

The State Bar of Texas Women and the Law Section Internal Financial Controls Policy (the “Policy”) establishes requirements over financial processes within the Women and the Law Section (the “Section”) that ensure appropriate controls are in place for the maintenance and disbursement of Section funds in accordance with State Bar of Texas Board Policy Manual Section 5.01.06. The Policy was adopted by the Section Council on July 28, 2020 and is effective on July 28, 2020.

State Bar of Texas Women and the Law Section
Internal Financial Controls Policy
July 28, 2020

A. BUDGET

1. The State Bar of Texas Women and the Law Section Council (the “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 of the State Bar of Texas Women and the Law Section (the “Section”) in consultation with the current Council, shall draft the next year’s proposed budget by May 31.
 - b. The Council shall review and adopt the budget during a meeting in May, June, or July.
 - c. If a significant deviation from a budget occurs -- as defined by a variance in excess of \$2,500 -- an explanation should be presented to the Council. A variance in excess of \$10,000 will require the Council to adopt an amended budget.
2. The Section will submit the adopted budget to the State Bar of Texas (“SBOT”) by July 15.*

B. FINANCIAL ROLES

1. Bookkeeping services, approval duties, and secondary approval duties for the Section’s financial records will be separated into a minimum of three (3) distinctly defined roles:
 - a. The Section’s bookkeeper (the “Bookkeeper”), who is a provider of bookkeeping services, as described below;
 - b. The Section’s treasurer (the “Treasurer”), who is authorized to monitor and review bookkeeping services and have primary authority for approving deposits and expenditures; and

* This is the minimum standard allowed by State Bar of Texas Board of Directors.

- c. The Section's secondary approver (the "Secondary Approver"), who is authorized to provide the secondary approval required for expenditures over a designated amount or for payments issued to the Treasurer.
- 2. The Bookkeeper must have no responsibility for approving any expenditure.*

C. **BOOKKEEPER**

- 1. The Bookkeeper will be the SBOT Accounting Department ("Accounting").
- 2. The Bookkeeper will perform the following duties:
 - a. Issue checks to be signed by the Treasurer, SBOT signor, or other signor approved by the Council;
 - b. Pay invoices within two (2) weeks of receiving the invoice;
 - c. Obtain approval on all payments as established in these policies;
 - d. Deposit revenue within three (3) business days of receipt;
 - e. Keep accounting books according to Generally Accepted Accounting Principles (GAAP); revenues should be recognized when earned and expenses should be recognized when liabilities are 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 -- according to any applicable SBOT records retention policy;
 - i. Calculate and pay sales tax;
 - j. Collect W-9 forms for all contracted services;
 - k. Provide the Section's chair and the Treasurer with financial reports in a timely manner;
 - l. Protect the confidentiality of and access to the Section's financial information;
 - m. Provide financial information or complete other duties as required;

- n. Communicate yearly with SBOT auditors; and
- o. Provide explanations on budget-to-actual variances.

D. TREASURER

- 1. The Treasurer will be elected by the Section's members in accordance with the Bylaws of the Women and the Law Section of the State Bar of Texas, as amended.
- 2. The Treasurer must be a Council member with a fiduciary duty to the Section.*

E. SECONDARY APPROVER

- 1. The Secondary Approver will be the Chair or any other officer designated by the Council.
- 2. All payments over \$2,000 will require the Secondary Approver's email approval or second check signature in advance of payment. Documentation of approval will be retained.
- 3. All reimbursement requests or invoices made by a check signor will require the Secondary Approver's email approval or second check signature. Documentation of approval will be retained.*

F. BANK ACCOUNTS AND CHECK WRITING

- 1. At least two (2) individuals will be required signors on the Section's bank accounts at all times. The authorized signors on the Section's checking, savings, and/or investment accounts are the SBOT Controller (currently, Sandra Carlson) and SBOT Chief Financial Officer (currently, Tracy Jarratt).*
- 2. All invoices must be approved in advance of payment by the Treasurer or the Chair through email approval. Documentation of approval will be retained.
- 3. If the Bookkeeper is a check signor, there must be an additional approval of the expenditure by email or a second check signature.* Documentation of the additional approval will be retained.
- 4. Checkbooks should be physically secured at all times. Checks should be written in sequential order, and a record of all checks written or voided should be retained. Checks should be dated at the time the check is written, and they should be recorded on the same date. No post-dated or pre-dated checks will be allowed.*
- 5. Blank checks or checks made out to "cash" are prohibited. A secondary approval or second check signature will be required for all checks over \$2,000.

G. PAYMENTS

1. A detailed invoice and/or contract will be required for any payment. Money should not be paid to any person or company without appropriate, detailed back-up and/or documentation.* Invoices 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 prior to full completion of contracted services, except for reasonable advance deposits and payments for subscription services, such as insurance, rent, and software licenses.
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. A completed reimbursement request form, signed by the requestor (an electronic signature is acceptable);
 - b. Itemized receipts and invoices;
 - c. A secondary approval, if the requestor is a signor on the bank account; and

- d. An explanation for any lost receipts or requests that do not have back-up documentation.
5. Accounting will prepare an annual Section reimbursement form (the “Reimbursement Form”), subject to the Treasurer’s approval. The Treasurer will distribute the Reimbursement Form to Council members.

H. DEPOSITS

1. All money or checks received by the Section should be deposited within five (5) business days of receipt. Immediately upon receipt, the Bookkeeper should stamp a check with the language “for deposit only” and the Section’s bank account number. Any associated invoices and other supporting documents demonstrating the reason that the deposit was collected should be (a) attached to the check/deposit slip and (b) retained for audit purposes and/or customer inquiries.*

I. CONFIDENTIALITY

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.

J. FINANCIAL REPORTS AND RECONCILIATIONS

1. Checks and deposits must be reconciled in the Section’s bookkeeping system within sixty (60) 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 and/or reissued checks should also be reported on a monthly basis.*
2. The Treasurer should use monthly budgets, financial statements, and historical financial records to investigate significant variances, whether positive or negative. Inquiries should be made on projects with excessive costs.

K. FUND BALANCES

1. A minimum fund balance for the Section is defined as one (1) year of budgeted operating expenditures.
2. The Council will evaluate an investment strategy when the Section fund balance exceeds \$150,000. Any investment strategy will protect the Section's principal while producing the best yield for the Section in accordance with the Texas Public Funds Investment Act.
3. The Section will carry a reserve of approximately three (3) years of operating expenditures, or \$54,500.
4. If the Council determines that the reserve needs to be reduced, negative spending shall be budgeted to specific projects within the Section's budget and shall not reduce the corpus by more than three percent (3%) per year.
