*This policy establishes requirements over financial processes within the Public Utility Law Section to ensure appropriate controls are in place for the maintenance and disbursement of Section funds in accordance with Board Policy Manual Section 5.01.06. The Public Utility Law Section Council adopted this Internal Financial Controls Policy on April 20, 2020 and it is effective on May 1, 2020.*

**Public Utility Law Section Internal Financial Controls Policy**

Adopted April 20, 2020

1. **BUDGET**
2. In this policy, “fiscal year” means the year ending May 31. The Section Council shall adopt a budget each fiscal year that provides detailed projected expenditures and revenue for the next fiscal year.\* The Council may amend the budget, if necessary.
   1. The Chair-Elect and Treasurer, in consultation with the current Council,shall draft the proposed budget no later than May 15.
   2. The Section Council shall review and adopt the budget during a regular or special-called meeting by May 31.
   3. If a significant deviation from a budget occurs, defined as a variance in excess of $2,500, an explanation should be presented to the full Council. A variance in excess of $10,000 will require the Council to adopt an amended budget.
3. The Section will submit the adopted budget to the State Bar by July 15th of the fiscal year.\* Any budget amendment made under A.1.c. during the fiscal year will be sent to State Bar as well.
4. **DEFINING ROLES AND PROCEDURES**
5. Bookkeeping services, approval duties, and second approval duties for the Section’s financial records will be separated into distinctly-defined roles\*:
   1. the Bookkeeper, who is a provider of bookkeeping services as described below.
   2. the Treasurer, who is authorized to supervise and review bookkeeping services, and authorize, sign and/or approve deposits and expenditures.
   3. the person designated as an additional approver for expenditures over a designated amount or for payments issued to an approver.
6. The person who performs the Section’s bookkeeping and reconciliation is not be the same person responsible for approving expenditures.\*
7. If there is a significant change in circumstance or if the Section changes bookkeepers, the Section will evaluate and file an amended internal controls policy with the State Bar.

1. **BOOKEEPING DUTIES**
2. The provider of bookkeeping services responsible for the duties described in this section will be the Accounting Department of the State Bar of Texas. The Accounting Department of the State Bar of Texas is referred to in this Policy as the Bookkeeper.

2. The Bookkeeper will perform the following duties:

1. Issue checks.
2. Pay invoices within two weeks of receiving the invoice.
3. Obtain approval on all payments as established in these policies.
4. Deposit revenue within three business days of receipt.
5. 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.
6. Reconcile bank and investment accounts by the end of the month following the reporting month.
7. Prepare financial reports by the end of the month following the reporting month.
8. Retain all documentation, such as invoices, approvals, reports, etc. according to the records retention policy.
9. Calculate and pay sales tax.
10. Collect W-9 forms for all contracted services.
11. Provide State Bar with financial reports in a timely manner.
12. Provide the Section Chair and Treasurer with financial reports in a timely manner.
13. Protect the confidentiality of and access to Section financial information.
14. Provide financial information or complete other duties as required.
15. Communicate yearly with State Bar auditors.
16. Provide explanation on budget-to-actual variances.
17. **TREASURER DUTIES**

The Bookkeeper will provide detailed transactions and checks to each Section officer and the Treasurer will review them on a quarterly basis. The Treasurer reviews and monitors finances through the following activities and criteria:

1. The Treasurer is the primary approver of Section expenditures. The Treasurer must be a member of the Council with a fiduciary duty to the Section.\*
2. When an additional approval is required for any transaction, or the Treasurer is unavailable, the secondary approver will be the Chair.
3. The process of approving payment must comply with one of the controls listed below:\*
   1. All invoices are approved in advance of payment by the Treasurer or Chair through email approval. The Bookkeeper must retain documentation of approval.\*
   2. All reimbursement requests or invoices made by an approver require email approval by the Chair and the Treasurer. The Bookkeeper must retain documentation of approval.\*
4. All payments over $2,500 require an email approval by the Chair in advance of payment. The Bookkeeper must retain documentation of approval.
5. **BANK ACCOUNTS AND CHECK WRITING**
6. 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 Treasurer and current State Bar of Texas Accounting Department.\*
7. 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.\*
8. Blank checks or checks made out to “cash” are prohibited.\*
9. A second signature authorized by the State Bar of Texas Accounting Department is required for all checks over $1,000.00.
10. **PAYMENT OF EXPENSES AND INVOICES**

1. A detailed invoice and/or contract is required for any payment or deposit. Money should not be paid to any person or company without detailed back-up and documentation.\* An invoice should contain the following information:
2. Vendor name and address
3. Itemized description of the goods or services provided
4. Total amount billed
5. Period of time for which the services will be/were rendered
6. Terms of payment for late fees or discounts for early payment (if applicable)
7. Due date
8. Invoice number and date
9. Itemized fees
10. Vendors shall not be paid before full completion of the contracted services except for reasonable advance deposits, airfare, or payments for subscription services, such as insurance, rent, software licenses, etc.
11. Payment should meet these criteria:
12. The expenses are reasonable and necessary.
13. The expenses have been budgeted.
14. The goods and services have been received.
15. Contracted terms have been met.
16. Reimbursement requests should contain the following information:
17. Completed reimbursement request form, signed by requestor. (An electronic signature is acceptable).
18. Itemized receipts and invoices.
19. A second approval, if the requestor is a signor on the bank account.
20. Explanation for any lost receipts or requests without back-up documentation.
21. **DEPOSITS**
22. 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.\*
23. **CONFIDENTIAL DATA**
24. All confidential data must be protected.\*
    1. Credit card numbers should not be transmitted through email.
    2. All confidential information should be redacted, or stored in a protected manner.
    3. Access to bank accounts, credit card processing accounts, and financial records should be limited to the Council and essential users only.
    4. Care is required in the destruction of credit card and other sensitive information to ensure that the information cannot be copied or duplicated.
    5. Controls will be established with any credit card processor so refunds may only be made to the credit card originally charged, and the refund cannot exceed the original payment.
25. **FINANCIAL REPORTS AND RECONCILATIONS**
26. 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 outstanding for longer than three months should be reviewed for resolution. Voided and/or reissued checks should also be reported in the regular monthly documentation.\*
27. 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.
28. An explanation should be provided to the State Bar of Texas accounting department for variances over 20% (whether positive or negative) for audit purposes.
29. Financial statements should be provided to the Council on a quarterly basis. The financial statements should include: 1) bank and investment statements, 2) a bank reconciliation, 1) an income statement that compares current year to prior year, 3) an income statement that compares current year to the approved budget, 4) a balance sheet.\*
30. **FUND BALANCES**
31. A minimum fund balance for the Section is defined as one year of budgeted operating expenditures.
32. The Council will evaluate an investment strategy when the Section fund balance exceeds $150,000. Any investment policy strategy will protect the Section’s principal while producing the best yield for the Section.
33. Any investments will comply with the Public Funds Investment Act.
34. The Section will carry a reserve of approximately two years of operating expenditures, or $40,000 as of April 2020.
35. 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 ten percent per year. A reduction of greater than ten percent requires approval by the Section at its annual meeting.

K. **REIMBURSEMENT POLICY**

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

AS OF April 20, 2020

The Public Utility Law Section will reimburse Council members (and authorized guests) for the following expenses incurred when authorized to engage in Section-related events and activities:

• Meals – up to $80 per day

• Air travel – at two week advanced purchase rates[[1]](#footnote-1)

• Personal car/no fuel – at the mileage rate established by the State Bar

• Rental car and fuel – type of vehicle should be no more than full size. Please consider carefully the decision to rent a vehicle versus taking a taxi, Uber, etc. A decision to rent a vehicle should consider the rental costs, fuel, and parking expenses. (Carpooling by council members is recommended and qualifies for a size-upgrade, if needed to accommodate all passengers).[[2]](#footnote-2)

• Parking

• Taxis/Uber/Lyft, etc. – Limo or town car services will be reimbursed at the same rate as taxi service.

• Lodging at the State Bar rate at the host hotel – one night for Council meetings, two nights for retreats (unless the Chair of the Section directs otherwise)

• Tips

The Section will not reimburse you for the following:

• Alcohol or entertainment expenses

• Expenses associated with a spouse or other guest

During most meetings and retreats, the Section will host meals. Council members and their spouse or personal guest, as well as Section-invited guests are invited to these meals. Only beer, wine and well drinks will be provided at the Section’s expense at these dinners. Any other type of alcoholic drink may be ordered at the individual’s personal expense. Any beverages consumed apart from the Section sponsored dinner may be ordered at the individual’s personal expense.

Any alcohol purchased by the Section during official dinners or receptions will be purchased using segregated funds. Membership dues will not be used to purchase alcohol.

Individuals attending a Council meeting must submit their reimbursement request within 90 days, using the Council reimbursement form, to the Treasurer. All reimbursement forms must be accompanied by appropriate supporting documentation (hotel, airline, taxi or car rental receipts, etc.)

1. While the Section will not reimburse more expensive business, first-class travel or last-minute air fares, absent special circumstances, the Section will reimburse baggage fees and nominal fees to secure preferred boarding, such as early bird check-in, flight change fees, etc. If special circumstances require a last minute air-fare purchase, please seek prior approval from the treasurer. [↑](#footnote-ref-1)
2. It is recommended you utilize one of the vendors with which the State Bar has negotiated a favorable rate. Enterprise Promotion Code number: TX202 and pin = STA; Hertz Discount Code: 2162531; or Avis Discount Code: F999202. Other vendors providing discounts can be found on the State Bar web page (Member Benefits). [↑](#footnote-ref-2)