

**STATE BAR OF TEXAS  
ENVIRONMENTAL & NATURAL RESOURCES LAW SECTION**

**INTERNAL FINANCIAL CONTROLS POLICY**

The following policy establishes requirements over financial processes within the State Bar of Texas Environmental & Natural Resources Law Section (Section) 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 Internal Financial Controls Policy was adopted by the Section Council at its regularly scheduled quarterly meeting on February 19, 2020 and is effective as of that date.

**A. BUDGET**

1. The Section Council shall adopt a budget each fiscal year that provides detailed projected expenditures and revenue. This budget may be amended, if necessary, at any time during the fiscal year.
  - a. The Section Treasurer, in consultation with the current Section Council, shall draft the next year's proposed budget every year by the Section's May/June quarterly meeting.
  - b. The Section Council shall review and adopt the budget every year during its May/June quarterly meeting.
  - c. If a significant deviation from a budget occurs, as defined by a variance in excess of \$5,000 in any line item of the budget, an explanation should be presented to the full Council. A variance in excess of \$20,000 in any line item of the budget will require the Council to adopt an amended budget.
2. The Section will submit the adopted budget for the current fiscal year to the State Bar by July 15<sup>th</sup> of each year.

**B. DEFINING ROLES AND PROCEDURES**

1. Bookkeeping services and approval duties for the Section's 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 approve deposits and expenditures; and
  - c. the person designated as an additional approver for expenditures over a designated amount or for payments issued to the initial approver (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 Section will have as its Bookkeeper the State Bar of Texas accounting department.

2. The Bookkeeper will perform the following duties:
  - a. issue checks to be signed by an authorized State Bar signor;
  - b. pay invoices within two weeks of receiving the invoice;
  - c. obtain approval on any 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 State Bar records retention policy;
  - i. calculate and pay sales tax;
  - j. collect W-9 forms for all contracted services;
  - k. provide the State Bar with financial reports in a timely manner;
  - l. provide the 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; and
  - p. provide explanation on budget-to-actual variances.

#### **D. TREASURER DUTIES**

The Treasurer reviews and monitors finances through the following activities and meets the following criteria:

1. The Treasurer (as the primary approver of Section payments) must be a member of the Council appointed to perform the duties outlined herein.
2. When an approval in addition to that of the Treasurer is required for any transaction, that secondary approver will be the Section Chair.
3. The process of approving payment must comply with the controls listed below:

- a. All invoices and reimbursement requests received by the Section are approved in advance of payment by the Treasurer (and the Section Chair, if applicable) through written approval to the Bookkeeper. Documentation of approval is retained by the Bookkeeper.
  - b. Any payments to be made to the Treasurer require an additional written approval by the Section Chair. Documentation of approval is retained by the Bookkeeper.
  - c. Any payments made by the Section in an amount over \$10,000 require written approval in advance of payment by both the Treasurer and the Section Chair. Documentation of approval is retained by the Bookkeeper.
4. All payments made by or to the Section are currently handled and documented by the Bookkeeper. If and to the extent this arrangement were to change in the future, in a manner in which the Section Council has a more direct role in handling receipts and payment processing, this Internal Financial Controls Policy will be amended, in consultation with the State Bar of Texas accounting department.

**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 of the Section are the current State Bar of Texas Controller and Finance Director.

If the Bookkeeper is a check signor, there must be an additional written approval of the expenditure. Documentation of the additional approval is retained by the Bookkeeper.

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. For all checks over \$10,000, either a second signature should be required or prior approval by the Treasurer or the Section Chair should be required, depending upon the applicable requirements of the account from which payment is made.

**F. PAYMENT OF EXPENSES AND INVOICES**

1. A detailed invoice or contract is required for any payment by the Section. Money should not be paid to any person or company without appropriate and detailed back-up and documentation. An invoice should contain the following information:
  - a. vendor name and address;
  - b. itemized description of the goods or services provided;
  - c. total amount billed;
  - d. period of time for which the services will be/were rendered;
  - e. terms of payment for late fees or discounts for early payment (if applicable);

- f. due date;
  - g. invoice number and date; and
  - 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; and
  - 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 or Treasurer or Bookkeeper; and
  - 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 (3) 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 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 30 days. The reconciliation should also note all outstanding deposits and checks. All checks or deposits that are outstanding for longer than three (3) months should be reviewed for resolution. Voided or reissued checks should also be reported to the Bookkeeper 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.

**J. FUND BALANCES**

- 1. A minimum fund balance for the Section is defined as one year of budgeted operating expenditures.
- 2. The Section Council will evaluate from time to time an investment strategy for its funds, in consultation with the State Bar of Texas Controller or Finance Director. Any investment policy strategy adopted will protect the Section’s principal while producing the best yield for the Section in accordance with the Public Funds Investment Act.

**K. REIMBURSEMENT POLICY**

- 1. The actual out-of-pocket expenses incurred by the Section Council members and others authorized by the Section in performing their assigned duties on behalf of the Section will be reimbursed as follows, consistent with the current reimbursement policies and practices of the State Bar:
  - A. Transportation – Coach air fare, taxi fare, parking and airport limousine, or applicable mileage reimbursement for travel in a privately owned vehicle, as provided in the travel provisions of the current General Appropriations Act;
  - B. Meals and Lodging – Actual reasonable expenses; and
  - C. Other Expenses – Other reasonable and necessary expenses of conducting Section business may be reimbursed, including such items as copying, postage and long-distance telephone bills.
- 2. All expense reimbursement requests shall be accompanied by a Section-approved reimbursement form signed by the requestor accompanied by the original bills and vouchers, except that for taxis, mileage, tips and miscellaneous expenses for which no bill or receipt is normally obtained, the signed statement of the person submitting that statement that he or she incurred the expense will be accepted.
- 3. Expense reimbursement requests made by the Treasurer shall be approved by the Section Chair.