishing and abiding by financial policies that contain appropriate accounting processes and adequate internal controls over section finances. Each section shall manage its finances in a manner that ensures the integrity of the funds entrusted by its members and allows for the inclusion of section activities in the State Bar's audit process.

**(B) Financial Policies and Procedures.** Each section shall maintain and provide to the State Bar Accounting Department written copies of financial policies and procedures that contain required accounting processes and adequate internal controls over the section's finances to ensure the integrity of the funds entrusted by its members and allow for the inclusion of section activities in the State Bar's audit process. The section's council must:

**(1)** amend the financial policies and procedures if those policies and procedures change; and

**(2)** each year, affirm to the State Bar Accounting department that the financial policies and procedures on file are current and accurate when submitting the section's budget.

**(C) Audits.** Sections shall participate in the State Bar of Texas annual financial audit or other internal audits as approved by the Board Audit and Finance Committee and shall supply timely and complete responses to any inquiries or requests during an audit.

**(D) Section Dues and Other Fees.** Each section is authorized to collect membership dues and other funds from its activities and, subject to the other provisions of this Policy Manual, applicable law, rules, and regulations, is authorized to determine how its funds are invested and expended. Any revision in section dues must be submitted to the Board for consideration and action prior to implementation.

**(E) Budget.** Each section shall provide a detailed budget to the State Bar Accounting Department on or before July 15 of each Fiscal Year. The section budget must include all anticipated revenues and expenditures for the upcoming fiscal year.

**(F) Depositories and Investments.** Section funds must be invested consistent with State Bar investment policy as set forth in Section 3.05 of this Policy Manual. Each section shall deposit its funds into either a branch of the State Bar banking depository, or an alternative banking depository meeting the requirements of the investment policy as set forth in Section 3.05 of this Policy Manual.

**(G) *Books, Records, and Reports.*** On a monthly basis, each section shall provide the State Bar Accounting Department with:

**(H)** copies of all investment statements and bank statements that include copies of cleared checks;

**(I)** a back reconciliation for each account;

**(J)** a detailed general ledger of recorded transactions; and

**(K)** financial statements, if independently prepared, as soon as possible but no later than 30 days after receipt.

Sections shall retain all financial records and reports necessary to sufficiently demonstrate the implementation of its policies and internal controls and shall make these records available to the State Bar if requested.

**(H) *Sales Tax.*** To the extent required by law, each section shall collect sales tax on goods that it sells. No later than the last business day of each month, any section that sells goods shall remit to the State Bar all sales tax collected during the immediately preceding month, along with a report listing the price, quantity, and description of the goods sold in such detail as the State Bar Accounting Department reasonably may require to ensure compliance with applicable law, rules, and regulations.

**(I) *State Bar Assistance to Sections.*** Any section may elect to have the State Bar Accounting Department manage section funds, including depositing dues and other funds, managing operating expenses, issuing checks, and preparing financial reports and budgets. The State Bar will provide assistance to sections under this subsection at no charge to sections, except that expenses incurred in providing financial information in a format other than an electronic format prescribed by the State Bar Accounting Department shall be borne by the section. For each section supplying the required monthly financial information of the section, the accounting department of the State Bar shall prepare and provide to the treasurer of the section, a monthly and year-to-date section financial report and a monthly cash and investment account reconciliation.

**5.01.06 *Orientation.*** The Executive Director or designee shall conduct a mandatory orientation session for incoming section chairs and treasurers. The curriculum shall include written materials on State Bar policies, the State Bar Act, fiduciary management, public and legislative positions, and restrictions imposed by *Keller v. State Bar of California*, 496 U.S. 1 (1990) and its progeny. A handbook of guidelines and resources shall be provided for use by the sections.

**5.06.07 *Participation in Council of Chairs.*** The chair of each section is a member of the State Bar Council of Chairs Committee, and must attend the section orientation and each meeting of the Council of Chairs. If, for any reason, a section chair is unable to attend a meeting of the Council of Chairs, the section chair shall designate a representative from the section's council to attend such meeting.

**5.01.08 *Section Name Change.*** All section name changes are subject to Board approval. The Board may approve a section name change, provided the new name does not substantially conflict with the name of any other existing section, nor indicate an expansion of the section's purview that would conflict with or significantly overlap the purview of any other existing section. The following procedure shall be followed concerning a proposed change of a section's name:

### 3.03 Audits

**3.03.01 Auditor.** The State Bar’s books and records shall be audited annually by outside auditors chosen by the Board. The selection of the auditor shall be the subject of a request for proposal procedure every five years. At any time, the Board may request that a request for proposal be issued for auditing services.

**3.03.02 Costs and Expenses of Audit.** The cost and expenses of the annual audit of the books and records of the State Bar shall be appropriated by the Board as a specific item in the annual budget.

### 3.04 Depositories, Withdrawals and Transfers

**3.04.01 Depositories of State Bar Funds.** The State Bar shall maintain its funds in a depository or depositories located in Austin, Texas. Every 3 years, the State Bar’s bank depository will be reviewed by the Audit and Finance Committee for reasonableness of fees and level of service. Following the 3-year review, the Audit and Finance Committee will make a recommendation to the Board that the then current bank depository be allowed to continue for another 3 years, or that another bank depository be selected through an RFP process. In developing the criteria for selection of any bank depository, the Audit and Finance Committee shall give strong consideration to a potential bank depository’s participation in the Texas IOLTA Prime Partners Program sponsored by the Texas Access to Justice Foundation. At any time, the Board may request a review by the Audit and Finance Committee of the then current bank depository.

**3.04.02 Management of State Bar Funds.** The State Bar, with the approval of the Board, may enter into agreements and contracts deemed appropriate to facilitate the management of its funds so that income will be earned or appreciation realized on those funds pending expenditure.

**3.04.03 Withdrawal and Disbursement of State Bar Funds.** The Board shall designate the employees of the State Bar who are authorized to sign checks for the withdrawal and disbursement of funds. These signatories shall include the Executive Director and Chief Financial Officer. The Executive Director’s signature can be a facsimile on all checks. The Chief Financial Officer, or his or her designated representative, however, shall review each check before its distribution even though it bears the Executive Director’s signature.

**3.04.04 Securities.** The Executive Director or the Chief Financial Officer of the State Bar are authorized to transfer, endorse, sell, assign, set over, and deliver any and all shares of stock, bonds, debentures, notes of indebtedness, or other securities now or hereafter standing in the name of or owned by the State Bar.

### 3.05 Investments

**3.05.01 Investment Standard.** The State Bar shall invest its funds in a manner in which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but to, in order of priority, preserve and safeguard the principal amount invested, provide liquidity to meet operating cash flow needs, and earn the highest yield possible considering the required safeguards.

**3.05.02 Investment Manager.** The Board, through its Audit and Finance Committee, may contract with an investment manager for professional investment services. Pursuant to the Public Funds Investment Act, §2256.003, a contract for professional investment services may not be for a term in excess of 2 years. A renewal or extension of the contract for professional investment services must be made by order, ordinance or resolution of the Board. The selection of the investment manager shall be the subject of a

request for proposal procedure every five years. At any time the Board may request that a request for proposal be issued for investment management services.

**3.05.03 Application.** This investment policy applies to the financial assets of all State Bar funds and funds of Bar-related groups, to include those of the General Fund, Client Security Fund, all special revenue funds, enterprise funds, sections and divisions.

**3.05.04 Committee Review.** The Board's Audit and Finance Committee shall review the investment policy annually. Recommendations for modifications to the policy may be made by the Executive Director, the Board's Audit and Finance Committee, an Officer, or Board Member. This policy and any amendments to it must be authorized by Board action.

**3.05.05 Approved Investments.** The Board authorizes the Executive Director and/or investment manager (as contracted by the Audit and Finance Committee of the Board) to invest funds of the State Bar that are available for investment in any account, time or demand, and the following "fixed income" securities:

**(A) U. S. Treasury Securities.** U.S. Treasury securities are direct obligations of the United States Government. U.S. Government obligations are the highest quality and are the most liquid and marketable of investment securities. Investments in this category will include Treasury bills, Treasury notes, and Treasury bonds. U.S. Treasury bills are sold on a discount basis and have initial maturities of three months, six months, and one year. U.S. Treasury notes and Treasury bonds are coupon-bearing instruments with initial maturities from two to ten years for notes and ten to thirty years for bonds.

The maximum average maturity of the U. S. Treasury securities portfolio will not exceed five years.

**(B) Federal Agencies.** After U. S. Treasury securities, Federal agency securities (government sponsored enterprises) are generally regarded as the next highest quality investment suitable for the portfolio. Agencies generally offer a rate of return higher than direct U.S. Treasury securities. The spread difference in yield will be affected by the general level of interest rates, markets, and economic conditions at any given time. Consideration should be given to the spread relationship existing when portfolio investment decisions are made.

Securities included in this category are debt issuance by the Federal Farm Credit System (Farm Credits), Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), the Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"), the Government National Mortgage Association (GNMA or "Ginnie Mae"), and Small Business Administration (SBA).

The maximum average maturity of the U.S. agency section of the portfolio will not exceed five years.

**(C) Collateralized Deposits:** The State Bar will monitor all deposits that are held with the State Bar's custodian bank(s) to ensure that all deposits are fully insured or collateralized, as required by the Public Funds Collateral Act, §2257, of the Texas Government Code ("PFCA"). Pursuant to §2257, the State Bar will require the custodian bank(s) to pledge securities that are authorized under §2256.009 of the Public Funds Investment Act ("PFIA"). In accord with the PFCA, deposits that exceed the FDIC insurance limit will be collateralized by the deposit institution holding such deposits. Since, generally, all deposits are fully invested in securities, the collateralization of such invested deposits will not be necessary when such deposits are fully and continuously invested in securities. If there are any funds awaiting

investment, such funds should be fully collateralized at all times pursuant to the PFCA. The custodian bank(s) will be notified regarding the collateralization and investment policy requirements. The State Bar's expectation of total and full compliance with the PFIA and the PFCA is of paramount importance and such expectation will be clearly communicated to custodian bank(s). Financial institutions serving as depositories will be required to sign an Agreement with the State Bar and its safekeeping agent for the collateral, perfecting the State Bar's rights to the collateral in case of default, bankruptcy or closure.

**(D) Money Market Investments.** Money market investments are short-term investments that normally have a maturity of one year or less and are used for liquidity and income maximization purposes. Acceptable investments that may appear in this category are:

**(1) Domestic CDs (time deposits).** Certificates of deposit issued by depository institutions, wherever located that are:

**(a)** guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or the National Credit Union Share Insurance Fund, or its successor; or

**(b)** secured by obligations that are described in Subsections 3.05.05(A) and (B) above, with a market value of not less than the principal amount of the certificates plus accrued interest. Pledged collateral securities must be held in a third-party custody account authorized by the State Bar.

**(2) Banker's Acceptances.** Bankers acceptances must have a stated maturity of 270 days or less from the date of its issuance that will be liquidated in full at its maturity, is eligible for collateral for borrowing from a Federal Reserve Bank and is accepted by a bank organized and existing under the laws of the United States and if the short-term obligations of the bank, or of the bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

**(3) Repurchase Agreements (Repos)** Repurchase Agreements must be fully collateralized and have a defined termination date. They must be placed with a primary government securities dealer, as defined by the Federal Reserve, or a bank doing business in Texas. Repurchase agreements must be collateralized by U.S. Treasury or Agency securities and collateral must be held in a third-party custody account authorized by the State Bar.

**(4) Money Market Investments.** A no load money market mutual fund is an approved investment under this policy if the investment meets one of the following two criteria:

**(a)** It is registered with and regulated by the Securities and Exchange Commission; it provides the State Bar with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a, et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1, et seq.); and it complies with federal Securities and Exchange Commission Rules 2a-7 (17 C.F.R. Section 270.2a-7) promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1, et seq.); or

**(b)** It is registered with the Securities and Exchange Commission; it has an average weighted maturity of less than two years; and it either:

**(i)** has a duration of one year or more and is invested exclusively in obligations approved by this

policy; or

(ii) has a duration of less than one year and the investment portfolio is limited to investment grade securities excluding asset-backed securities.

(5) *Commercial Paper* Commercial Paper must have a stated maturity of 270 days or less from the date of issuance and must have a credit rating of not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies.

(E) *Investment Concentrations.* The State Bar intends to follow the guidelines described below on investment concentrations within the investment portfolio (IP):

(1) *U.S. Treasury and Federal Agency Securities.* Up to 100% of the IP.

(2) *Mortgage-Backed Securities.* Guaranteed by U.S. Government Sponsored Agencies up to 30% of the IP.

(3) *Certificates of Deposit.* Up to 30% of the IP, but no more than 5% with any single bank.

(4) *Banker's Acceptance.* Up to 15% of the IP, but no more than 5% with any single issuer.

(5) *Repurchase Agreements.* Up to 30% of the IP, but no more than 10% with any single issuer.

(6) *Money Market Mutual Funds.* Up to 100% of the IP.

(7) *Commercial Paper.* Up to 30% of the IP, but no more than 5% with any single issuer.

Investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions. The State Bar will not be required to liquidate investments that were authorized investments at the time of purchase.

The investment manager will monitor the various investment alternatives and select the securities that best meet the State Bar's overall, long-term goals. Concentrations of each type of security will not exceed the maximum limits outlined above, but specific concentrations of investment types will be dictated by the following considerations: quality, liquidity, relative sector yield spreads vs. historical spreads, maturity concentrations, time horizon.

Investments will only be made with those firms and institutions which have been approved by the Board of Directors. The investment manager will be responsible for analyzing and evaluating the broker/dealer firms and for reporting their list of qualified firms to the Committee for approval.

It is the policy of the State Bar to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds which are deemed to be made at prevailing market rates and for government securities purchased at issued through a primary dealer at auction price. At least three bidders must be contacted in all transactions involving individual securities. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law and shall be documented.



**(F) Collateralization.** In addition to the collateral requirements for State Bar deposits, as discussed in Subsection 3.05.05(C), Certificates of Deposit (CD) and Repurchase Agreements (Repo) must also be collateralized in accordance with State Law. Eligible securities for collateralization of CDs and Repo shall be U.S. Treasury and Agency securities. For CDs, the market value of the pledged collateral securities must at all times be equal to or greater than the par value of the CD plus accrued interest, less the amount insured by the FDIC. For Repos, the market value of the pledged collateral securities shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

Collateral Maturity	U.S. Treasury Securities	U.S Government Securities
1 year or less	101%	101%
1 to 5 years	102%	102%
Over 5 years	103%	104%

**(G) Reporting.** The Investment Manager for the State Bar of Texas will provide a detailed accounting and appraisal report detailing, among other things, investments' descriptions, coupons, maturities, CUSIP identification numbers, purchase cost, amortized cost and market values on a monthly basis. Market valuations are based on current information and appraisals taken from third party market makers, whom the Manager believes provides reliable information and valuations.

The investment manager will prepare a report for the State Bar quarterly. The report will include a listing of securities, a current appraisal reflecting gains or losses, a list of securities purchased or sold during the period, and an analysis of the IP's performance for the period and since inception.

Representatives of the investment manager will meet with the State Bar semi-annually or as needed to discuss investment strategy, actions taken, and the general economic environment within which the State Bar's investments will be managed.

Not less than quarterly the Investment Officers will submit to the Audit and Finance Committee and the Board a written report of the status of the current investment portfolio. The report must meet the requirements of Chapter 2256 of the Government Code (Public Funds Investment Act) and:

- (1)** describe in detail the investment position of the State Bar on the date of the report;
- (2)** be prepared jointly by all investment officers of the State Bar;
- (3)** contain a summary statement, prepared in compliance with generally accepted accounting principles of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, ending market value for the period and fully accrued interest for the reporting period.
- (4)** state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- (5)** state the maturity date of each separately invested asset that has a maturity date;
- (6)** state the account or fund or pooled fund group from which each individual investment was

acquired; and

**(7)** state the compliance of the investment portfolio as it relates to the investment strategy and relevant provisions of this Policy and the Public Funds Investment Act.

An independent auditor shall formally review the quarterly reports prepared under this Subsection at least annually, and that auditor shall report the results of the review to the Board.

**(H) *Exceptions to Policy.*** Exceptions to the investment policy must have prior approval by a majority of the Board at a called, regularly scheduled, or telephone call meeting. Changes to the investment policy will be made, as needed, after action by the Board.

**(I) *Methods to Monitor Market Price.*** The investment manager shall provide market valuations of all State Bar investments using Bloomberg, or another third-party market valuation service.

The Executive Director or investment manager shall report to the Audit and Finance Committee at least quarterly on the market prices and the performance of the investments made by, or on behalf of, the State Bar.

**(J) *Monitoring Rating Changes.*** Pursuant to the PFIA, Section 2256.021, an investment that requires a minimum rating under State law does not qualify as an authorized investment during the period the investment does not have the minimum rating. The State Bar's Investment Manager will be responsible for monitoring ratings of all State Bar investments placed with the Investment Manager. The Investment Manager will maintain a process whereby the State Bar's Investment Officer will be promptly notified in the event of a downgrade of an investment below State law or State Bar's Investment Policy limits. The Investment Manager will provide a recommendation on how best to resolve the issue with the intent to take all prudent measures that are consistent with State Bar's Investment Policy to liquidate an investment that does not have the minimum rating.

### ***3.05.06 Delegation of Authority***

**(A) *Investment Officer.*** The State Bar shall designate the Finance Division Director as investment officer responsible for the investment of its funds, under the direction and authority of the Executive Director. This includes investments for the State Bar General Fund, Client Security Fund and the special revenue funds.

**(B) *Procedures.*** The State Bar's investment officer shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the written procedures. Authority granted to a person to invest the State Bar's funds is effective until rescinded or until termination of the person's employment by the State Bar. The investment officers shall be responsible for all transactions undertaken and shall establish a system of controls, to be reviewed by the State Bar's independent auditor, to regulate the activities of subordinate officials. The investment officers shall possess sufficient working knowledge of economics and securities markets, as well as the supervisory experience and judgment necessary to carry out the responsibilities outlined in this Policy.

# STATE BAR OF TEXAS



## BREAKDOWN OF SECTIONS BY ACCOUNTANT

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Administrative Law	Insurance Law
African American Lawyers	Justice of the Peace Courts
Alternative Dispute Resolution	Labor & Employment Law
Antitrust & Business Litigation	Legislative & Campaign Law
Asian Pacific Interest	LGBT Law
Aviation Law	Litigation
Bankruptcy Law	Military & Veterans Law
Computer & Technology	Municipal Judges
Construction Law	Native American Law
Consumer Law	Real Estate, Probate & Trust
Corporate Counsel	School Law
Government Law African	Tax
Immigration & Nationality Law	Women & the Law

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Animal Law	Health Law
Appellate	Hispanic Issues
Business Law	Intellectual Property Law
Child Protection Law	International Law
Civil Liberties & Civil Rights	Judicial
Collaborative Law	Juvenile Law
Criminal Justice	Oil, Gas & Energy Resources Law
Entertainment & Sports Law	Poverty Law
Environmental & Natural Resources	Public Utility Law
Family Law	Workers Compensation
General Practice, Solo & Small Firm	