

# Audit & Finance

**State Bar of Texas General Fund  
Financial Highlights  
For the Nine Months Ended February 29, 2020**

**Total General Fund YTD results** – As of February 29, 2020, the General Fund had a net excess of revenues over expenditures and transfers of \$3,176,402 compared to a budgeted net excess of \$925,016. This resulted in a positive overall variance of \$2,251,386.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
Total Revenues	\$35,029,281	\$33,266,637	\$1,762,644	5%
Total Expenditures and Transfers	31,852,879	32,341,621	488,742	2%
<b>Net Excess</b>	<b>\$3,176,402</b>	<b>\$925,016</b>	<b>\$2,251,386</b>	

**Revenues**

For the period ending February 29, 2020, total revenues exceeded the budget by \$1,762,644 or 5%, thereby producing a positive actual to budget variance. An analysis of the revenues shows that seven departments had a positive revenue variance in excess of \$100,000 or \$10,000 and 10% for the period ending February 29, 2020.

- Member Dues – Total Positive Revenue Variance: \$256,344 or 2% - This positive variance results primarily from higher than anticipated dues collection.
- MCLE Department – Total Positive Revenue Variance: \$364,913 or 15% - This positive variance results primarily from higher than anticipated number of course accreditation fees.
- Investment Income – Total Positive Revenue Variance: \$365,853 or 105% - This positive variance is due to a higher than anticipated yield on the State Bar's investment portfolio for the current fiscal year.
- Office of the Chief Disciplinary Counsel – Total Positive Revenue Variance: \$53,039 or 14% - This positive variance results primarily from higher than anticipated attorney fees collected for the Austin, Dallas and Houston offices.
- Minority Affairs – Total Positive Revenue Variance: \$138,558 or 40% - This positive revenue variance results from a higher than expected number of sponsorships for the Texas Minority Counsel Program.
- Website – Total Positive Revenue Variance: \$99,549 or 26% - This positive revenue variance results from higher than expected revenue generated in connection with law firm employment advertising.

- Texas Young Lawyers Association – Total Positive Revenue Variance: \$44,290 or 78% from higher than anticipated revenue from the National Trial Competition.

### **Expenditures**

For the period ending February 29, 2020, total expenditures were under the allocated budget by \$488,742 or 1%, which resulted in a positive actual to budget variance.

An analysis of the expenditures shows that five departments, Local Bars, Access to Justice Commission, Advertising Review, Information Technology, and Printing had large positive expenditure variances in excess of \$10,000 and 10% in salaries and benefits due to open positions and/or reduction in salary expenses due to replacing long-term employees.

An analysis of expenditures shows that two departments had negative expenditure variances in excess of (\$10,000) and (10%) for the period ending February 29, 2020.

- Minority Affairs – Total Negative Expenditure Variance: (\$107,465) or (25%) – This negative variance results from an increase in additional conference expenses which were off-set by additional revenue collected from sponsorship and contributions.

### **TexasBarCLE (TBCLE)**

For the period ending February 29, 2020, TexasBarCLE's net revenues over expenditures amount exceeded its budget target by \$905,464 or 24%, thereby producing a positive actual to budget variance.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>% Variance</b>
TBCLE Revenues	\$11,990,900	\$11,522,815	\$468,085	4%
TBCLE Expenditures	7,366,767	7,804,146	437,379	6%
<b>Net TBCLE Income</b>	<b>\$4,624,133</b>	<b>\$3,718,669</b>	<b>\$905,464</b>	<b>24%</b>

In comparing TBCLE's performance to previous years, it is appropriate to make two comparisons: (1) compare the current fiscal year 19-20 to the previous fiscal year 18-19; and (2) compare the current fiscal year 19-20 to fiscal year 17-18. Fiscal years ending in odd numbers are considered to be "non-legislative years", in other words, they do not follow a legislative session. Fiscal years ending in even numbers are considered to be "legislative years" because they do follow a legislative session and TBCLE generally sees a surge in revenues following a legislative year. The surge in revenue generally results from legal issues arising during the legislative process; thereby creating a need for new or revised CLE programs.

In comparing actual revenues and expenditure amounts for the period ending February 29, 2020 to the prior period ending February 29, 2019, we see an increase in revenues of \$233,419 or 2%, and a decrease in expenditures of \$43,534 or 1% for an overall increase in net revenues of \$276,953 or 6%. This is showing the difference between financial performances based on a comparison to a “non-legislative year”.

In comparing actual revenues and expenditure amounts for the current period ending February 29, 2020, to the period ending February 28, 2018, we see an increase in revenue of \$469,300 or 4% and a decrease in expenditures of \$20,265 or 0% for an overall increase in net revenues of \$489,565 or 12%. This is showing the difference between financial performances based on a comparison of two “legislative years.”

### **Salaries and Benefits**

For FY 2019-2020, the salaries and benefits budget totals \$24,381,427 or 56.6% of the overall \$43,109,214 General Fund budget before budgeted board commitments. The \$24,381,427 includes a 4% vacancy rate. The actual vacancy factor for the period ending February 29, 2020 was 4.6%. The actual salary and benefit expenditures had a (\$40,499) negative variance to budget at the end of February 2020.

Budget	\$ 18,277,881
Actual	<u>18,318,380</u>
Variance	<u>\$ (40,499)</u>

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Nine Months Ending February 29, 2020**

	<b>Annual Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>YTD Variance \$ Fav/(Unfav)</b>	<b>YTD Variance % Fav/(Unfav)</b>	<b>YTD Budget Prior Year</b>	<b>YTD Actual Prior Year</b>	<b>YTD Prior Year Variance \$ Fav/(Unfav)</b>	<b>YTD Prior Year Variance % Fav/(Unfav)</b>
REVENUES:									
Membership Dues	\$20,783,246	\$15,238,288	\$15,494,632	\$256,344	2%	\$14,915,907	\$15,301,384	\$385,477	3%
Accounting/Management Fees	650,351	488,013	488,013			488,014	488,013	(1)	(0%)
Texas Bar Journal	629,878	444,518	473,314	28,796	6%	457,440	472,208	14,768	3%
Leadership SBOT	10,000	7,497	7,000	(497)	(7%)	7,497	3,000	(4,497)	(60%)
MCLE Fees	3,257,183	2,361,457	2,726,370	364,913	15%	2,278,557	2,859,410	580,853	25%
TexasBar CLE	13,955,703	11,522,815	11,990,900	468,085	4%	11,383,971	11,757,483	373,512	3%
Investment Income	350,000	350,000	715,853	365,853	105%	185,000	534,914	349,914	189%
Lawyer Referral	190,000	130,000	124,985	(5,015)	(4%)	124,500	119,925	(4,575)	(4%)
Member Benefits	844,909	661,611	629,103	(32,508)	(5%)	738,619	675,475	(63,144)	(9%)
CDC Disciplinary Fees	553,240	391,584	444,623	53,039	14%	409,604	464,866	55,262	13%
Membership	14,475	10,800	12,155	1,355	13%	9,765	11,555	1,790	18%
Local Bars	12,600	12,600	6,700	(5,900)	(47%)	12,500	17,550	5,050	40%
Minority Affairs	350,000	344,000	482,558	138,558	40%	327,000	408,071	81,071	25%
Information Technology Dept.	1,200	900	900			900	900		
Website	405,000	379,750	479,299	99,549	26%	365,000	433,340	68,340	19%
Legal Access Division	23,000	23,000	17,275	(5,725)	(25%)	11,000	16,800	5,800	53%
Law Related Education	9,256	9,256	9,550	294	3%	14,500	13,350	(1,150)	(8%)
TYLA	60,000	57,000	101,290	44,290	78%	81,000	103,075	22,075	27%
Law Student Division	6,000	5,100	5,610	510	10%	5,100	6,905	1,805	35%
Purchasing & Facilities	46,500	33,895	28,746	(5,149)	(15%)	36,423	33,921	(2,502)	(7%)
Advertising Review	380,000	282,301	258,900	(23,401)	(8%)	273,653	260,595	(13,058)	(5%)
Miscellaneous, Sales Tax Discounts, Etc.	74,000	52,747	54,705	1,958	4%	54,747	63,129	8,382	15%
Credit Card Processing Fees	330,000	330,000	347,295	17,295	5%	290,000	331,375	41,375	14%
Rent	172,673	129,505	129,505			134,580	129,505	(5,075)	(4%)
<b>TOTAL REVENUES</b>	<b>43,109,214</b>	<b>33,266,637</b>	<b>35,029,281</b>	<b>1,762,644</b>	<b>5%</b>	<b>32,605,277</b>	<b>34,506,749</b>	<b>1,901,472</b>	<b>6%</b>
EXPENDITURES									
Executive Division									
Executive Director	670,896	506,757	484,155	22,602	4%	466,941	469,879	(2,938)	(1%)
Associate Executive Director/Legal Counsel	661,868	466,792	441,197	25,595	5%	386,675	416,933	(30,258)	(8%)
Deputy Executive Director	226,500	170,506	160,127	10,379	6%	167,694	154,900	12,794	8%
Deputy Executive Director/External Affairs	261,955	196,391	186,597	9,794	5%	205,549	184,308	21,241	10%
Special Financial Advisor	193,491	132,178	129,502	2,676	2%	56,250	121,098	(64,848)	(115%)
Officers & Directors	850,117	572,617	565,387	7,230	1%	562,783	529,263	33,520	6%
Human Resources	294,760	221,530	215,448	6,082	3%	211,092	223,019	(11,927)	(6%)
Training/Tuition	71,133	41,000	41,370	(370)	(1%)	32,500	22,926	9,574	29%
<b>Total Executive Division</b>	<b>3,230,720</b>	<b>2,307,771</b>	<b>2,223,783</b>	<b>83,988</b>	<b>4%</b>	<b>2,089,484</b>	<b>2,122,326</b>	<b>(32,842)</b>	<b>(2%)</b>

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Nine Months Ending February 29, 2020**

	<b>Annual Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>YTD Variance \$ Fav/(Unfav)</b>	<b>YTD Variance % Fav/(Unfav)</b>	<b>YTD Budget Prior Year</b>	<b>YTD Actual Prior Year</b>	<b>YTD Prior Year Variance \$ Fav/(Unfav)</b>	<b>YTD Prior Year Variance % Fav/(Unfav)</b>
Member & Public Services Division									
Member & Public Services Division Director						89,301		89,301	100%
Center for Legal History	154,037	116,504	118,781	(2,277)	(2%)	112,019	109,122	2,897	3%
Law Related Education	512,851	413,651	407,441	6,210	2%	416,087	377,732	38,355	9%
Governmental Relations	173,238	133,444	123,696	9,748	7%	121,671	117,481	4,190	3%
Texas Young Lawyers Association	1,010,999	630,832	612,076	18,756	3%	627,400	669,813	(42,413)	(7%)
LeadershipSBOT	98,672	61,305	58,925	2,380	4%	71,019	65,181	5,838	8%
Sections	335,660	252,109	237,181	14,928	6%	237,853	225,657	12,196	5%
Local Bars	455,312	370,790	323,135	47,655	13%	338,334	294,131	44,203	13%
Special Events	73,604	54,825	56,689	(1,864)	(3%)	68,825	63,623	5,202	8%
Law Student Department	20,266	15,376	7,139	8,237	54%	15,566	12,722	2,844	18%
SBOT Volunteer Committees	280,510	205,051	224,523	(19,472)	(9%)	223,948	233,843	(9,895)	(4%)
Total Member & Public Services Division	<u>3,115,149</u>	<u>2,253,887</u>	<u>2,169,586</u>	<u>84,301</u>	<u>4%</u>	<u>2,322,023</u>	<u>2,169,305</u>	<u>152,718</u>	<u>7%</u>
Legal & Attorney Services Division									
Legal & Attorney Services Division Director	229,745	172,519	168,040	4,479	3%	167,438	164,246	3,192	2%
Texas Lawyers Assistance Program	401,146	299,212	290,796	8,416	3%	338,838	301,555	37,283	11%
Legal Access Division	1,521,608	1,049,416	995,422	53,994	5%	808,709	777,221	31,488	4%
Total Legal & Attorney Services Division	<u>2,152,499</u>	<u>1,521,147</u>	<u>1,454,258</u>	<u>66,889</u>	<u>4%</u>	<u>1,314,985</u>	<u>1,243,022</u>	<u>71,963</u>	<u>5%</u>
Access to Justice Commission	<u>840,127</u>	<u>574,717</u>	<u>468,410</u>	<u>106,307</u>	<u>18%</u>	<u>528,899</u>	<u>484,229</u>	<u>44,670</u>	<u>8%</u>
Member Benefits	<u>203,463</u>	<u>26,497</u>	<u>27,327</u>	<u>(830)</u>	<u>(3%)</u>	<u>61,277</u>	<u>57,213</u>	<u>4,064</u>	<u>7%</u>
Research & Analysis	<u>179,700</u>	<u>124,547</u>	<u>132,475</u>	<u>(7,928)</u>	<u>(6%)</u>	<u>123,556</u>	<u>128,047</u>	<u>(4,491)</u>	<u>(4%)</u>
Professional Development Division									
Texas Bar CLE	9,950,513	7,804,146	7,366,767	437,379	6%	7,794,054	7,410,297	383,757	5%
Minority Affairs	498,601	431,567	539,032	(107,465)	(25%)	396,164	479,498	(83,334)	(21%)
Total Professional Development	<u>10,449,114</u>	<u>8,235,713</u>	<u>7,905,799</u>	<u>329,914</u>	<u>4%</u>	<u>8,190,218</u>	<u>7,889,795</u>	<u>300,423</u>	<u>4%</u>
Attorney Compliance Division									
Office of Attorney Compliance Director	181,703	136,787	137,129	(342)	(0%)	132,933	126,675	6,258	5%
Advertising Review	183,126	137,578	107,715	29,863	22%	137,182	134,773	2,409	2%
Client Attorney Assistance Program	545,835	408,495	407,691	804	0%	409,633	408,462	1,171	0%
Lawyer Referral	361,847	266,394	290,834	(24,440)	(9%)	258,263	264,636	(6,373)	(2%)
MCLE	603,280	457,845	474,683	(16,838)	(4%)	437,183	484,550	(47,367)	(11%)
Total Attorney Compliance Division	<u>1,875,791</u>	<u>1,407,099</u>	<u>1,418,052</u>	<u>(10,953)</u>	<u>(1%)</u>	<u>1,375,194</u>	<u>1,419,096</u>	<u>(43,902)</u>	<u>(3%)</u>
Operations/Security Division									
Purchasing & Facilities	1,258,803	924,732	957,193	(32,461)	(4%)	919,283	960,810	(41,527)	(5%)
Total Operations/Security Division	<u>1,258,803</u>	<u>924,732</u>	<u>957,193</u>	<u>(32,461)</u>	<u>(4%)</u>	<u>919,283</u>	<u>960,810</u>	<u>(41,527)</u>	<u>(5%)</u>

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Nine Months Ending February 29, 2020**

	<b>Annual Budget</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>YTD Variance \$ Fav/(Unfav)</b>	<b>YTD Variance % Fav/(Unfav)</b>	<b>YTD Budget Prior Year</b>	<b>YTD Actual Prior Year</b>	<b>YTD Prior Year Variance \$ Fav/(Unfav)</b>	<b>YTD Prior Year Variance % Fav/(Unfav)</b>
Finance Division									
Accounting	946,709	713,154	740,238	(27,084)	(4%)	704,089	728,054	(23,965)	(3%)
Membership	706,016	417,672	402,033	15,639	4%	501,191	492,936	8,255	2%
Other Administrative	1,836,698	1,348,128	1,440,837	(92,709)	(7%)	1,281,022	1,298,975	(17,953)	(1%)
Total Finance Division	<u>3,489,423</u>	<u>2,478,954</u>	<u>2,583,108</u>	<u>(104,154)</u>	<u>(4%)</u>	<u>2,486,302</u>	<u>2,519,965</u>	<u>(33,663)</u>	<u>(1%)</u>
Information Technology Division									
Information Technology	1,317,699	908,685	795,675	113,010	12%	980,228	896,441	83,787	9%
Customer Service	376,826	277,180	291,050	(13,870)	(5%)	278,385	290,456	(12,071)	(4%)
Total Information Technology Division	<u>1,694,525</u>	<u>1,185,865</u>	<u>1,086,725</u>	<u>99,140</u>	<u>8%</u>	<u>1,258,613</u>	<u>1,186,897</u>	<u>71,716</u>	<u>6%</u>
Communications Division									
Office of Communications Director	254,629	194,781	190,685	4,096	2%	189,222	181,668	7,554	4%
Bar Journal	1,212,173	964,490	971,688	(7,198)	(1%)	903,878	908,390	(4,512)	(0%)
Printing	136,797	103,026	86,943	16,083	16%	124,224	101,678	22,546	18%
Graphics	163,177	119,820	126,989	(7,169)	(6%)	119,194	126,182	(6,988)	(6%)
Public Information	155,636	118,392	116,182	2,210	2%	100,956	94,555	6,401	6%
Web Management	412,484	287,213	300,489	(13,276)	(5%)	243,976	241,602	2,374	1%
Total Communications Division	<u>2,334,896</u>	<u>1,787,722</u>	<u>1,792,976</u>	<u>(5,254)</u>	<u>(0%)</u>	<u>1,681,450</u>	<u>1,654,075</u>	<u>27,375</u>	<u>2%</u>
Public Protection Division									
Chief Disciplinary Counsel	9,942,758	7,423,764	7,534,496	(110,732)	(1%)	7,327,929	7,393,222	(65,293)	(1%)
Grievance Oversight Committee	48,800	36,245	41,555	(5,310)	(15%)	34,645	28,393	6,252	18%
Unauthorized Practice of Law	170,000	93,980	86,833	7,147	8%	123,330	124,889	(1,559)	(1%)
Professional Ethics Commission	12,000	4,198	8,943	(4,745)	(113%)	3,909	5,696	(1,787)	(46%)
Board of Disciplinary Appeals	622,646	465,983	472,560	(6,577)	(1%)	463,503	447,720	15,783	3%
Total Public Protection Division	<u>10,796,204</u>	<u>8,024,170</u>	<u>8,144,387</u>	<u>(120,217)</u>	<u>(1%)</u>	<u>7,953,316</u>	<u>7,999,920</u>	<u>(46,604)</u>	<u>(1%)</u>
TOTAL EXPENDITURES	<u>41,620,414</u>	<u>30,852,821</u>	<u>30,364,079</u>	<u>488,742</u>	<u>2%</u>	<u>30,304,600</u>	<u>29,834,700</u>	<u>469,900</u>	<u>2%</u>
Transfers to:									
Bldg & Equip Fund	288,800	288,800	288,800			288,800	288,800		
Technology Fund	500,000	500,000	500,000			500,000	500,000		
Client Security Fund	700,000	700,000	700,000			300,000	300,000		
TOTAL TRANSFERS	<u>1,488,800</u>	<u>1,488,800</u>	<u>1,488,800</u>			<u>1,088,800</u>	<u>1,088,800</u>		
TOTAL EXPENDITURES & TRANSFERS	<u>43,109,214</u>	<u>32,341,621</u>	<u>31,852,879</u>	<u>488,742</u>	<u>2%</u>	<u>31,393,400</u>	<u>30,923,500</u>	<u>469,900</u>	<u>1%</u>

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Nine Months Ending February 29, 2020**

	<u>Annual Budget</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>YTD Variance \$ Fav/(Unfav)</u>	<u>YTD Variance % Fav/(Unfav)</u>	<u>YTD Budget Prior Year</u>	<u>YTD Actual Prior Year</u>	<u>YTD Prior Year Variance \$ Fav/(Unfav)</u>	<u>YTD Prior Year Variance % Fav/(Unfav)</u>
Excess (Deficit) of Revenues Over Expenditures & Transfers		<u>925,016</u>	<u>3,176,402</u>	<u>2,251,386</u>	<u>243%</u>	<u>1,211,877</u>	<u>3,583,249</u>	<u>2,371,372</u>	<u>196%</u>
BOARD COMMITMENTS									
Board Commitment - SLRAP	515,000	515,000	515,000			350,000	350,000		
Board Commitment - Client Security Fund						800,000	800,000		
Board Commitment - Technology Fund	150,000	150,000	150,000						
Board Commitment - Texas Opportunity & Justice Incubator Program	571,088	97,940	97,940			143,670	143,670		
Board Commitment - Presidential Initiatives	126,641	7,803	7,803			26,263	26,263		
Board Commitment - Statewide Pro Bono Campaign	148,161	6,186	6,186			8,651	8,651		
Board Commitment - LAD 2018 Board Commitments	44,251	44,251	44,251			367,768	367,768		
Board Commitment - Rules Vote Reserve	100,000								
Board Commitment - Run-Off Election Reserve	70,000								
Board Commitment - Ethics Initiatives	11,943	320	320			289	289		
Board Commitment - Document Preservation						50,000	50,000		
Board Commitment - Archives Digitization Project	75,500	12,000	12,000			24,500	24,500		
Board Commitment - LRE Projects	79,500	56,955	56,955						
Board Commitment - Texas Law Center Renovations	100,000	100,000	100,000						
TOTAL BOARD COMMITMENTS	<u>1,992,084</u>	<u>990,455</u>	<u>990,455</u>			<u>1,771,141</u>	<u>1,771,141</u>		
TOTAL YTD INCREASE (REDUCTION) IN FUND BALANCE	<u>(1,992,084)</u>	<u>(65,439)</u>	<u>2,185,947</u>	<u>2,251,386</u>	<u>3440%</u>	<u>(559,264)</u>	<u>1,812,108</u>	<u>2,371,372</u>	<u>424%</u>



**State Bar of Texas  
General Fund  
Balance Sheet  
As of February 29, 2020**

	<u>YTD</u>	<u>Prior YTD</u>
<b>Assets</b>		
Cash & Money Market Funds	\$ 4,589,219	\$ 2,147,947
Investments	21,702,119	21,724,071
Adjust Investments to Market	228,233	19,641
Total Cash and Investments at FMV	<u>26,519,571</u>	<u>23,891,658</u>
Accounts Receivable:		
Net Accounts Receivable - Sales	94,951	41,762
Accrued Interest	105,138	84,098
Interfund	1,447,108	1,819,398
Other	26,532	192,756
Inventory	11,621	12,358
Prepaid Expenditures	<u>527,953</u>	<u>595,098</u>
Total Assets	<u><u>\$28,732,874</u></u>	<u><u>\$26,637,129</u></u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts Payable:		
Cash - A/P		
Trade	\$ 633,312	\$ 589,747
Interfund	2,055,725	2,299,524
Accrued Liabilities	295,967	297,818
Deferred Revenue -		
Membership Dues	5,236,393	5,437,089
Other	520,141	454,941
Other Liabilities	<u>55,511</u>	<u>37,653</u>
Total Liabilities	<u><u>8,797,049</u></u>	<u><u>9,116,772</u></u>

**State Bar of Texas  
General Fund  
Balance Sheet  
As of February 29, 2020**

	<u>YTD</u>	<u>Prior YTD</u>
Liabilities and Fund Equity (continued)		
Fund Balances		
Nonspendable - Prepaids at May 31, 2019	\$ 847,384	
Nonspendable - Inventory at May 31, 2019	12,070	
Nonspendable - Investments FMV Adjustment at May 31, 2019	59,630	
Board Committed - Minimum Reserve January 2020	11,140,350	
Board Committed - Technology Fund	1,390,000	
Board Committed - Texas Opportunity and Justice Incubator Program	571,088	
Board Committed - Legal Reserve Account	100,000	
Board Committed - Client Security Fund	333,333	
Board Committed - Reserve for Future Board Commitments	866,667	
Board Committed - Sheeran Crowley Memorial Trust	225,000	
Board Committed - Presidential Initiatives	200,000	
Board Committed - Law Practice Resource Management Website	200,000	
Board Committed - Statewide Pro Bono Campaign	148,161	
Board Committed - Legal Access Division Programs	44,251	
Board Committed - Ethics Initiatives	11,943	
Board Committed - Contingency for SCBP	75,000	
Board Committed - Public Information Campaign	20,000	
Board Committed - Archives Digitization Project	75,500	
Board Committed - Law Focused Education Programs	79,500	
Board Committed - Texas Law Center Renovations	100,000	
Board Committed - Student Loan Repayment Assistance Program	1,030,000	
Board Committed - Run-off Election Reserve	70,000	
Board Committed - Referendum Reserve	150,000	
Total Fund Balance at May 31, 2019	<u>\$ 17,749,877</u>	<u>\$ 15,708,251</u>
Current Year Operations		
Nonspendable - Prepaids at February 29, 2020	(319,431)	
Nonspendable - Inventory at February 29, 2020	(449)	
Nonspendable - Investments FMV Adjustment at February 29, 2020	168,603	
Board Committed Expenditures - Student Loan Repayment Assistance Program	(515,000)	
Board Committed Expenditures - Technology Fund	(150,000)	
Board Committed Expenditures - Texas Opportunity & Justice Incubator Progra	(97,940)	
Board Committed Expenditures - Presidential Initiatives	(7,803)	
Board Committed Expenditures - Statewide Pro Bono Campaign	(6,186)	
Board Committed Expenditures - Legal Access Division Initiatives	(44,251)	
Board Committed Expenditures - Ethics Initiative	(320)	
Board Committed Expenditures - Archives Digitization Project	(12,000)	
Board Committed Expenditures - LRE Programs	(56,955)	
Board Committed Expenditures - Texas Law Center Renovations	(100,000)	
Amount Available for Board Commitment from Current Year Operations	<u>3,327,680</u>	
Total Current Year Increase (Reduction) in Fund Balance	<u>\$ 2,185,948</u>	<u>\$ 1,812,106</u>
Total Fund Balance	<u>19,935,825</u>	<u>17,520,357</u>
Total Liabilities and Fund Balance	<u><u>\$ 28,732,874</u></u>	<u><u>\$ 28,637,129</u></u>

State Bar of Texas  
Client Security Fund  
Statement of Revenues & Expenditures  
For the Nine Months Ending February 29, 2020

Revenues:

Interest	\$ 40,910
Restitution/Other Income	3,606
Total Revenues	<u>44,516</u>

Expenditures:

Claims	157,829
Banking Fees	165
Total Expenditures	<u>157,994</u>

Excess (Deficit) of Revenue Over Expenditures	<u>(113,478)</u>
--	------------------

General Fund Operating Transfer In	700,000
Total Transfers In from General Fund	<u>700,000</u>

Net Increase (Decrease) in the Fair Value of Investments	77,377
Net after Operating Transfer & Unrealized Net Gain (Loss)	<u>\$ 663,899</u>

State Bar of Texas  
Client Security Fund  
Balance Sheet  
As of February 29, 2020

	<u>YTD</u>	<u>Prior YTD</u>
Assets		
Cash & Money Market Accts.	\$ 32,562	\$ 739,525
Investments	3,034,322	2,274,246
Adjust Investments to Market	77,267	(1,641)
Interest Receivable	<u>7,528</u>	<u>2,492</u>
Total Assets	<u>\$3,151,679</u>	<u>\$3,014,622</u>
Liabilities:		
Due To (From) General Fund	<u>(120,767)</u>	<u>268,970</u>
Total Liabilities	<u>(120,767)</u>	<u>268,970</u>
Fund Balance		
Beginning Fund Balance	2,608,546	2,029,906
Current Year Activity	<u>663,900</u>	<u>715,747</u>
Total Fund Balance	<u>3,272,446</u>	<u>2,745,653</u>
Total Liabilities and Fund Balance	<u>\$3,151,679</u>	<u>\$3,014,623</u>

State Bar of Texas  
Texas Bar Books  
Statement of Revenues and Expenses  
For the Nine Months Ending February 29, 2020

	Y-T-D Budget	Y-T-D Actual	Budget %	2019-2020 Budget
<b>Revenues:</b>				
Book Sales Net of Estimated Returns	\$1,027,935	\$1,162,061	(13%)	\$1,975,650
Online Sales	379,265	379,372	(0%)	505,686
Total Sales	1,407,200	1,541,433	(10%)	2,481,336
Fees	5,775	16,453	(185%)	18,000
Interest	6,750	8,834	(31%)	9,000
Royalty	908,250	909,064	(0%)	1,226,000
Other Revenue	52,980	0	100%	101,826
Total Revenues	<u>2,380,955</u>	<u>2,475,784</u>	<u>(4%)</u>	<u>3,836,162</u>
<b>Cost of Goods Sold:</b>				
Finished Products	210,727	125,232	41%	405,008
Royalties	55,704	56,805	(2%)	141,388
Other	40,500	33,962	16%	100,000
Total Cost of Goods Sold	<u>306,931</u>	<u>215,999</u>	<u>30%</u>	<u>646,396</u>
<b>Operating Expenses:</b>				
Salaries	1,002,571	1,039,377	(4%)	1,336,761
Benefits	338,479	321,749	5%	451,306
Travel	37,500	28,801	23%	46,450
Meetings & Conferences	1,350	2,344	(74%)	1,800
Professional Services	49,524	124,207	(151%)	74,926
Publicity/Advertising	11,250	999	91%	15,000
Publicity/Advertising for Specific Titles	34,500	22,184	36%	44,000
Dues/Subscriptions/Licenses	39,187	41,170	(5%)	53,576
Education/Training	11,234	11,705	(4%)	13,430
Supplies/Awards/Gifts/Spec. Items	13,514	20,346	(51%)	23,001
Rentals - Office, Equipment, Storage	125,991	119,831	5%	167,988
Maintenance/Repair	24,075	20,400	15%	32,100
Postage and Freight	89,174	71,467	20%	170,330
Telephone	4,125	2,531	39%	5,500
Insurance	4,500	5,179	(15%)	6,000
Administrative Fee	412,842	406,911	1%	550,456
Bad Debts	33,408	21,615	35%	64,209
Capital Lease Expense	9,800	9,680	1%	9,800
Printing	0	343	0%	0
Copying	405	1,311	(224%)	540
Total Operating Expenses	<u>2,243,429</u>	<u>2,272,150</u>	<u>(1%)</u>	<u>3,067,173</u>
Total Expenses	<u>2,550,360</u>	<u>2,488,149</u>	<u>2%</u>	<u>3,713,569</u>
Net Income/(Loss)	<u>(169,405)</u>	<u>(12,365)</u>	<u>93%</u>	<u>122,593</u>

State Bar of Texas  
Texas Bar Books  
Statement of Net Position  
As of February 29, 2020

	<u>YTD</u>	<u>Prior YTD</u>
<b>Assets</b>		
Net Accounts Receivable - Sales	\$ 582,778	\$ 510,643
Interfund Receivable - General Fund	504,837	453,823
Inventory		
Inventory - Finished Goods	522,632	530,195
Inventory - Work in Process	189,067	353,185
Less Inventory - Reserve	<u>(132,602)</u>	<u>(47,257)</u>
Total Inventory Less Reserves	579,097	836,123
Fixed Assets:		
Furniture/Equipment	353,637	353,637
Less Accumulated Depreciation	<u>(318,315)</u>	<u>(318,315)</u>
Net Fixed Assets	<u>35,322</u>	<u>35,322</u>
<b>Total Assets</b>	<b><u><u>\$1,702,034</u></u></b>	<b><u><u>\$1,835,911</u></u></b>
<b>Liabilities and Net Position</b>		
Liabilities		
Payables	\$ 40,176	\$ 15,827
Compensable Leave	<u>97,422</u>	<u>95,363</u>
Total Liabilities	<u>137,598</u>	<u>111,190</u>
Net Position		
Net Position at May 31, 2019	1,576,802	1,754,451
Current Year Revenues	2,475,785	2,395,195
Current Year Expenditures	(2,488,151)	(2,424,925)
Current Year Operations	<u>(12,366)</u>	<u>(29,730)</u>
Total Net Position at February 29, 2020	<u>1,564,436</u>	<u>1,724,721</u>
<b>Total Liabilities and Net Position</b>	<b><u><u>\$1,702,034</u></u></b>	<b><u><u>\$1,835,911</u></u></b>

State Bar of Texas  
Combining Statement of Revenue & Expenditures  
And Changes in Fund Balance  
All Special Revenue Funds  
For the Nine Months Ending February 29, 2020

	Law Focused Grants	TBLS	Convention Fund	Texas Law Center	Texas Bar College	Technology Fund	Misc Grant Fund	Total
<b>Revenues:</b>								
Fees		\$521,450	\$242,465		\$303,651			\$1,067,566
Sales			29,946		3,914			33,860
Investments	77	30,546	5,454	81,324	3,374			120,775
Grants	550,730						106,400	657,130
Contributions			261,900		13,900		3,117	278,917
Rent				500				500
Other Revenue		22,660						22,660
<b>Total Revenues</b>	<b>550,807</b>	<b>574,656</b>	<b>539,765</b>	<b>81,824</b>	<b>324,839</b>		<b>109,517</b>	<b>2,181,408</b>
<b>Expenditures:</b>								
Salaries	57	341,253			48,525			389,835
Benefits	5	122,230			17,512			139,747
Salaries & Wages - Temporary			(10)					(10)
Travel	76,696	13,718	11,858		38,169			140,441
Meetings & Conferences	22,329	37,174	419,131		13,519			492,153
Professional Services	101,850	73,031	7,847	795	12,641			196,164
Publicity/Advertising		50,215	29,000		4,359			83,574
Dues/Subscriptions/Licenses	1,175	21,773	15		1,504			24,467
Education/Training	175				175			350
Supplies/Awards/Gifts/Spec. Items	35,174	17,697	11,339	22,784	6,791	10,415		104,200
Rentals - Office, Equipment, Storage		85,860			2,372			88,232
Maintenance/Repair						365,780		365,780
Postage and Freight	3,446	2,135	18		7,358			12,957
Telephone		24,853			542			25,395
Administrative	3,167	57,450	7,700		25,252			93,569
Fixed Assets		4,524		78,668		397,430		480,622
Printing and Copying	4,654	6,484	17,593		13,943			42,674
<b>Total Expenditures</b>	<b>248,728</b>	<b>858,397</b>	<b>504,491</b>	<b>102,247</b>	<b>192,662</b>	<b>773,625</b>		<b>2,680,150</b>
<b>Transfer (In) / Out</b>				<b>(388,800)</b>		<b>(650,000)</b>		<b>(1,038,800)</b>
<b>Total Expenditures &amp; Transfers</b>	<b>248,728</b>	<b>858,397</b>	<b>504,491</b>	<b>(286,553)</b>	<b>192,662</b>	<b>123,625</b>		<b>1,641,350</b>
<b>Net Increase (Decrease) in the Fair Value of Investments</b>				<b>60,254</b>				<b>60,254</b>
<b>Total Revenues less Expenditures</b>	<b>302,079</b>	<b>(283,741)</b>	<b>35,274</b>	<b>428,631</b>	<b>132,177</b>	<b>(123,625)</b>	<b>109,517</b>	<b>600,312</b>
<b>Beginning Fund Balance at 6/1/2019</b>		<b>2,114,856</b>	<b>345,165</b>	<b>4,049,468</b>	<b>192,380</b>	<b>789,313</b>		<b>7,491,182</b>
<b>Ending Fund Balance at 2/29/2020</b>	<b>\$302,079</b>	<b>\$1,831,115</b>	<b>\$380,439</b>	<b>\$4,478,099</b>	<b>\$324,557</b>	<b>\$665,688</b>	<b>\$109,517</b>	<b>\$8,091,494</b>







# State Bar of Texas

## *Review of Investment Performance*

**Quarter Ended February 29, 2020**

**Barry Baughier**  
***Senior Managing Consultant***  
**baughierb@pfm.com**

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LLC

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February 29, 2020

Below is a summary of the State Bar of Texas' investment holdings as of February 29, 2020. For additional, specific investment holding information, please refer to the attached statements for PFM Asset Management LLC, as well as the respective money market fund and checking account bank statements.

<b>Account Name</b>	<b>Month End Market Value</b>
<b>Money Market Mutual Fund Investments</b>	
PFM Funds Gov't Select Series - General Fund	2,349,380.94
PFM Funds Gov't Select Series - Client Security Fund	30,708.09
PFM Funds Gov't Select Series - Texas Law Center	27,871.06
PFM Funds Gov't Select Series - Board of Legal Specialization Fund	806,106.57
PFM Funds Gov't Select Series - Annual Meeting Funds	318,643.64
PFM Funds Gov't Select Series - Texas Bar College Special Revenue Funds	349,610.17
PFM Funds CD Program	716,560.27
<b>High Yield Savings Accounts</b>	
Plains Capital Bank - Hatton Sumner Grant Account	310,704.19
Plains Capital Bank - College Endowment Fund	67,522.75
<b><i>Total Short-Term Funds</i></b>	<b><i>4,977,107.68</i></b>
<b>Individual Portfolios</b>	
Client Security Fund	3,119,117.25
General Fund	22,035,490.31
Texas Law Center Fund	4,356,385.02
<b><i>Total Individual Portfolios</i></b>	<b><i>29,510,992.58</i></b>
<b><i>Grand Total</i></b>	<b><i>34,488,100.26</i></b>
<b>Weighted Average Maturity</b>	
Including Overnight Balances	531 Days
Not Including Overnight Balances	606 Days

If you have any questions, do not hesitate to contact me at 214-247-7079 or [baughierb@pfm.com](mailto:baughierb@pfm.com).

Sincerely,

Barry Baughier



## Portfolio Summary

<u>Total Portfolio Value</u>	<u>February 29, 2020</u>	<u>November 30, 2019</u>	<u>February 28, 2019</u>
College Fund*	<b>\$417,132.92</b>	\$249,173.74	\$246,410.25
Client Security Fund	<b>\$3,149,825.34</b>	\$2,581,934.86	\$2,992,274.09
Board of Legal Specialization Fund	<b>\$1,522,666.84</b>	\$1,739,751.96	\$1,238,122.35
Law Focused Education Fund	<b>\$310,704.19</b>	\$55,481.20	\$287,300.98
Texas Law Center Fund	<b>\$4,384,256.08</b>	\$4,416,133.10	\$3,935,390.32
Annual Meeting Fund**	<b>\$318,643.64</b>	\$317,475.66	\$346,545.05
General Fund	<b>\$24,384,871.25</b>	\$20,807,689.78	\$23,921,486.12
<b>Totals</b>	<b>\$34,488,100.26</b>	\$30,167,640.30	\$32,967,529.16

## Portfolio Recap

### General Fund

- The portfolios are fully invested in U.S. Treasuries, Federal Agencies, commercial paper, FDIC-insured CDs, and AAAM-rated money market mutual funds. Overall, the portfolios maintain high credit quality and necessary liquidity.
- The portfolio complies with Texas statutes and the State Bar's investment policy.
- The General Fund portfolio generated a quarterly total return of 1.18%, outperforming the benchmark 6-month Merrill Lynch Treasury Index return of 0.58%.

### Other Funds

- The portfolio for each fund is designed to match the specific cash and liquidity needs of that fund.
- We continue to hold U.S. Treasuries and / or Federal Agency securities as the primary investments for the Texas Law Center and Client Security Fund portfolios.
- We will work with the State Bar to identify funds in overnight investments that could be invested in securities, adding value to the portfolios.
- We will work with the State Bar to target known future cash flow needs to maximize the benefit of the steep yield curve as well as determine an appropriate investment strategy.

\* Includes College Endowment Fund balances.

\*\* Please note that Convention Fund name has been changed to Annual Meeting Fund.



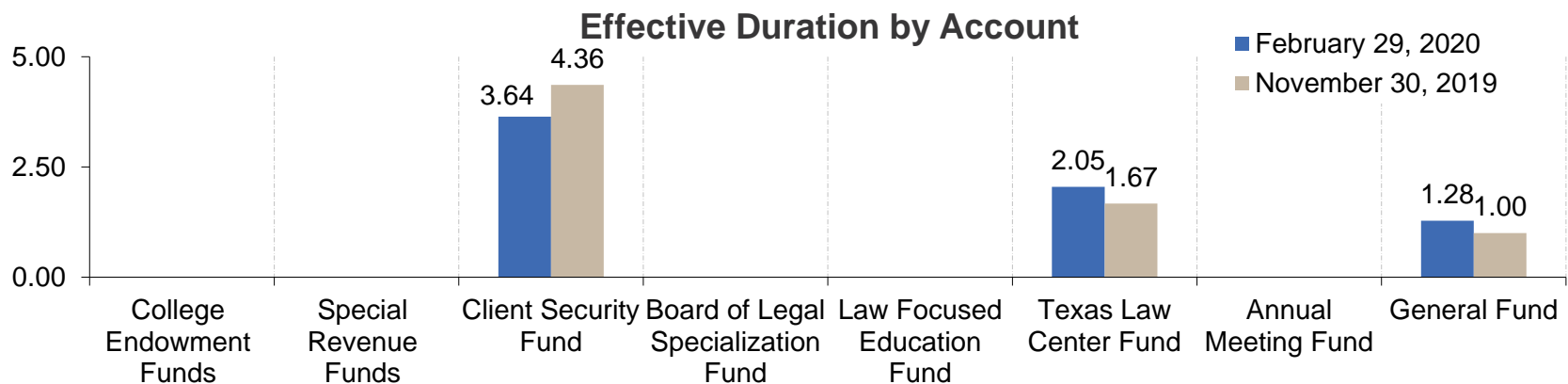
## Portfolio Summary (*continued*)

- The U.S. economy continued to grow moderately despite significant uncertainty and market volatility occurring in response to the coronavirus outbreak in China. The Bureau of Economic Analysis reported the second estimate of U.S. Gross Domestic Product (“GDP”) increased at an annual rate of 2.1% from October to December of 2019, consistent with the first estimate. According to the Bureau, “the second estimate included an upward revision in private inventory investment and offset by a downward revisions in nonresidential fixed investment.”
- The U.S. economy added 273,000 jobs in February as the unemployment rate slightly ticked down to 3.5% from 3.6%. The average job gains over the past three months shifted upward to 243,000, which is above average and surpassed the job growth averaged at 178,000 per month in 2019.
- On Tuesday, March 3<sup>rd</sup>, the Federal Reserve announced a 50 basis point rate cut. This was the first cut in-between scheduled policy meetings since the 2008 financial crisis. As the coronavirus outbreak continued to shock markets, a few days later on Sunday, March 15<sup>th</sup>, the Fed further cut its benchmark interest rate by a full percentage point.
  - The current range is now 0.00% to 0.25% (as of March 17<sup>th</sup>, 2020). Measures of quantitative easing have also started with \$700 billion worth of asset purchases scheduled. These drastic, emergency moves aim to improve liquidity in the key markets and increase both lending and borrowing.
- Yields have declined significantly in response to not only the rate cuts, but also the Fed’s concerning comments regarding the coronavirus outbreak and how a pandemic could negatively impact U.S. growth in the months ahead.



## Portfolio Performance

Yields	Yield To Maturity - At Market		Yield To Maturity - On Cost	
	February 29, 2020	November 30, 2019	February 29, 2020	November 30, 2019
College Endowment Funds	0.15%	0.15%	0.15%	0.15%
Special Revenue Funds	1.45%	1.57%	1.45%	1.57%
Client Security Fund <sup>1</sup>	0.94%	1.68%	1.61%	1.73%
Board of Legal Specialization Fund <sup>2</sup>	1.45%	1.57%	1.45%	1.57%
Law Focused Education Fund <sup>2</sup>	0.05%	0.05%	0.05%	0.05%
Texas Law Center Fund <sup>1</sup>	1.18%	1.66%	2.18%	2.43%
Annual Meeting Fund <sup>2</sup>	1.45%	1.57%	1.45%	1.57%
General Fund <sup>1</sup>	1.27%	1.68%	2.07%	2.41%



1. Does not include money market funds, FDIC-insured CDs or cash equivalents in performance, duration, and yield computations.

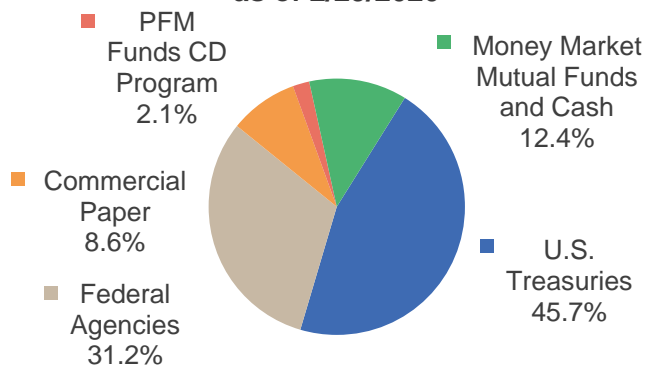
2. Yields for these funds represent the APY earned on balances held at Plains Capital Bank for the month prior to quarter end. Duration of each of the funds is equal to 1 day or approximately 0.003 years.



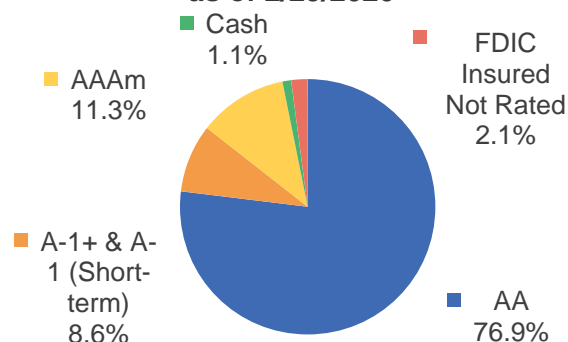
## Composite Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>	<u>Permitted by Investment Policy</u>
U.S. Treasuries	\$15,762,686.20	45.7%	\$15,096,988.11	50.0%	100%
Federal Agencies	\$10,772,527.38	31.2%	\$10,614,546.78	35.2%	100%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%	30%
Commercial Paper	\$2,975,779.00	8.6%	\$998,759.00	3.3%	30%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%	30%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%	15%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%	30%
PFM Funds CD Program	\$716,560.27	2.1%	\$711,760.95	2.4%	30%
Money Market Mutual Funds and Cash	\$4,260,547.41	12.4%	\$2,745,585.46	9.1%	100%
<b>Totals</b>	<b>\$34,488,100.26</b>	<b>100.0%</b>	<b>\$30,167,640.30</b>	<b>100.0%</b>	

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality Distribution  
as of 2/29/2020**



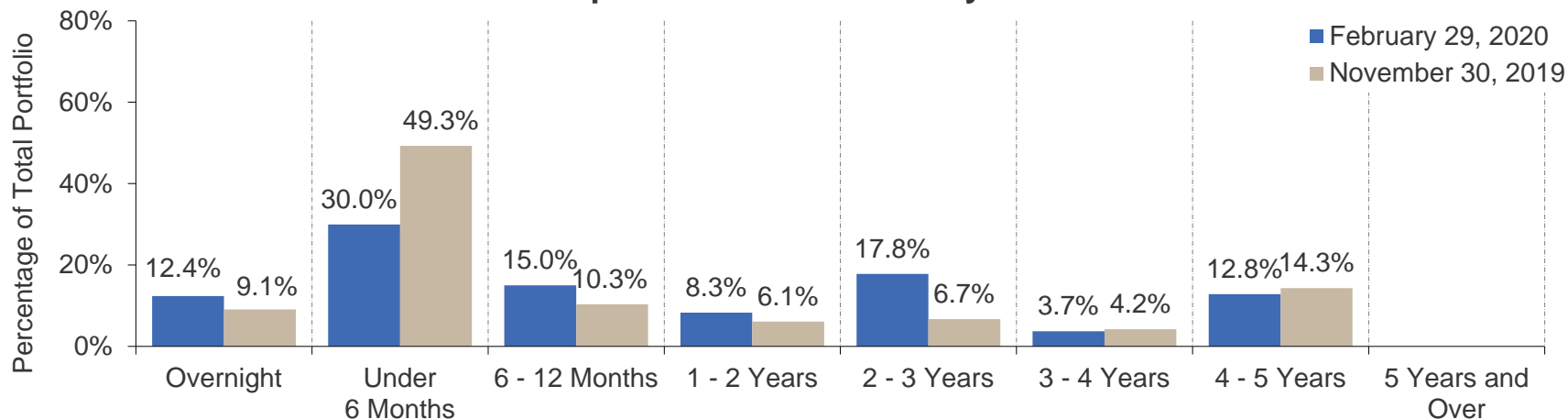
Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.



## Composite Portfolio Maturity Distribution

<u>Maturity Distribution</u>	<u>February 29, 2020</u>	<u>November 30, 2019</u>
Overnight	\$4,260,547.41	\$2,745,585.46
Under 6 Months	\$10,335,369.01	\$14,862,054.21
6 - 12 Months	\$5,170,135.90	\$3,116,510.86
1 - 2 Years	\$2,865,596.62	\$1,839,429.91
2 - 3 Years	\$6,145,658.88	\$2,019,811.63
3 - 4 Years	\$1,286,918.49	\$1,271,409.92
4 - 5 Years	\$4,423,873.95	\$4,312,838.31
5 Years and Over	\$0.00	\$0.00
<b>Totals</b>	<b>\$34,488,100.26</b>	<b>\$30,167,640.30</b>

## Composite Portfolio Maturity Distribution

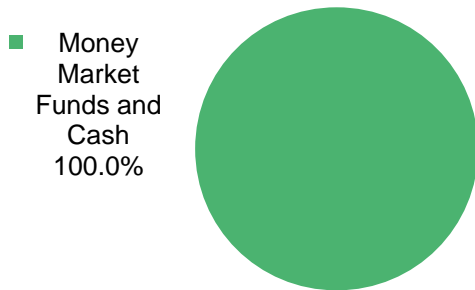




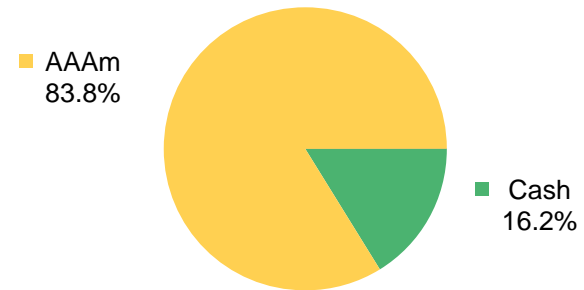
## State Bar College Fund Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$0.00	0.0%	\$0.00	0.0%
Commercial Paper	\$0.00	0.0%	\$0.00	0.0%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
Money Market Funds and Cash	\$417,132.92	100.0%	\$249,173.74	100.0%
<b>Totals</b>	<b>\$417,132.92</b>	<b>100.0%</b>	<b>\$249,173.74</b>	<b>100.0%</b>

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality  
as of 2/29/2020**



Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.

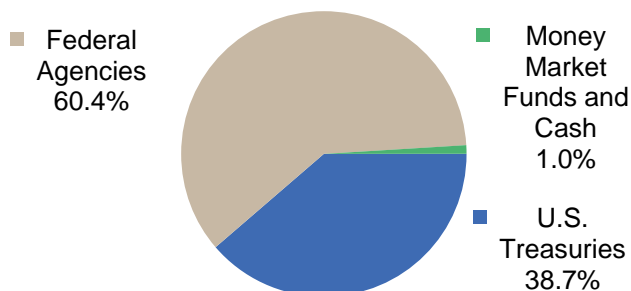




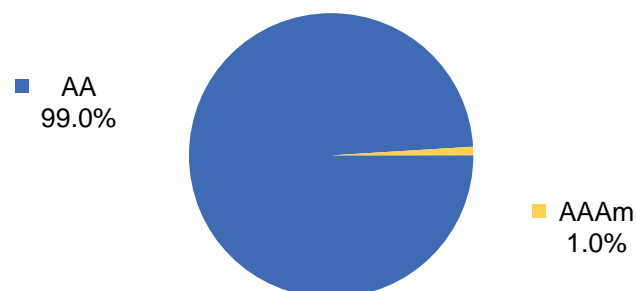
## State Bar Client Security Fund Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$1,217,991.09	38.7%	\$0.00	0.0%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$1,901,126.16	60.4%	\$1,853,409.44	71.8%
Commercial Paper	\$0.00	0.0%	\$0.00	0.0%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
Money Market Funds and Cash	\$30,708.09	1.0%	\$728,525.42	28.2%
<b>Totals</b>	<b>\$3,149,825.34</b>	<b>100.0%</b>	<b>\$2,581,934.86</b>	<b>100.0%</b>

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality  
as of 2/29/2020**



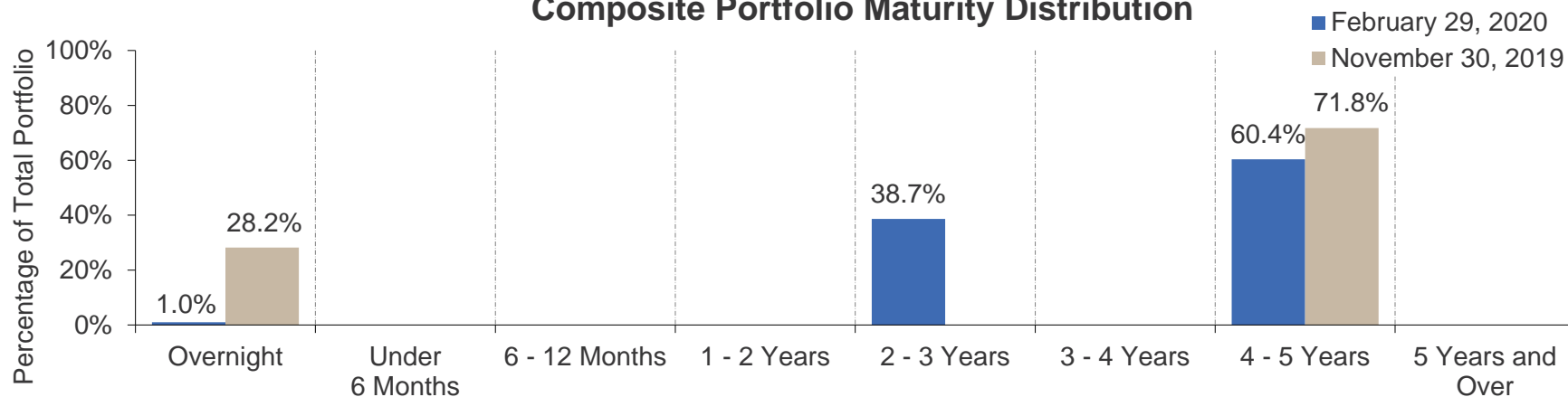
Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.



## Client Security Fund Portfolio Maturity Distribution

<u>Maturity Distribution</u>	<u>February 29, 2020</u>	<u>November 30, 2019</u>
Overnight	\$30,708.09	\$728,525.42
Under 6 Months	\$0.00	\$0.00
6 - 12 Months	\$0.00	\$0.00
1 - 2 Years	\$0.00	\$0.00
2 - 3 Years	\$1,217,991.09	\$0.00
3 - 4 Years	\$0.00	\$0.00
4 - 5 Years	\$1,901,126.16	\$1,853,409.44
5 Years and Over	\$0.00	\$0.00
<b>Totals</b>	<b>\$3,149,825.34</b>	<b>\$2,581,934.86</b>

### Composite Portfolio Maturity Distribution

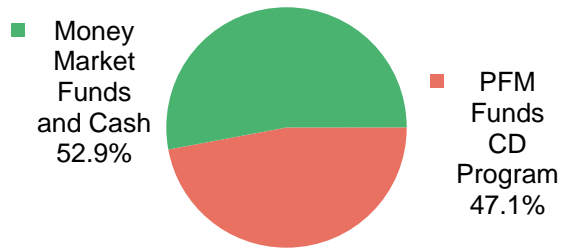




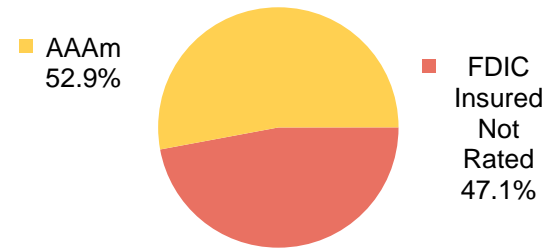
## State Bar Board of Legal Specialization Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$0.00	0.0%	\$0.00	0.0%
Commercial Paper	\$0.00	0.0%	\$0.00	0.0%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
PFM Funds CD Program	\$716,560.27	47.1%	\$711,760.95	40.9%
Money Market Funds and Cash	\$806,106.57	52.9%	\$1,027,991.01	59.1%
<b>Totals</b>	<b>\$1,522,666.84</b>	<b>100.0%</b>	<b>\$1,739,751.96</b>	<b>100.0%</b>

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality  
as of 2/29/2020**



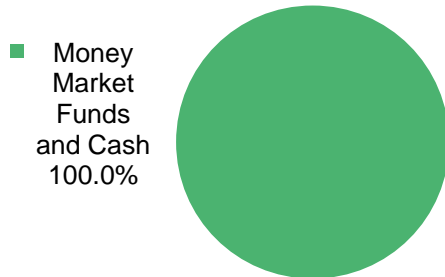
Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.



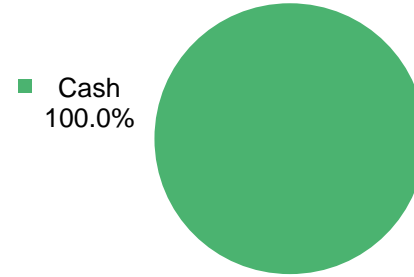
## State Bar Law Focused Education Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$0.00	0.0%	\$0.00	0.0%
Commercial Paper	\$0.00	0.0%	\$0.00	0.0%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
Money Market Funds and Cash	\$310,704.19	100.0%	\$55,481.20	100.0%
<b>Totals</b>	<b>\$310,704.19</b>	<b>100.0%</b>	<b>\$55,481.20</b>	<b>100.0%</b>

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality  
as of 2/29/2020**



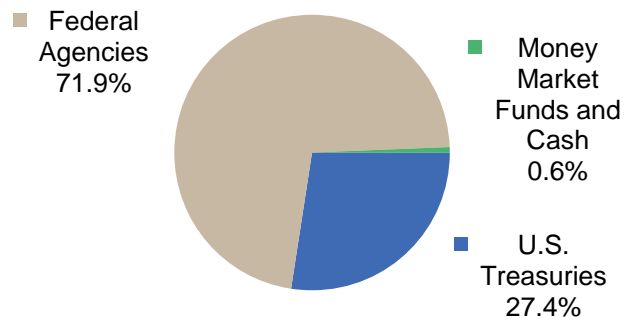
Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.



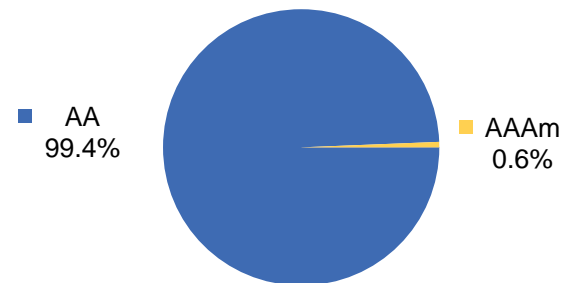
## State Bar Texas Law Center Fund Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$1,202,476.11	27.4%	\$1,281,441.90	29.0%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$3,153,908.91	71.9%	\$3,106,922.30	70.4%
Commercial Paper	\$0.00	0.0%	\$0.00	0.0%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
Money Market Funds and Cash	\$27,871.06	0.6%	\$27,768.90	0.6%
<b>Totals</b>	<b>\$4,384,256.08</b>	<b>100.0%</b>	<b>\$4,416,133.10</b>	<b>100.0%</b>

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality  
as of 2/29/2020**



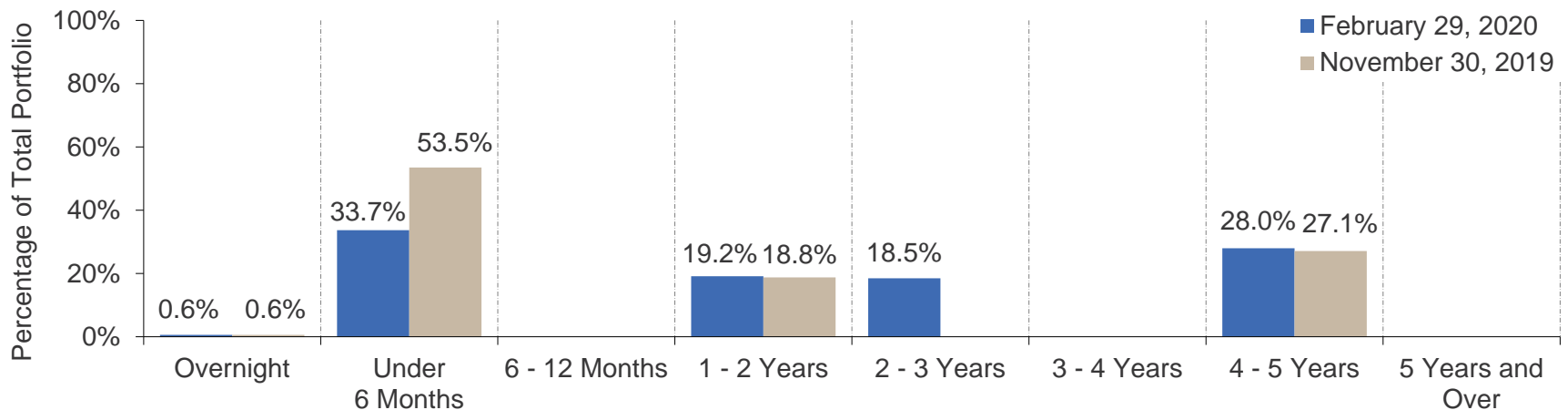
Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.



## Texas Law Center Fund Portfolio Maturity Distribution

<u>Maturity Distribution</u>	<u>February 29, 2020</u>	<u>November 30, 2019</u>
Overnight	\$27,871.06	\$27,768.90
Under 6 Months	\$1,478,154.27	\$2,363,201.39
6 - 12 Months	\$0.00	\$0.00
1 - 2 Years	\$840,232.70	\$828,274.43
2 - 3 Years	\$810,295.33	\$0.00
3 - 4 Years	\$0.00	\$0.00
4 - 5 Years	\$1,227,702.72	\$1,196,888.38
5 Years and Over	\$0.00	\$0.00
<b>Totals</b>	<b>\$4,384,256.08</b>	<b>\$4,416,133.10</b>

### Composite Portfolio Maturity Distribution

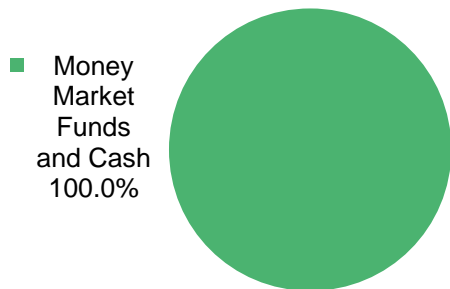




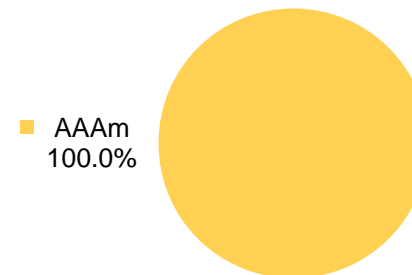
## State Bar Annual Meeting Fund Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0.00	0.0%	\$0.00	0.0%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$0.00	0.0%	\$0.00	0.0%
Commercial Paper	\$0.00	0.0%	\$0.00	0.0%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
Money Market Funds and Cash	\$318,643.64	100.0%	\$317,475.66	100.0%
<b>Totals</b>	<b>\$318,643.64</b>	<b>100.0%</b>	<b>\$317,475.66</b>	<b>100.0%</b>

**Portfolio Composition  
as of 2/29/2020**



**Credit Quality  
as of 2/29/2020**

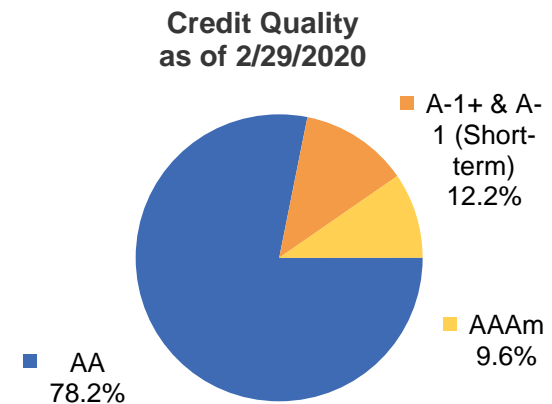
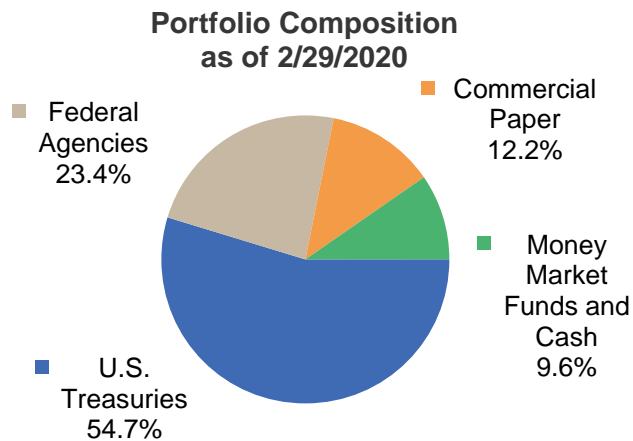


*Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.*



## State Bar General Fund Portfolio Composition and Credit Quality

<u>Security Type</u>	<u>February 29, 2020</u>	<u>% of Portfolio</u>	<u>November 30, 2019</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$13,342,219.00	54.7%	\$13,815,546.21	66.4%
Mortgage-Backed Securities	\$0.00	0.0%	\$0.00	0.0%
Federal Agencies	\$5,717,492.31	23.4%	\$5,654,215.04	27.2%
Commercial Paper	\$2,975,779.00	12.2%	\$998,759.00	4.8%
Certificates of Deposit	\$0.00	0.0%	\$0.00	0.0%
Bankers' Acceptances	\$0.00	0.0%	\$0.00	0.0%
Repurchase Agreements	\$0.00	0.0%	\$0.00	0.0%
Money Market Funds and Cash	\$2,349,380.94	9.6%	\$339,169.53	1.6%
<b>Totals</b>	<b>\$24,384,871.25</b>	<b>100.0%</b>	<b>\$20,807,689.78</b>	<b>100.0%</b>



Data represents end of quarter trade-date market values of portfolio holdings, including accrued interest. Percentages may not add up to 100% due to rounding.

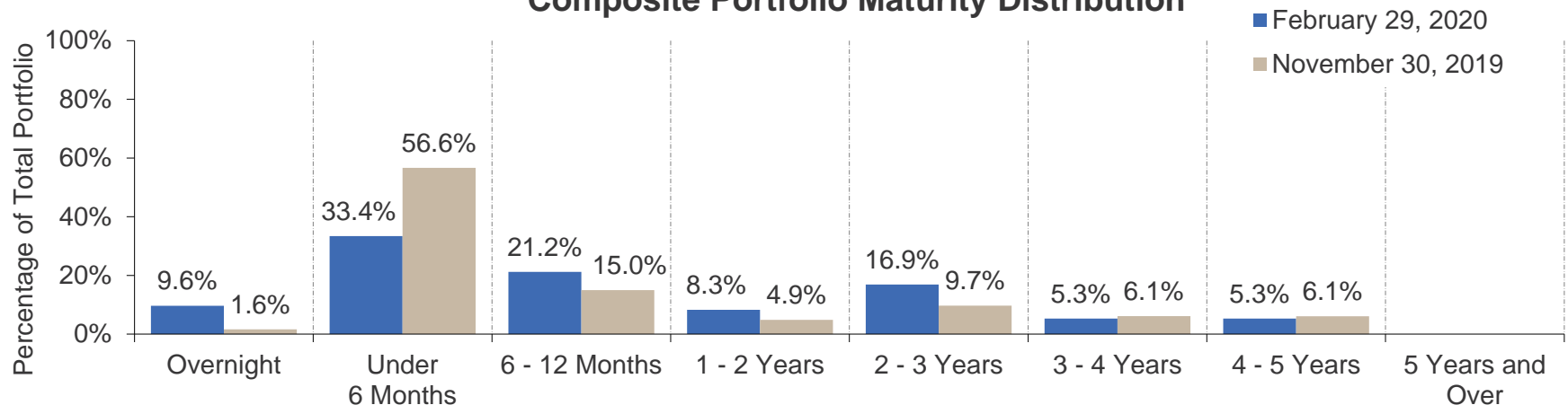




## General Fund Portfolio Maturity Distribution

<u>Maturity Distribution</u>	<u>February 29, 2020</u>	<u>November 30, 2019</u>
Overnight	\$2,349,380.94	\$339,169.53
Under 6 Months	\$8,140,654.47	\$11,787,091.87
6 - 12 Months	\$5,170,135.90	\$3,116,510.86
1 - 2 Years	\$2,025,363.92	\$1,011,155.48
2 - 3 Years	\$4,117,372.46	\$2,019,811.63
3 - 4 Years	\$1,286,918.49	\$1,271,409.92
4 - 5 Years	\$1,295,045.07	\$1,262,540.49
5 Years and Over	\$0.00	\$0.00
<b>Totals</b>	<b>\$24,384,871.25</b>	<b>\$20,807,689.78</b>

## Composite Portfolio Maturity Distribution



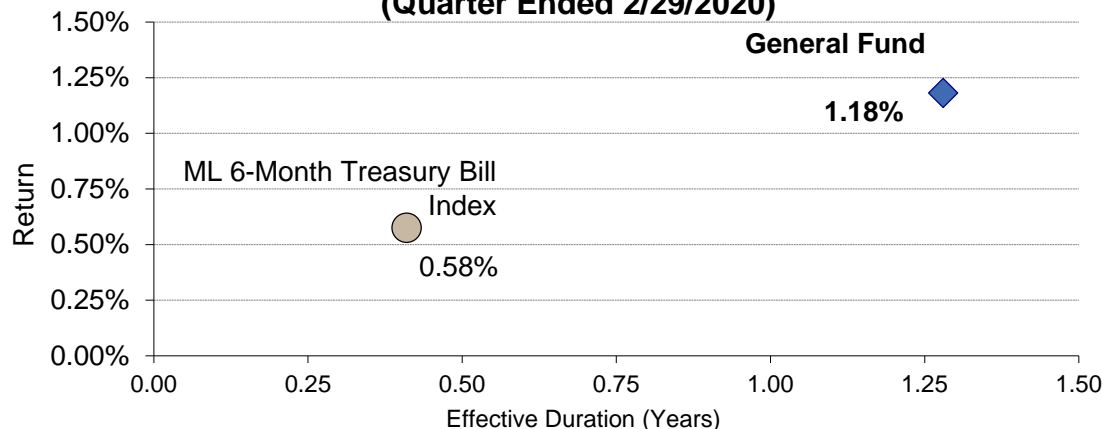


## General Fund Portfolio Performance

<b>Total Return</b>	February 29, 2020	Last 6 Months	Annualized Since Inception
<b>State Bar of Texas General Fund</b>	<b>1.18%</b>	<b>1.62%</b>	<b>1.58%</b>
Merrill Lynch 6-Month Treasury Bill Index	0.58%	1.13%	1.46%

<b>Duration</b>	February 29, 2020	November 30, 2019	<b>Yields</b>	February 29, 2020
<b>State Bar of Texas General Fund</b>	<b>1.28</b>	1.00	Yield at Market	<b>1.27%</b>
Merrill Lynch 6-Month Treasury Bill Index	<b>0.41</b>	0.41	Yield on Cost	<b>2.07%</b>

**Quarter Total Return Comparison  
(Quarter Ended 2/29/2020)**



1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards.
2. Merrill Lynch Indices provided by Bloomberg Financial Markets.
3. The total returns shown for periods longer than 1 year are the annualized returns for the stated period.
4. The total returns shown for periods shorter than 1 year are the periodic returns for the stated period.
5. Since inception performance is calculated from May 31, 2006 to present.
6. Does not include money market fund in performance, duration, and yield computations as we do not consider these funds to be discretionary in nature.



# **PFM Managed Portfolios**



## Consolidated Summary Statement

## Account Statement

For the Month Ending February 29, 2020

STATE BAR OF TEXAS

### Portfolio Summary

Portfolio Holdings	Cash Dividends and Income	Closing Market Value
PFM Managed Account	41,549.37	29,372,298.74
<b>Total</b>	<b>\$41,549.37</b>	<b>\$29,372,298.74</b>

### Investment Allocation

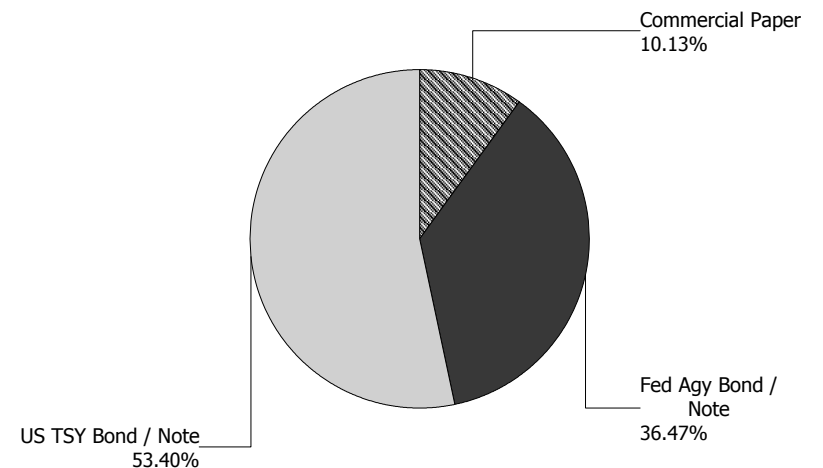
Investment Type	Closing Market Value	Percent
Commercial Paper	2,975,779.00	10.13
Federal Agency Bond / Note	10,711,462.07	36.47
U.S. Treasury Bond / Note	15,685,057.67	53.40
<b>Total</b>	<b>\$29,372,298.74</b>	<b>100.00%</b>

### Maturity Distribution (Fixed Income Holdings)

Portfolio Holdings	Closing Market Value	Percent
Under 30 days	1,999,687.60	6.82
31 to 60 days	1,466,357.01	4.99
61 to 90 days	2,138,662.50	7.28
91 to 180 days	1,000,000.00	3.40
181 days to 1 year	8,116,879.69	27.63
1 to 2 years	2,843,778.80	9.68
2 to 3 years	6,115,042.29	20.82
3 to 4 years	1,280,263.49	4.36
4 to 5 years	4,411,627.36	15.02
Over 5 years	0.00	0.00
<b>Total</b>	<b>\$29,372,298.74</b>	<b>100.00%</b>

**Weighted Average Days to Maturity**      **619**

### Sector Allocation



**Account Statement**For the Month Ending **February 29, 2020****Consolidated Summary Statement****STATE BAR OF TEXAS**

<b>Account Number</b>	<b>Account Name</b>	<b>Opening Market Value</b>	<b>Purchases / Deposits</b>	<b>Redemptions / Sales / Maturities</b>	<b>Unsettled Trades</b>	<b>Change in Value</b>	<b>Closing Market Value</b>	<b>Cash Dividends and Income</b>
81125010	STATE BAR OF TEXAS GENERAL FUND	23,343,251.51	991,594.50	(2,510,000.00)	0.00	105,506.08	21,930,352.09	43,927.53
81125011	STATE BAR OF TEXAS CLIENT SECURITY FUND	1,864,772.88	1,197,614.06	0.00	0.00	49,202.18	3,111,589.12	(1,428.09)
81125014	STATE BAR OF TEXAS TEXAS LAW CENTER	3,498,182.74	796,739.06	0.00	0.00	35,435.73	4,330,357.53	(950.07)
<b>Total</b>		<b>\$28,706,207.13</b>	<b>\$2,985,947.62</b>	<b>(\$2,510,000.00)</b>	<b>\$0.00</b>	<b>\$190,143.99</b>	<b>\$29,372,298.74</b>	<b>\$41,549.37</b>



## Managed Account Summary Statement

For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS GENERAL FUND - 81125010

### Transaction Summary - Managed Account

<b>Opening Market Value</b>	<b>\$23,343,251.51</b>
Maturities/Calls	(2,510,000.00)
Principal Dispositions	0.00
Principal Acquisitions	991,594.50
Unsettled Trades	0.00
Change in Current Value	105,506.08
<b>Closing Market Value</b>	<b>\$21,930,352.09</b>

### Cash Transactions Summary - Managed Account

Maturities/Calls	2,510,000.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	20,040.63
Principal Payments	0.00
Security Purchases	(993,524.19)
Net Cash Contribution	(1,536,516.44)
Reconciling Transactions	0.00

### Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	20,040.63
Less Purchased Interest Related to Interest/Coupons	(1,929.69)
Plus Net Realized Gains/Losses	25,816.59
<b>Total Cash Basis Earnings</b>	<b>\$43,927.53</b>

### Cash Balance

**Closing Cash Balance** **\$0.00**

### Earnings Reconciliation (Accrual Basis)

	<b>Total</b>
Ending Amortized Value of Securities	21,702,118.82
Ending Accrued Interest	105,138.22
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	2,510,000.00
Plus Coupons/Dividends Received	20,040.63
Less Cost of New Purchases	(993,524.19)
Less Beginning Amortized Value of Securities	(23,212,149.10)
Less Beginning Accrued Interest	(92,169.94)
<b>Total Accrual Basis Earnings</b>	<b>\$39,454.44</b>



## Portfolio Summary and Statistics

For the Month Ending **February 29, 2020**

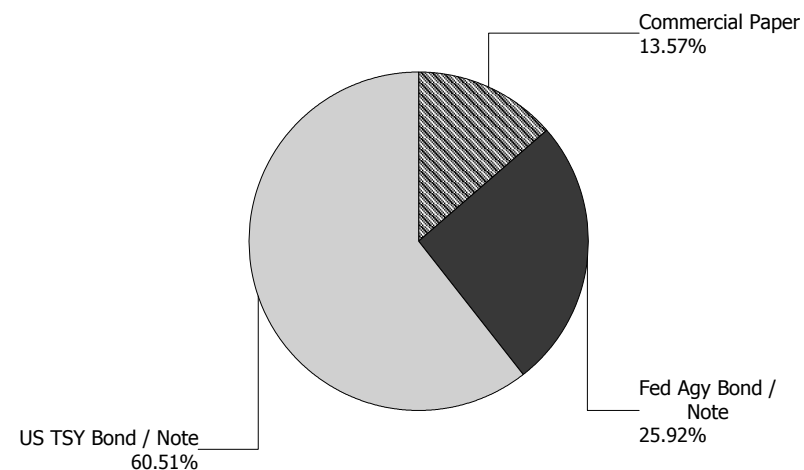
STATE BAR OF TEXAS GENERAL FUND - 81125010

### Account Summary

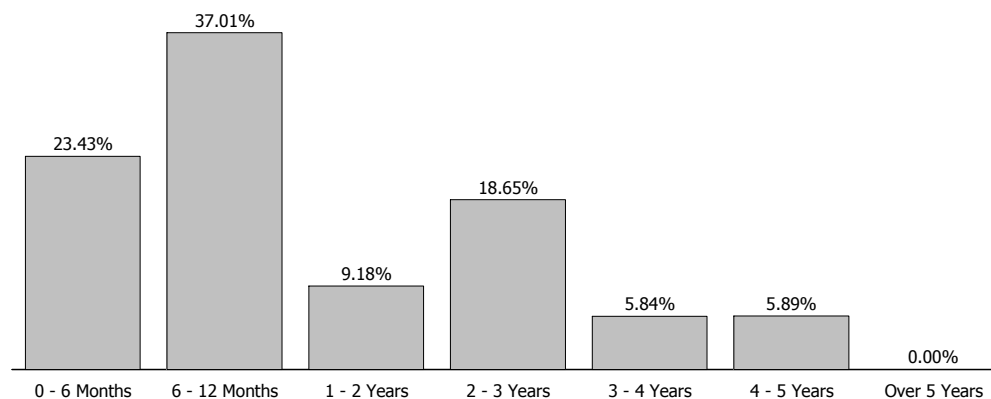
Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	13,129,000.00	13,270,604.43	60.51
Federal Agency Bond / Note	5,525,000.00	5,683,968.66	25.92
Commercial Paper	3,000,000.00	2,975,779.00	13.57
<b>Managed Account Sub-Total</b>	<b>21,654,000.00</b>	<b>21,930,352.09</b>	<b>100.00%</b>
Accrued Interest		105,138.22	
<b>Total Portfolio</b>	<b>21,654,000.00</b>	<b>22,035,490.31</b>	

**Unsettled Trades** **0.00** **0.00**

### Sector Allocation



### Maturity Distribution



### Characteristics

Yield to Maturity at Cost	2.07%
Yield to Maturity at Market	1.27%
Duration to Worst	1.28
Weighted Average Days to Maturity	481



## Managed Account Issuer Summary

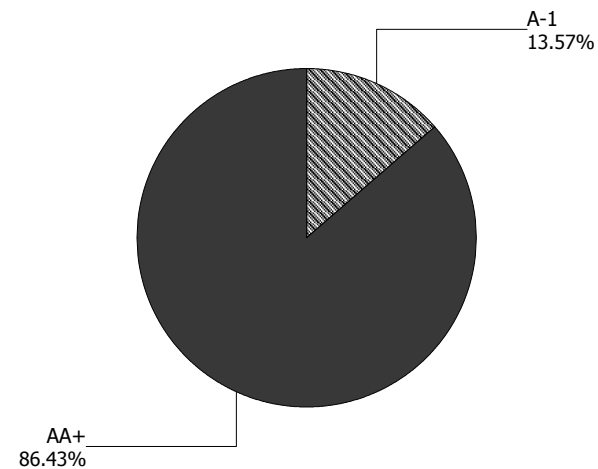
For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS GENERAL FUND - 81125010

### Issuer Summary

Issuer	Market Value of Holdings	Percent
BNP PARIBAS	991,959.00	4.52
CREDIT AGRICOLE SA	992,115.00	4.52
FANNIE MAE	3,403,490.69	15.52
FREDDIE MAC	2,280,477.97	10.40
MITSUBISHI UFJ FINANCIAL GROUP INC	991,705.00	4.52
UNITED STATES TREASURY	13,270,604.43	60.52
<b>Total</b>	<b>\$21,930,352.09</b>	<b>100.00%</b>

### Credit Quality (S&P Ratings)







## Managed Account Detail of Securities Held

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS GENERAL FUND - 81125010

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 03/15/2017 1.625% 03/15/2020	912828W63	2,000,000.00	AA+	Aaa	02/22/19	02/25/19	1,981,093.75	2.54	15,000.00	1,999,302.80	1,999,687.60
US TREASURY NOTES DTD 04/30/2013 1.125% 04/30/2020	912828VA5	2,140,000.00	AA+	Aaa	11/27/18	11/27/18	2,089,843.75	2.81	8,069.09	2,134,126.04	2,138,662.50
US TREASURY NOTES DTD 05/31/2013 1.375% 05/31/2020	912828VF4	1,000,000.00	AA+	Aaa	05/15/19	05/16/19	990,234.38	2.33	3,456.28	997,654.14	1,000,000.00
US TREASURY NOTES DTD 12/31/2015 1.750% 12/31/2020	912828N48	3,014,000.00	AA+	Aaa	12/05/19	12/06/19	3,016,590.16	1.67	8,839.13	3,016,031.80	3,029,070.00
US TREASURY NOTES DTD 03/31/2014 2.250% 03/31/2021	912828C57	1,000,000.00	AA+	Aaa	05/15/19	05/16/19	1,001,171.88	2.19	9,405.74	1,000,688.75	1,012,656.20
UNITED STATES TREASURY NOTES DTD 04/15/2019 2.250% 04/15/2022	912828M7	1,985,000.00	AA+	Aaa	11/13/19	11/14/19	2,013,301.76	1.65	16,839.96	2,009,911.69	2,040,828.13
US TREASURY NOTES DTD 11/30/2015 2.000% 11/30/2022	912828M80	1,990,000.00	AA+	Aaa	12/12/19	12/16/19	2,006,790.63	1.71	10,004.37	2,005,638.75	2,049,700.00
<b>Security Type Sub-Total</b>		<b>13,129,000.00</b>					<b>13,099,026.31</b>	<b>2.08</b>	<b>71,614.57</b>	<b>13,163,353.97</b>	<b>13,270,604.43</b>
<b>Federal Agency Bond / Note</b>											
FANNIE MAE NOTES DTD 11/01/2018 2.875% 10/30/2020	3135G0U84	2,090,000.00	AA+	Aaa	11/27/18	11/27/18	2,088,892.30	2.90	20,196.08	2,089,620.44	2,112,030.69
FREDDIE MAC GLOBAL NOTES DTD 01/13/2012 2.375% 01/13/2022	3137EADB2	975,000.00	AA+	Aaa	02/12/20	02/13/20	991,594.50	1.47	3,087.50	991,166.90	1,000,214.48
FREDDIE MAC NOTES DTD 06/11/2018 2.750% 06/19/2023	3137EAEN5	1,210,000.00	AA+	Aaa	07/15/19	07/16/19	1,249,833.20	1.88	6,655.00	1,243,686.92	1,280,263.49
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	1,250,000.00	AA+	Aaa	07/15/19	07/16/19	1,240,262.50	1.92	3,585.07	1,241,440.60	1,291,460.00
<b>Security Type Sub-Total</b>		<b>5,525,000.00</b>					<b>5,570,582.50</b>	<b>2.20</b>	<b>33,523.65</b>	<b>5,565,914.86</b>	<b>5,683,968.66</b>
<b>Commercial Paper</b>											



## Managed Account Detail of Securities Held

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS GENERAL FUND - 81125010

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Commercial Paper</b>											
BNP PARIBAS NY BRANCH COMM PAPER DTD 12/04/2019 0.000% 08/28/2020	09659BHU7	1,000,000.00	A-1	P-1	12/04/19	12/05/19	986,650.00	1.82	0.00	991,000.00	991,959.00
CREDIT AGRICOLE CIB NY COMM PAPER DTD 12/04/2019 0.000% 08/28/2020	22533THU3	1,000,000.00	A-1	P-1	12/04/19	12/05/19	986,946.67	1.78	0.00	991,200.00	992,115.00
MUFG BANK LTD/NY COMM PAPER DTD 12/02/2019 0.000% 08/28/2020	62479LHU2	1,000,000.00	A-1	P-1	12/05/19	12/06/19	986,182.78	1.90	0.00	990,649.99	991,705.00
<b>Security Type Sub-Total</b>		<b>3,000,000.00</b>					<b>2,959,779.45</b>	<b>1.83</b>	<b>0.00</b>	<b>2,972,849.99</b>	<b>2,975,779.00</b>
<b>Managed Account Sub-Total</b>		<b>21,654,000.00</b>					<b>21,629,388.26</b>	<b>2.07</b>	<b>105,138.22</b>	<b>21,702,118.82</b>	<b>21,930,352.09</b>
<b>Securities Sub-Total</b>		<b>\$21,654,000.00</b>					<b>\$21,629,388.26</b>	<b>2.07%</b>	<b>\$105,138.22</b>	<b>\$21,702,118.82</b>	<b>\$21,930,352.09</b>
<b>Accrued Interest</b>											<b>\$105,138.22</b>
<b>Total Investments</b>											<b>\$22,035,490.31</b>



## Managed Account Fair Market Value & Analytics

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS GENERAL FUND - 81125010

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	Broker	Next Call Date	Market Price	Market Value	Unreal G/L On Cost	Unreal G/L Amort Cost	Effective Duration	Duration to Worst at Mkt	YTM
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 03/15/2017 1.625% 03/15/2020	912828W63	2,000,000.00	GOLDMAN		99.98	1,999,687.60	18,593.85	384.80	0.04	0.04	1.99
US TREASURY NOTES DTD 04/30/2013 1.125% 04/30/2020	912828VA5	2,140,000.00	BARCLAYS		99.94	2,138,662.50	48,818.75	4,536.46	0.17	0.17	1.49
US TREASURY NOTES DTD 05/31/2013 1.375% 05/31/2020	912828VF4	1,000,000.00	NOMURA		100.00	1,000,000.00	9,765.62	2,345.86	0.25	0.25	1.37
US TREASURY NOTES DTD 12/31/2015 1.750% 12/31/2020	912828N48	3,014,000.00	NOMURA		100.50	3,029,070.00	12,479.84	13,038.20	0.83	0.83	1.15
US TREASURY NOTES DTD 03/31/2014 2.250% 03/31/2021	912828C57	1,000,000.00	MORGAN_S		101.27	1,012,656.20	11,484.32	11,967.45	1.06	1.06	1.07
UNITED STATES TREASURY NOTES DTD 04/15/2019 2.250% 04/15/2022	9128286M7	1,985,000.00	GOLDMAN		102.81	2,040,828.13	27,526.37	30,916.44	2.06	2.06	0.91
US TREASURY NOTES DTD 11/30/2015 2.000% 11/30/2022	912828M80	1,990,000.00	MORGAN_S		103.00	2,049,700.00	42,909.37	44,061.25	2.67	2.67	0.89
<b>Security Type Sub-Total</b>		<b>13,129,000.00</b>				<b>13,270,604.43</b>	<b>171,578.12</b>	<b>107,250.46</b>	<b>1.05</b>	<b>1.05</b>	<b>1.27</b>
<b>Federal Agency Bond / Note</b>											
FANNIE MAE NOTES DTD 11/01/2018 2.875% 10/30/2020	3135G0U84	2,090,000.00	MORGAN_S		101.05	2,112,030.69	23,138.39	22,410.25	0.66	0.66	1.29
FREDDIE MAC GLOBAL NOTES DTD 01/13/2012 2.375% 01/13/2022	3137EADB2	975,000.00	MERRILL		102.59	1,000,214.48	8,619.98	9,047.58	1.83	1.83	0.98
FREDDIE MAC NOTES DTD 06/11/2018 2.750% 06/19/2023	3137EAEN5	1,210,000.00	CITIGRP		105.81	1,280,263.49	30,430.29	36,576.57	3.16	3.16	0.96
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	1,250,000.00	CITIGRP		103.32	1,291,460.00	51,197.50	50,019.40	4.17	4.17	0.97
<b>Security Type Sub-Total</b>		<b>5,525,000.00</b>				<b>5,683,968.66</b>	<b>113,386.16</b>	<b>118,053.80</b>	<b>2.23</b>	<b>2.23</b>	<b>1.09</b>
<b>Commercial Paper</b>											
BNP PARIBAS NY BRANCH COMM PAPER DTD 12/04/2019 0.000% 08/28/2020	09659BHU7	1,000,000.00	BNP_PARI		99.20	991,959.00	5,309.00	959.00	0.49	0.49	1.61
CREDIT AGRICOLE CIB NY COMM PAPER DTD 12/04/2019 0.000% 08/28/2020	22533THU3	1,000,000.00	CREDAG		99.21	992,115.00	5,168.33	915.00	0.49	0.49	1.58



## Managed Account Fair Market Value & Analytics

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS GENERAL FUND - 81125010

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	Broker	Next Call Date	Market Price	Market Value	Unreal G/L On Cost	Unreal G/L Amort Cost	Effective Duration	Duration to Worst at Mkt	YTM
<b>Commercial Paper</b>											
MUFG BANK LTD/NY COMM PAPER DTD 12/02/2019 0.000% 08/28/2020	62479LHU2	1,000,000.00	MITSU		99.17	991,705.00	5,522.22	1,055.01	0.49	0.49	1.66
<b>Security Type Sub-Total</b>		<b>3,000,000.00</b>				<b>2,975,779.00</b>	<b>15,999.55</b>	<b>2,929.01</b>	<b>0.49</b>	<b>0.49</b>	<b>1.62</b>
<b>Managed Account Sub-Total</b>		<b>21,654,000.00</b>				<b>21,930,352.09</b>	<b>300,963.83</b>	<b>228,233.27</b>	<b>1.28</b>	<b>1.28</b>	<b>1.27</b>
<b>Securities Sub-Total</b>		<b>\$21,654,000.00</b>				<b>\$21,930,352.09</b>	<b>\$300,963.83</b>	<b>\$228,233.27</b>	<b>1.28</b>	<b>1.28</b>	<b>1.27%</b>
<b>Accrued Interest</b>						<b>\$105,138.22</b>					
<b>Total Investments</b>						<b>\$22,035,490.31</b>					



## Managed Account Security Transactions & Interest

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS GENERAL FUND - 81125010

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L	Realized G/L	Sale Method
Trade	Settle							Cost	Amort Cost	
BUY										
02/12/20	02/13/20	FREDDIE MAC GLOBAL NOTES DTD 01/13/2012 2.375% 01/13/2022	3137EADB2	975,000.00	(991,594.50)	(1,929.69)	(993,524.19)			
Transaction Type Sub-Total				975,000.00	(991,594.50)	(1,929.69)	(993,524.19)			
INTEREST										
02/11/20	02/11/20	FHLB NOTES DTD 02/09/2018 2.125% 02/11/2020	3130ADN32	995,000.00	0.00	10,571.88	10,571.88			
02/29/20	02/29/20	US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UO1	1,515,000.00	0.00	9,468.75	9,468.75			
Transaction Type Sub-Total				2,510,000.00	0.00	20,040.63	20,040.63			
MATURITY										
02/11/20	02/11/20	FHLB NOTES DTD 02/09/2018 2.125% 02/11/2020	3130ADN32	995,000.00	995,000.00	0.00	995,000.00	7,293.35	0.00	
02/29/20	02/29/20	US TREASURY NOTES DTD 02/28/2013 1.250% 02/29/2020	912828UO1	1,515,000.00	1,515,000.00	0.00	1,515,000.00	18,523.24	0.00	
Transaction Type Sub-Total				2,510,000.00	2,510,000.00	0.00	2,510,000.00	25,816.59	0.00	
Managed Account Sub-Total					1,518,405.50	18,110.94	1,536,516.44	25,816.59	0.00	
Total Security Transactions						\$1,518,405.50	\$18,110.94	\$1,536,516.44	\$25,816.59	\$0.00



## Managed Account Summary Statement

For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS CLIENT SECURITY FUND - 81125011

### Transaction Summary - Managed Account

<b>Opening Market Value</b>	<b>\$1,864,772.88</b>
Maturities/Calls	0.00
Principal Dispositions	0.00
Principal Acquisitions	1,197,614.06
Unsettled Trades	0.00
Change in Current Value	49,202.18
<b>Closing Market Value</b>	<b>\$3,111,589.12</b>

### Cash Transactions Summary - Managed Account

Maturities/Calls	0.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	0.00
Principal Payments	0.00
Security Purchases	(1,199,042.15)
Net Cash Contribution	1,199,042.15
Reconciling Transactions	0.00

### Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	0.00
Less Purchased Interest Related to Interest/Coupons	(1,428.09)
Plus Net Realized Gains/Losses	0.00
<b>Total Cash Basis Earnings</b>	<b>(\$1,428.09)</b>

### Cash Balance

**Closing Cash Balance** **\$0.00**

### Earnings Reconciliation (Accrual Basis)

	<b>Total</b>
Ending Amortized Value of Securities	3,034,322.04
Ending Accrued Interest	7,528.13
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	0.00
Plus Coupons/Dividends Received	0.00
Less Cost of New Purchases	(1,199,042.15)
Less Beginning Amortized Value of Securities	(1,836,781.07)
Less Beginning Accrued Interest	(2,586.84)
<b>Total Accrual Basis Earnings</b>	<b>\$3,440.11</b>



## Portfolio Summary and Statistics

For the Month Ending **February 29, 2020**

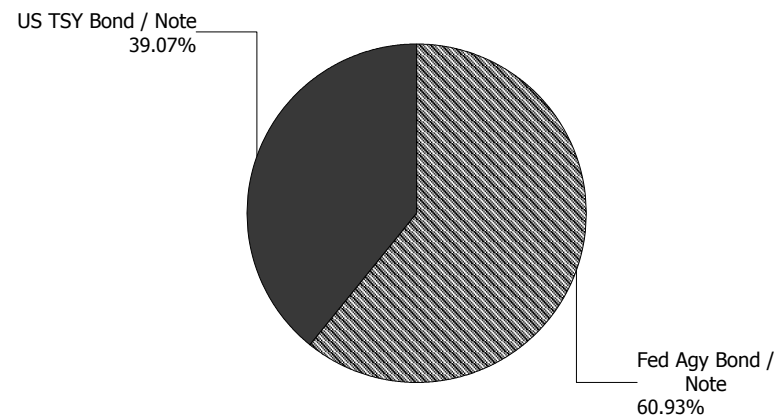
STATE BAR OF TEXAS CLIENT SECURITY FUND - 81125011

## Account Summary

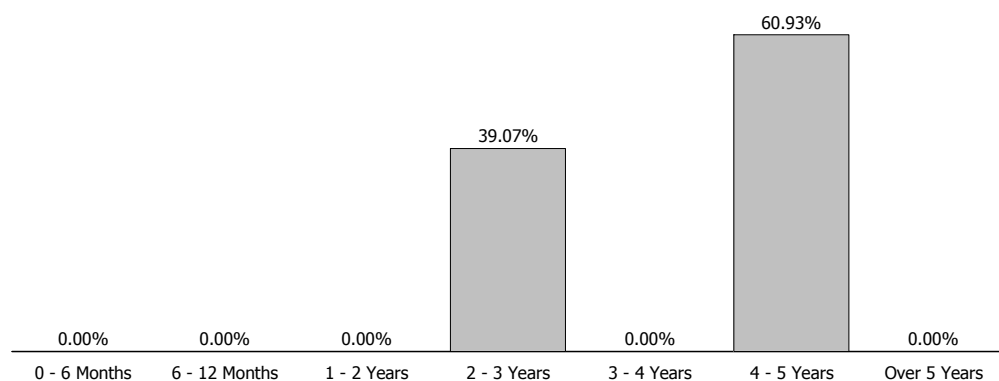
Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	1,195,000.00	1,215,725.84	39.07
Federal Agency Bond / Note	1,835,000.00	1,895,863.28	60.93
<b>Managed Account Sub-Total</b>	<b>3,030,000.00</b>	<b>3,111,589.12</b>	<b>100.00%</b>
Accrued Interest		7,528.13	
<b>Total Portfolio</b>	<b>3,030,000.00</b>	<b>3,119,117.25</b>	

<b>Unsettled Trades</b>	<b>0.00</b>	<b>0.00</b>
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### Sector Allocation



### Maturity Distribution



## Characteristics

Yield to Maturity at Cost	1.61%
Yield to Maturity at Market	0.94%
Duration to Worst	3.64
Weighted Average Days to Maturity	1376



## Managed Account Issuer Summary

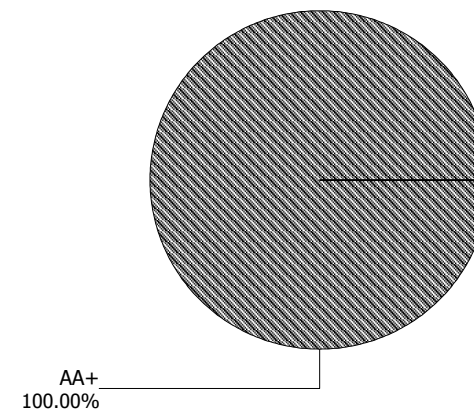
For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS CLIENT SECURITY FUND - 81125011

### Issuer Summary

Issuer	Market Value of Holdings	Percent
FANNIE MAE	1,895,863.28	60.93
UNITED STATES TREASURY	1,215,725.84	39.07
<b>Total</b>	<b>\$3,111,589.12</b>	<b>100.00%</b>

### Credit Quality (S&P Ratings)







## Managed Account Detail of Securities Held

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS CLIENT SECURITY FUND - 81125011

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
UNITED STATES TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	1,195,000.00	AA+	Aaa	02/12/20	02/13/20	1,197,614.06	1.42	2,265.25	1,197,573.40	1,215,725.84
<b>Security Type Sub-Total</b>		<b>1,195,000.00</b>					<b>1,197,614.06</b>	<b>1.42</b>	<b>2,265.25</b>	<b>1,197,573.40</b>	<b>1,215,725.84</b>
<b>Federal Agency Bond / Note</b>											
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	1,835,000.00	AA+	Aaa	08/02/19	08/05/19	1,836,963.45	1.73	5,262.88	1,836,748.64	1,895,863.28
<b>Security Type Sub-Total</b>		<b>1,835,000.00</b>					<b>1,836,963.45</b>	<b>1.73</b>	<b>5,262.88</b>	<b>1,836,748.64</b>	<b>1,895,863.28</b>
<b>Managed Account Sub-Total</b>		<b>3,030,000.00</b>					<b>3,034,577.51</b>	<b>1.61</b>	<b>7,528.13</b>	<b>3,034,322.04</b>	<b>3,111,589.12</b>
<b>Securities Sub-Total</b>		<b>\$3,030,000.00</b>					<b>\$3,034,577.51</b>	<b>1.61%</b>	<b>\$7,528.13</b>	<b>\$3,034,322.04</b>	<b>\$3,111,589.12</b>
<b>Accrued Interest</b>											<b>\$7,528.13</b>
<b>Total Investments</b>											<b>\$3,119,117.25</b>



## Managed Account Fair Market Value & Analytics

For the Month Ending **February 29, 2020**

### STATE BAR OF TEXAS CLIENT SECURITY FUND - 81125011

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	Broker	Next Call Date	Market Price	Market Value	Unreal G/L On Cost	Unreal G/L Amort Cost	Effective Duration	Duration to Worst at Mkt	YTM
<b>U.S. Treasury Bond / Note</b>											
UNITED STATES TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	1,195,000.00	MORGAN_S		101.73	1,215,725.84	18,111.78	18,152.44	2.81	2.81	0.89
<b>Security Type Sub-Total</b>		<b>1,195,000.00</b>				<b>1,215,725.84</b>	<b>18,111.78</b>	<b>18,152.44</b>	<b>2.81</b>	<b>2.81</b>	<b>0.89</b>
<b>Federal Agency Bond / Note</b>											
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	1,835,000.00	TD		103.32	1,895,863.28	58,899.83	59,114.64	4.17	4.17	0.97
<b>Security Type Sub-Total</b>		<b>1,835,000.00</b>				<b>1,895,863.28</b>	<b>58,899.83</b>	<b>59,114.64</b>	<b>4.17</b>	<b>4.17</b>	<b>0.97</b>
<b>Managed Account Sub-Total</b>		<b>3,030,000.00</b>				<b>3,111,589.12</b>	<b>77,011.61</b>	<b>77,267.08</b>	<b>3.64</b>	<b>3.64</b>	<b>0.94</b>
<b>Securities Sub-Total</b>		<b>\$3,030,000.00</b>				<b>\$3,111,589.12</b>	<b>\$77,011.61</b>	<b>\$77,267.08</b>	<b>3.64</b>	<b>3.64</b>	<b>0.94%</b>
<b>Accrued Interest</b>						<b>\$7,528.13</b>					
<b>Total Investments</b>						<b>\$3,119,117.25</b>					



Managed Account Security Transactions & Interest

For the Month Ending February 29, 2020

STATE BAR OF TEXAS CLIENT SECURITY FUND - 81125011

Transaction Type		Security Description	CUSIP	Par	Principal	Accrued	Total	Realized G/L	Realized G/L	Sale
Trade	Settle				Proceeds	Interest		Cost	Amort Cost	
BUY										
02/12/20	02/13/20	UNITED STATES TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	1,195,000.00	(1,197,614.06)	(1,428.09)	(1,199,042.15)			
Transaction Type Sub-Total				1,195,000.00	(1,197,614.06)	(1,428.09)	(1,199,042.15)			
Managed Account Sub-Total					(1,197,614.06)	(1,428.09)	(1,199,042.15)			
Total Security Transactions					(\$1,197,614.06)	(\$1,428.09)	(\$1,199,042.15)			



## Managed Account Summary Statement

For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS TEXAS LAW CENTER - 81125014

### Transaction Summary - Managed Account

<b>Opening Market Value</b>	<b>\$3,498,182.74</b>
Maturities/Calls	0.00
Principal Dispositions	0.00
Principal Acquisitions	796,739.06
Unsettled Trades	0.00
Change in Current Value	35,435.73
<b>Closing Market Value</b>	<b>\$4,330,357.53</b>

### Cash Transactions Summary - Managed Account

Maturities/Calls	0.00
Sale Proceeds	0.00
Coupon/Interest/Dividend Income	0.00
Principal Payments	0.00
Security Purchases	(797,689.13)
Net Cash Contribution	797,689.13
Reconciling Transactions	0.00

### Earnings Reconciliation (Cash Basis) - Managed Account

Interest/Dividends/Coupons Received	0.00
Less Purchased Interest Related to Interest/Coupons	(950.07)
Plus Net Realized Gains/Losses	0.00
<b>Total Cash Basis Earnings</b>	<b>(\$950.07)</b>

### Cash Balance

**Closing Cash Balance** **\$0.00**

### Earnings Reconciliation (Accrual Basis)

	<b>Total</b>
Ending Amortized Value of Securities	4,253,216.13
Ending Accrued Interest	26,027.49
Plus Proceeds from Sales	0.00
Plus Proceeds of Maturities/Calls/Principal Payments	0.00
Plus Coupons/Dividends Received	0.00
Less Cost of New Purchases	(797,689.13)
Less Beginning Amortized Value of Securities	(3,456,170.23)
Less Beginning Accrued Interest	(18,115.37)
<b>Total Accrual Basis Earnings</b>	<b>\$7,268.89</b>



## Portfolio Summary and Statistics

For the Month Ending **February 29, 2020**

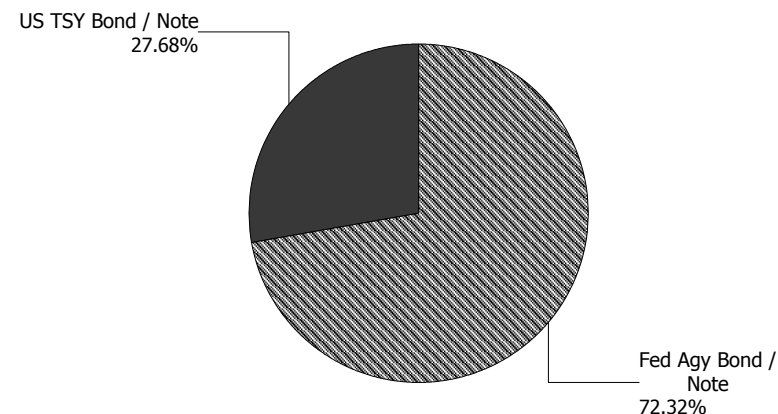
STATE BAR OF TEXAS TEXAS LAW CENTER - 81125014

### Account Summary

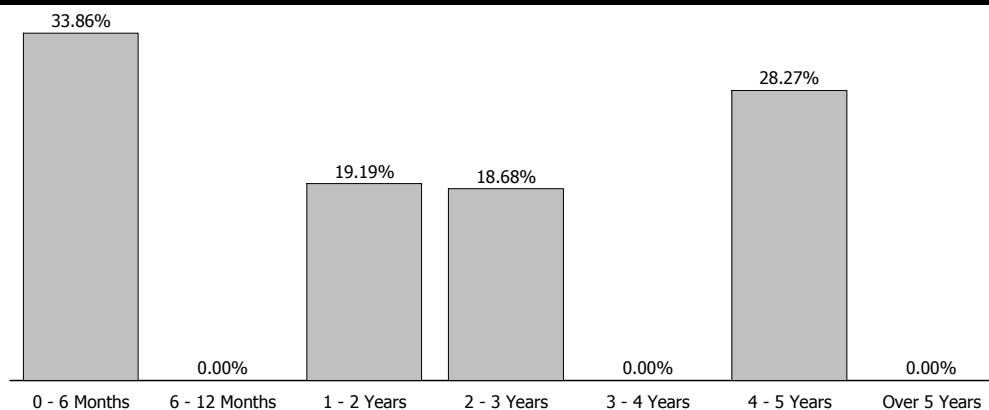
Description	Par Value	Market Value	Percent
U.S. Treasury Bond / Note	1,185,000.00	1,198,727.40	27.68
Federal Agency Bond / Note	3,065,000.00	3,131,630.13	72.32
<b>Managed Account Sub-Total</b>	<b>4,250,000.00</b>	<b>4,330,357.53</b>	<b>100.00%</b>
Accrued Interest		26,027.49	
<b>Total Portfolio</b>	<b>4,250,000.00</b>	<b>4,356,385.02</b>	

**Unsettled Trades** **0.00** **0.00**

### Sector Allocation



### Maturity Distribution



### Characteristics

Yield to Maturity at Cost	2.18%
Yield to Maturity at Market	1.18%
Duration to Worst	2.05
Weighted Average Days to Maturity	774



## Managed Account Issuer Summary

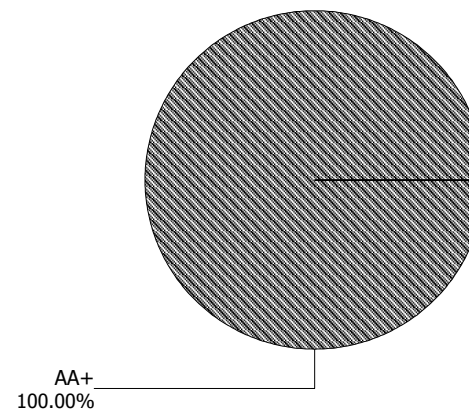
For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS TEXAS LAW CENTER - 81125014

### Issuer Summary

Issuer	Market Value of Holdings	Percent
FANNIE MAE	1,224,304.08	28.27
FEDERAL HOME LOAN BANKS	830,908.12	19.19
FREDDIE MAC	1,076,417.93	24.86
UNITED STATES TREASURY	1,198,727.40	27.68
<b>Total</b>	<b>\$4,330,357.53</b>	<b>100.00%</b>

### Credit Quality (S&P Ratings)





## Managed Account Detail of Securities Held

For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS TEXAS LAW CENTER - 81125014

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 03/31/2015 1.375% 03/31/2020	912828J84	390,000.00	AA+	Aaa	09/18/18	09/19/18	381,910.55	2.77	2,241.70	389,560.54	389,939.08
UNITED STATES TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	795,000.00	AA+	Aaa	02/12/20	02/13/20	796,739.06	1.42	1,507.01	796,712.01	808,788.32
<b>Security Type Sub-Total</b>		<b>1,185,000.00</b>					<b>1,178,649.61</b>	<b>1.86</b>	<b>3,748.71</b>	<b>1,186,272.55</b>	<b>1,198,727.40</b>
<b>Federal Agency Bond / Note</b>											
FHLMC NOTES DTD 04/19/2018 2.500% 04/23/2020	3137EAEM7	1,075,000.00	AA+	Aaa	08/03/18	08/07/18	1,072,129.75	2.66	9,555.56	1,074,755.67	1,076,417.93
FEDERAL HOME LOAN BANKS NOTES DTD 10/12/2018 3.000% 10/12/2021	3130AF5B9	805,000.00	AA+	Aaa	02/14/19	02/15/19	814,724.40	2.53	9,324.58	810,989.05	830,908.12
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	435,000.00	AA+	Aaa	08/02/19	08/05/19	435,465.45	1.73	1,247.60	435,414.53	449,428.08
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	750,000.00	AA+	Aaa	07/29/19	07/30/19	745,237.50	1.89	2,151.04	745,784.33	774,876.00
<b>Security Type Sub-Total</b>		<b>3,065,000.00</b>					<b>3,067,557.10</b>	<b>2.30</b>	<b>22,278.78</b>	<b>3,066,943.58</b>	<b>3,131,630.13</b>
<b>Managed Account Sub-Total</b>		<b>4,250,000.00</b>					<b>4,246,206.71</b>	<b>2.18</b>	<b>26,027.49</b>	<b>4,253,216.13</b>	<b>4,330,357.53</b>
<b>Securities Sub-Total</b>		<b>\$4,250,000.00</b>					<b>\$4,246,206.71</b>	<b>2.18%</b>	<b>\$26,027.49</b>	<b>\$4,253,216.13</b>	<b>\$4,330,357.53</b>
<b>Accrued Interest</b>											<b>\$26,027.49</b>
<b>Total Investments</b>											<b>\$4,356,385.02</b>



## Managed Account Fair Market Value & Analytics

For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS TEXAS LAW CENTER - 81125014

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	Broker	Next Call Date	Market Price	Market Value	Unreal G/L On Cost	Unreal G/L Amort Cost	Effective Duration	Duration to Worst at Mkt	YTM
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 03/31/2015 1.375% 03/31/2020	912828J84	390,000.00	CITIGRP		99.98	389,939.08	8,028.53	378.54	0.08	0.08	1.55
UNITED STATES TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	795,000.00	MORGAN_S		101.73	808,788.32	12,049.26	12,076.31	2.81	2.81	0.89
<b>Security Type Sub-Total</b>		<b>1,185,000.00</b>				<b>1,198,727.40</b>	<b>20,077.79</b>	<b>12,454.85</b>	<b>1.92</b>	<b>1.92</b>	<b>1.10</b>
<b>Federal Agency Bond / Note</b>											
FHLMC NOTES DTD 04/19/2018 2.500% 04/23/2020	3137EAEM7	1,075,000.00	NOMURA		100.13	1,076,417.93	4,288.18	1,662.26	0.15	0.15	1.63
FEDERAL HOME LOAN BANKS NOTES DTD 10/12/2018 3.000% 10/12/2021	3130AF5B9	805,000.00	MORGAN_S		103.22	830,908.12	16,183.72	19,919.07	1.57	1.57	0.99
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	435,000.00	TD		103.32	449,428.08	13,962.63	14,013.55	4.17	4.17	0.97
FANNIE MAE NOTES DTD 07/08/2019 1.750% 07/02/2024	3135G0V75	750,000.00	WELLS_FA		103.32	774,876.00	29,638.50	29,091.67	4.17	4.17	0.97
<b>Security Type Sub-Total</b>		<b>3,065,000.00</b>				<b>3,131,630.13</b>	<b>64,073.03</b>	<b>64,686.55</b>	<b>2.10</b>	<b>2.10</b>	<b>1.20</b>
<b>Managed Account Sub-Total</b>		<b>4,250,000.00</b>				<b>4,330,357.53</b>	<b>84,150.82</b>	<b>77,141.40</b>	<b>2.05</b>	<b>2.05</b>	<b>1.18</b>
<b>Securities Sub-Total</b>		<b>\$4,250,000.00</b>				<b>\$4,330,357.53</b>	<b>\$84,150.82</b>	<b>\$77,141.40</b>	<b>2.05</b>	<b>2.05</b>	<b>1.18%</b>
<b>Accrued Interest</b>						<b>\$26,027.49</b>					
<b>Total Investments</b>						<b>\$4,356,385.02</b>					





## Managed Account Security Transactions & Interest

For the Month Ending **February 29, 2020**

STATE BAR OF TEXAS TEXAS LAW CENTER - 81125014

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
BUY										
02/12/20	02/13/20	UNITED STATES TREASURY NOTES DTD 01/15/2020 1.500% 01/15/2023	912828Z29	795,000.00	(796,739.06)	(950.07)	(797,689.13)			
Transaction Type Sub-Total				795,000.00	(796,739.06)	(950.07)	(797,689.13)			
Managed Account Sub-Total					(796,739.06)	(950.07)	(797,689.13)			
Total Security Transactions					(\$796,739.06)	(\$950.07)	(\$797,689.13)			



# **PFM Funds Portfolios**

**Consolidated Summary Statement**

For the Month Ending **February 29, 2020**

State Bar of Texas

**Portfolio Summary**

Portfolio Holdings	Cash Dividends and Income	Closing Market Value	Current Yield
PFM Funds - Govt Select, Instl CI	5,685.28	3,882,320.47	1.44 %
PFM Funds CD Program	0.00	700,000.00	* N/A
<b>Total</b>	<b>\$5,685.28</b>	<b>\$4,582,320.47</b>	

\* Not Applicable

**Investment Allocation**

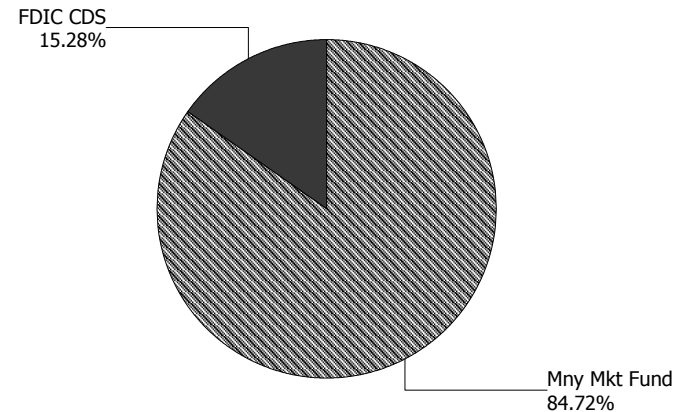
Investment Type	Closing Market Value	Percent
Money Market Mutual Fund	3,882,320.47	84.72
FDIC Insured Bank Certificates of Deposit	700,000.00	15.28
<b>Total</b>	<b>\$4,582,320.47</b>	<b>100.00%</b>

**Maturity Distribution (Fixed Income Holdings)**

Portfolio Holdings	Closing Market Value	Percent
Under 30 days	3,882,320.47	84.72
31 to 60 days	700,000.00	15.28
61 to 90 days	0.00	0.00
91 to 180 days	0.00	0.00
181 days to 1 year	0.00	0.00
1 to 2 years	0.00	0.00
2 to 3 years	0.00	0.00
3 to 4 years	0.00	0.00
4 to 5 years	0.00	0.00
Over 5 years	0.00	0.00
<b>Total</b>	<b>\$4,582,320.47</b>	<b>100.00%</b>

**Weighted Average Days to Maturity**      **8**

**Sector Allocation**



**Consolidated Summary Statement**

For the Month Ending **February 29, 2020**

State Bar of Texas

Account Number	Account Name	Opening Market Value	Purchases / Deposits	Redemptions / Sales/ Maturities	Unsettled Trades	Change in Value	Closing Market Value	Cash Dividends and Income
200-00	STATE BAR OF TEXAS - MM	3,345,657.00	3,723.94	(1,000,000.00)	0.00	0.00	2,349,380.94	3,723.94
995192	CLIENT SECURITY FUND	730,366.91	341.18	(700,000.00)	0.00	0.00	30,708.09	341.18
995235	TEXAS LAW CENTER	27,839.09	31.97	0.00	0.00	0.00	27,871.06	31.97
995426	TBLS	1,505,271.11	924.64	(89.18)	0.00	0.00	1,506,106.57	924.64
995463	Annual Meeting Funds	318,278.14	365.50	0.00	0.00	0.00	318,643.64	365.50
995464	Texas Bar College Special Revenue Funds	194,312.12	160,298.05	(5,000.00)	0.00	0.00	349,610.17	298.05
<b>Total</b>		<b>\$6,121,724.37</b>	<b>\$165,685.28</b>	<b>(\$1,705,089.18)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$4,582,320.47</b>	<b>\$5,685.28</b>

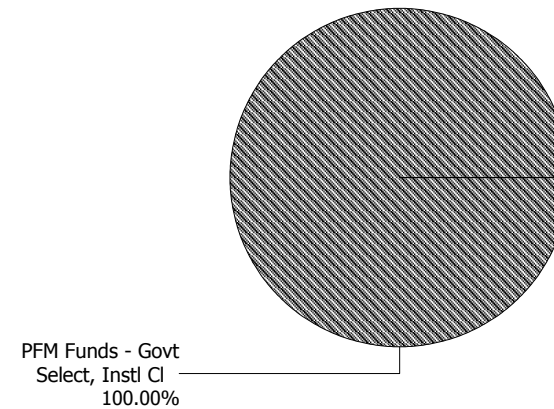
## Account Statement - Transaction Summary

For the Month Ending **February 29, 2020**

State Bar of Texas - STATE BAR OF TEXAS - MM - 200-00

PFM Funds - Govt Select, Instl CI	
Opening Market Value	3,345,657.00
Purchases	3,723.94
Redemptions	(1,000,000.00)
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$2,349,380.94</b>
Cash Dividends and Income	3,723.94

Asset Summary		
	February 29, 2020	January 31, 2020
<b>PFM Funds - Govt Select, Instl CI</b>	2,349,380.94	3,345,657.00
<b>Total</b>	<b>\$2,349,380.94</b>	<b>\$3,345,657.00</b>
Asset Allocation		



**Account Statement**

For the Month Ending **February 29, 2020**

State Bar of Texas - STATE BAR OF TEXAS - MM - 200-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>PFM Funds - Govt Select, Instl Cl</b>					
<b>Opening Balance</b>					<b>3,345,657.00</b>
02/27/20	02/27/20	Redemption - Wire Redemption	1.00	(1,000,000.00)	2,345,657.00
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	3,723.94	2,349,380.94
<b>Closing Balance</b>					<b>2,349,380.94</b>

	Month of February	Fiscal YTD January-February
<b>Opening Balance</b>	3,345,657.00	2,340,814.49
<b>Purchases</b>	3,723.94	2,008,566.45
<b>Redemptions (Excl. Checks)</b>	(1,000,000.00)	(2,000,000.00)
<b>Check Disbursements</b>	0.00	0.00
<b>Closing Balance</b>	<b>2,349,380.94</b>	<b>2,349,380.94</b>
<b>Cash Dividends and Income</b>	3,723.94	8,566.45

<b>Closing Balance</b>	2,349,380.94
<b>Average Monthly Balance</b>	3,242,465.55
<b>Monthly Distribution Yield</b>	1.45%

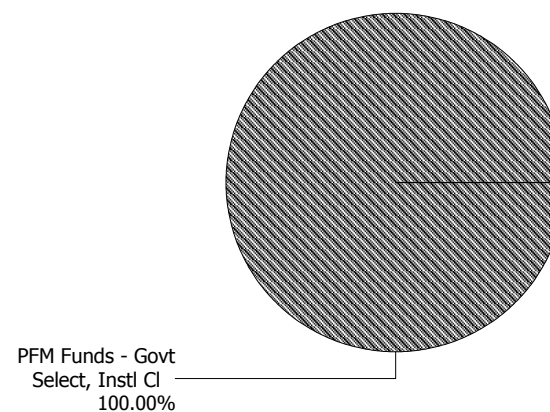
## Account Statement - Transaction Summary

For the Month Ending **February 29, 2020**

State Bar of Texas - CLIENT SECURITY FUND - 995192

PFM Funds - Govt Select, Instl CI	
Opening Market Value	730,366.91
Purchases	341.18
Redemptions	(700,000.00)
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$30,708.09</b>
Cash Dividends and Income	341.18

Asset Summary		
	February 29, 2020	January 31, 2020
<b>PFM Funds - Govt Select, Instl CI</b>	30,708.09	730,366.91
<b>Total</b>	<b>\$30,708.09</b>	<b>\$730,366.91</b>
Asset Allocation		



**Account Statement**

For the Month Ending **February 29, 2020**

State Bar of Texas - CLIENT SECURITY FUND - 995192

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>PFM Funds - Govt Select, Instl Cl</b>					
<b>Opening Balance</b>					<b>730,366.91</b>
02/12/20	02/12/20	Redemption - Wire Redemption	1.00	(700,000.00)	30,366.91
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	341.18	30,708.09
<b>Closing Balance</b>					<b>30,708.09</b>

	Month of February	Fiscal YTD January-February		
<b>Opening Balance</b>	730,366.91	729,450.82	<b>Closing Balance</b>	30,708.09
<b>Purchases</b>	341.18	1,257.27	<b>Average Monthly Balance</b>	295,907.68
<b>Redemptions (Excl. Checks)</b>	(700,000.00)	(700,000.00)	<b>Monthly Distribution Yield</b>	1.45%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>30,708.09</b>	<b>30,708.09</b>		
<b>Cash Dividends and Income</b>	341.18	1,257.27		



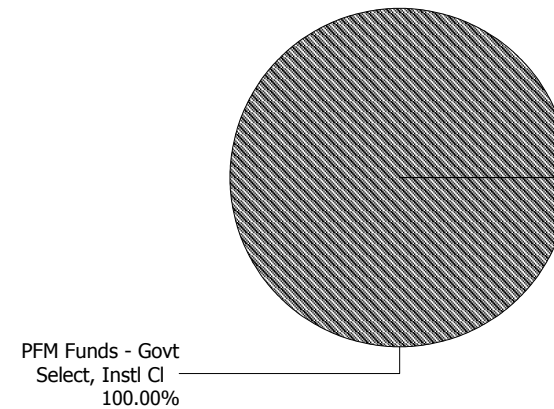
## Account Statement - Transaction Summary

For the Month Ending **February 29, 2020**

State Bar of Texas - TEXAS LAW CENTER - 995235

PFM Funds - Govt Select, Instl CI	
Opening Market Value	27,839.09
Purchases	31.97
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$27,871.06</b>
Cash Dividends and Income	31.97

Asset Summary		
	February 29, 2020	January 31, 2020
<b>PFM Funds - Govt Select, Instl CI</b>	27,871.06	27,839.09
<b>Total</b>	<b>\$27,871.06</b>	<b>\$27,839.09</b>
Asset Allocation		



## Account Statement

For the Month Ending **February 29, 2020**

State Bar of Texas - TEXAS LAW CENTER - 995235

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>PFM Funds - Govt Select, Instl Cl</b>					
<b>Opening Balance</b>					<b>27,839.09</b>
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	31.97	27,871.06
<b>Closing Balance</b>					<b>27,871.06</b>

	Month of February	Fiscal YTD January-February		
<b>Opening Balance</b>	27,839.09	27,804.17	<b>Closing Balance</b>	27,871.06
<b>Purchases</b>	31.97	66.89	<b>Average Monthly Balance</b>	27,841.29
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	1.45%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>27,871.06</b>	<b>27,871.06</b>		
<b>Cash Dividends and Income</b>	31.97	66.89		

## Account Statement - Transaction Summary

For the Month Ending **February 29, 2020**

State Bar of Texas - TBLS - 995426

### PFM Funds - Govt Select, Instl CI

Opening Market Value	805,271.11
Purchases	924.64
Redemptions	(89.18)
Unsettled Trades	0.00
Change in Value	0.00

**Closing Market Value** **\$806,106.57**

Cash Dividends and Income 924.64

### PFM Funds CD Program

Opening Market Value	700,000.00
Purchases	0.00
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00

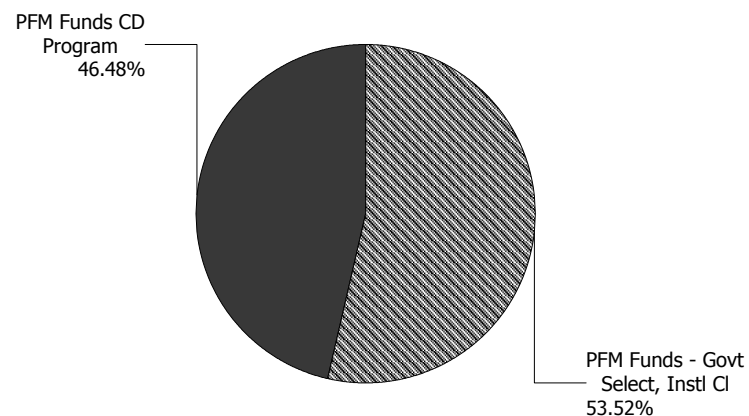
**Closing Market Value** **\$700,000.00**

Cash Dividends and Income 0.00

### Asset Summary

	February 29, 2020	January 31, 2020
<b>PFM Funds - Govt Select, Instl CI</b>	806,106.57	805,271.11
<b>PFM Funds CD Program</b>	700,000.00	700,000.00
<b>Total</b>	<b>\$1,506,106.57</b>	<b>\$1,505,271.11</b>

### Asset Allocation



**Investment Holdings**

For the Month Ending **February 29, 2020**

State Bar of Texas - TBLS - 995426

Trade Date	Settlement Date	Security Description	Maturity Date	Rate	Investment Amount	Accrued Interest	Est. Value at Maturity
<b>PFM Funds CD Program</b>							
04/22/19	04/22/19	CD - Pacific Western Bank (Acquired Security Pacific Bank, Los Angel	04/21/20	2.75	243,000.00	5,748.78	249,682.50
04/22/19	04/22/19	CD - First Internet Bank Of Indiana, IN	04/21/20	2.75	243,000.00	5,748.78	249,682.50
04/22/19	04/22/19	CD - Cfg Community Bank, MD	04/21/20	2.75	214,000.00	5,062.71	219,885.00
<b>Total</b>					<b>\$700,000.00</b>	<b>\$16,560.27</b>	<b>\$719,250.00</b>

# Account Statement

For the Month Ending **February 29, 2020**

State Bar of Texas - TBLS - 995426

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>PFM Funds - Govt Select, Instl Cl</b>					
<b>Opening Balance</b>					<b>805,271.11</b>
02/03/20	02/03/20	IA_FEE CD GROUPED FEE TRANSACTION FOR: 1-31-2020	1.00	(89.18)	805,181.93
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	924.64	806,106.57
<b>Closing Balance</b>					<b>806,106.57</b>

	Month of February	Fiscal YTD January-February		
<b>Opening Balance</b>	805,271.11	954,176.85	<b>Closing Balance</b>	806,106.57
<b>Purchases</b>	924.64	2,110.97	<b>Average Monthly Balance</b>	805,251.85
<b>Redemptions (Excl. Checks)</b>	(89.18)	(150,181.25)	<b>Monthly Distribution Yield</b>	1.45%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>806,106.57</b>	<b>806,106.57</b>		
<b>Cash Dividends and Income</b>	924.64	2,110.97		

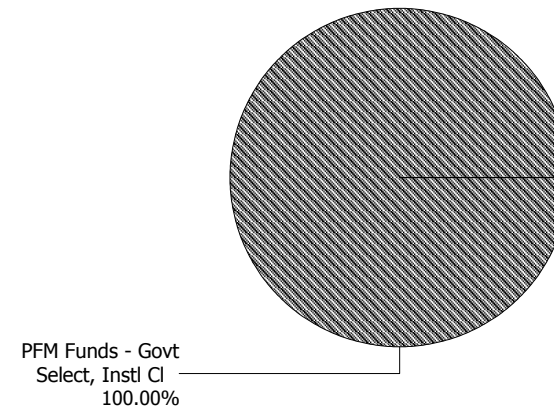
## Account Statement - Transaction Summary

For the Month Ending **February 29, 2020**

State Bar of Texas - Annual Meeting Funds - 995463

PFM Funds - Govt Select, Instl CI	
Opening Market Value	318,278.14
Purchases	365.50
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$318,643.64</b>
Cash Dividends and Income	365.50

Asset Summary		
	February 29, 2020	January 31, 2020
<b>PFM Funds - Govt Select, Instl CI</b>	318,643.64	318,278.14
<b>Total</b>	<b>\$318,643.64</b>	<b>\$318,278.14</b>
Asset Allocation		



**Account Statement**

For the Month Ending **February 29, 2020**

State Bar of Texas - Annual Meeting Funds - 995463

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>PFM Funds - Govt Select, Instl Cl</b>					
<b>Opening Balance</b>					<b>318,278.14</b>
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	365.50	318,643.64
<b>Closing Balance</b>					<b>318,643.64</b>

	Month of February	Fiscal YTD January-February		
<b>Opening Balance</b>	318,278.14	317,878.93	<b>Closing Balance</b>	318,643.64
<b>Purchases</b>	365.50	764.71	<b>Average Monthly Balance</b>	318,303.35
<b>Redemptions (Excl. Checks)</b>	0.00	0.00	<b>Monthly Distribution Yield</b>	1.45%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>318,643.64</b>	<b>318,643.64</b>		
<b>Cash Dividends and Income</b>	365.50	764.71		

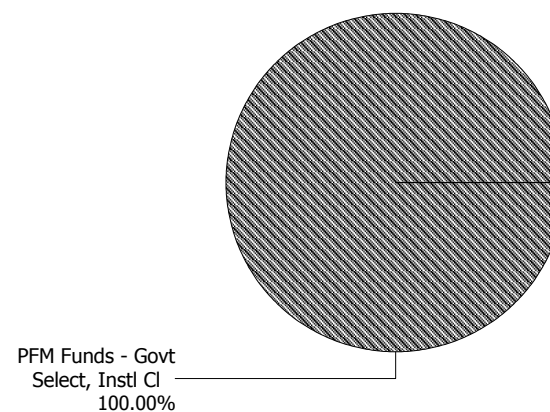
## Account Statement - Transaction Summary

For the Month Ending **February 29, 2020**

State Bar of Texas - Texas Bar College Special Revenue Funds - 995464

PFM Funds - Govt Select, Instl CI	
Opening Market Value	194,312.12
Purchases	160,298.05
Redemptions	(5,000.00)
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$349,610.17</b>
Cash Dividends and Income	298.05

Asset Summary		
	February 29, 2020	January 31, 2020
<b>PFM Funds - Govt Select, Instl CI</b>	349,610.17	194,312.12
<b>Total</b>	<b>\$349,610.17</b>	<b>\$194,312.12</b>
Asset Allocation		





**Account Statement**

For the Month Ending **February 29, 2020**

State Bar of Texas - Texas Bar College Special Revenue Funds - 995464

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
<b>PFM Funds - Govt Select, Instl Cl</b>					
<b>Opening Balance</b>					<b>194,312.12</b>
02/18/20	02/18/20	Purchase - Wire Purchase	1.00	160,000.00	354,312.12
02/25/20	02/25/20	Redemption - Wire Redemption	1.00	(5,000.00)	349,312.12
02/28/20	03/02/20	Accrual Income Div Reinvestment - Distributions	1.00	298.05	349,610.17
<b>Closing Balance</b>					<b>349,610.17</b>

	Month of February	Fiscal YTD January-February		
<b>Opening Balance</b>	194,312.12	194,068.40	<b>Closing Balance</b>	349,610.17
<b>Purchases</b>	160,298.05	160,541.77	<b>Average Monthly Balance</b>	259,677.50
<b>Redemptions (Excl. Checks)</b>	(5,000.00)	(5,000.00)	<b>Monthly Distribution Yield</b>	1.45%
<b>Check Disbursements</b>	0.00	0.00		
<b>Closing Balance</b>	<b>349,610.17</b>	<b>349,610.17</b>		
<b>Cash Dividends and Income</b>	298.05	541.77		

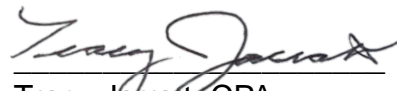
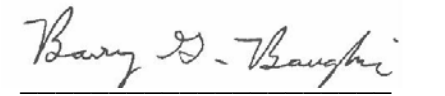
## Quarterly Investment Report Certification

This report fairly represents the investment standing of the State Bar of Texas as of February 29, 2020 and the investment activity for the period December 1, 2019 through February 29, 2020.

We believe the data presented for the quarter ending February 29, 2020 is accurate in all material respects, and is presented in a manner that fairly sets forth the investment standing of the State Bar of Texas. We further believe that all data necessary to represent the activity for the quarter is included in this text.

This report was prepared in compliance with the State of Texas "Public Funds Investment Act" and the State Bar of Texas' "Investment Policy".

Public Funds Investment Act Training Report: All State Bar board members and officers have received training as required by the Texas Government Code Section 2256.007 as of the date of this investment report. All new board members have received training within 6 months of taking office. The investment officer received training from a board approved training provider within the fiscal biennium.

  
Trey Apffel  
Executive Director  
State Bar of Texas  
Tracy Jarratt, CPA  
Finance Division Director  
State Bar of Texas  
Barry Baughier  
Sr. Managing Consultant  
PFM Asset Management LLC

Dated: April 1, 2020





**State Bar of Texas  
Internal Audit Services**

AN INTERNAL AUDIT OF:

**Public Funds Investment  
Act Compliance**

**Report No. 20-001  
February 11, 2020**

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.



**McCONNELL & JONES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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2.0 <i>Compliance Audit Details.....</i>	<i>7</i>



McCONNELL & JONES LLP  
CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2020

Mr. Jarrod Foerster  
State Bar of Texas  
Audit & Finance Committee  
1414 Colorado Street  
Austin, TX 78701

Dear Audit & Finance Committee Chair:

Attached is Internal Audit Report #20-001 Public Funds Investment Act Compliance Audit. This audit was performed as part of the approved Annual Internal Audit Plan.

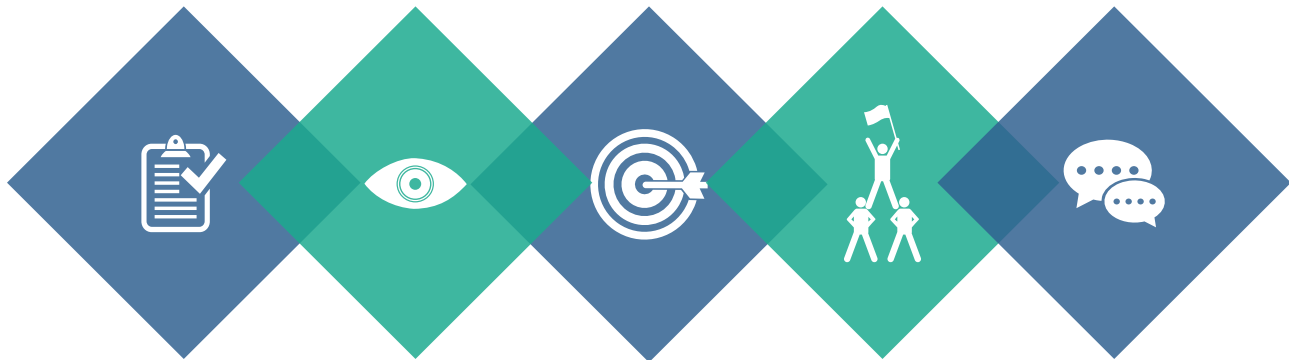
We assessed the State Bar of Texas' (SBOT) compliance with Texas Government Code Chapter 2256 Public Funds Investment and determined that the agency was compliant with all requirements. Additionally, management's internal controls for investment processes and reporting are effective and working as designed.

Please contact Darlene Brown at 281.740.0017 if you should have any questions about this audit report.

Sincerely,

Ira Wayne McConnell, CPA  
Partner

## AUDIT AT A GLANCE



### Purpose

- To assess management controls and processes in place to ensure investments are authorized, accurately recorded and reported, and that investments are in compliance with SBOT Investment Policies and the Public Funds Investment Act (PFIA).

### Scope

- June 1, 2018 – May 31, 2019.

### Focus

- Investment Transactions
- Investment Reconciliations
- Investment Reporting
- Investment Officer Training
- Compliance with SBOT Investment Policy and PFIA requirements

### Internal Control Rating

- Effective

### Improvement Recommendations

- None

## Number of Recommendations by Risk Rating

High	Medium	Low	Total
0	0	0	0

## Acknowledgement



*We wish to thank all staff involved in the audit for their time and efforts. Without their assistance, we would not have been able to complete this audit.*

## 1.0 INTRODUCTION

McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit) for the State Bar of Texas (SBOT), performed an internal audit of SBOT's compliance with Texas Government Code Chapter 2256 Public Funds Investment, commonly referred to as the Public Funds Investment Act (PFIA).

Government Code Chapter 2256 Section 2256.005 Investment Policies, Investment Strategies; Investment Officer subsection (n) requires that at least once every two years a state agency arranges for a compliance audit of management controls on investments and adherence to the agency's established investment policies to be performed by their internal auditor or a private auditor. The resulting audit reports must be reported to the state auditor no later than January 1<sup>st</sup> of each even numbered year.

SBOT's investment policy requires an annual audit of the investment funds' records.

SBOT does invest public funds and therefore is required to comply with Texas Government Code Chapter 2256 Public Funds Investment. These funds are invested through SBOT's investment manager (PFM Asset Management LLC). SBOT's investment manager was selected through a formal bid process.

We performed this audit as part of the approved Annual Internal Audit Plan. This audit was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

### SBOT's 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.*

### SBOT's Investment Principals

- ✓ Safety of Principal
- ✓ Diversification
- ✓ Yield

### May 31, 2019 Investment Account Balances

The Texas State Bar has a total of \$40.56 million in the following investment funds.

- ✓ General Fund \$30,627,724
- ✓ Texas Law Center - \$3,644,830
- ✓ Client Security Fund - \$3,008,948
- ✓ Texas Board of Legal Specialization - \$2,047,915
- ✓ Annual Meetings Fund - \$648,690
- ✓ Texas Bar College - \$348,684
- ✓ Law Focused Education (Hatton Sumners Grant) - \$236,726



We believe that the evidence obtained accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objectives and scope, our assessment based on our audit objectives and the audit approach.

### **Objectives and Scope**

The purpose of this audit is to assess SBOT's compliance with the PFIA's specific requirements. In doing so, we also evaluated management controls in place to ensure that the agency's funds are invested according to SBOT's investment policy and that the investment reports are accurately compiled and distributed in a timely manner.

Texas Government Code Chapter 2256 Public Funds Investment sections applicable to SBOT are:

- ✓ Section 2256.005 Investment Policies, Investment Strategies; Investment Officer
- ✓ Section 2256.007 Investment Training; State Agency Board Members and Officers
- ✓ Section 2256.023 Internal Management Reports

The State Bar of Texas' applicable investment policy requirements are based upon its investment standard to 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. SBOT's investment policy is embedded in the State Bar of Texas Board of Directors Policy Manual

(September 2018). The investment policy contains the following components:

- ✓ Approved investment vehicles
- ✓ Investment concentrations
- ✓ Maturity periods
- ✓ Investment rating
- ✓ Reporting
- ✓ Training
- ✓ Investment principals
- ✓ Investment settlement
- ✓ Compliance with the Public Funds Investment Act
- ✓ Annual audit

The scope period was June 1, 2018 through May 31, 2019.

### **Results and Conclusion**

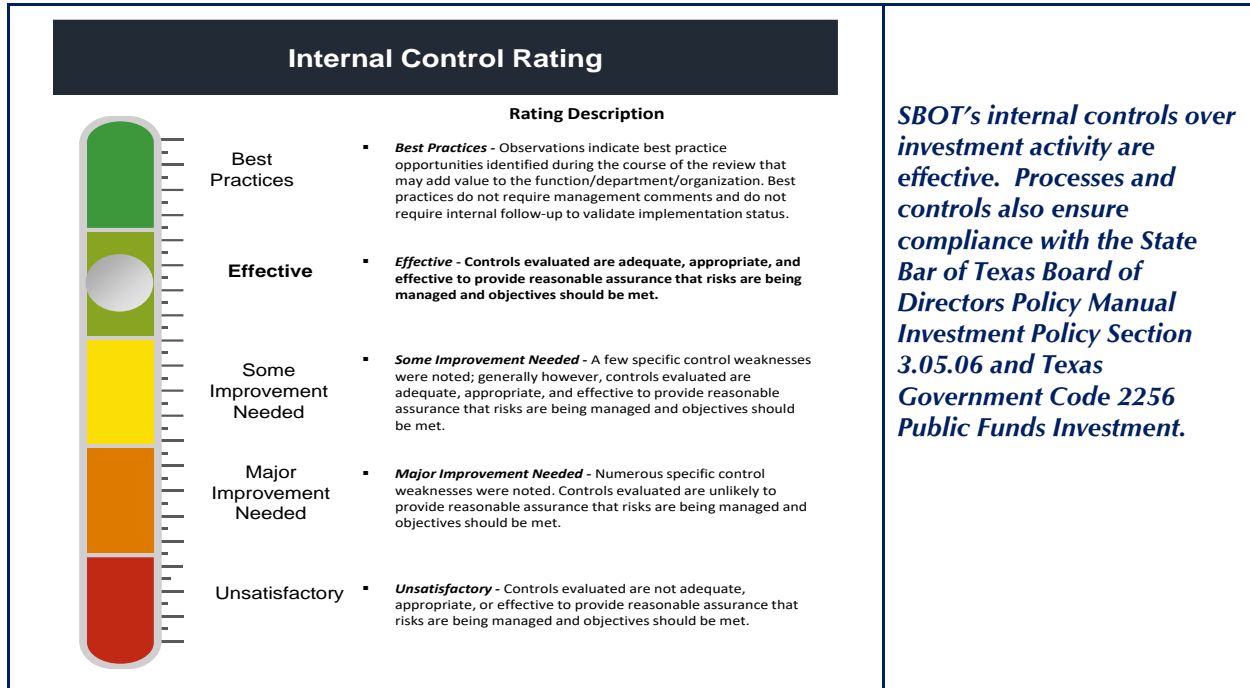
**We determined that SBOT's internal controls over investments are effective and operating as intended.**

SBOT is in compliance with the State Bar of Texas Board of Directors Policy Manual Investment Policy Section 3.05.06. Additionally, management's internal controls for investment activities and reporting are effective and working as designed.

We noted that the investment reports provided by the SBOT's Investment Manager are comprehensive and provide summary level investment balances and transactions in addition to a significant amount of detailed analysis. The investment reports provided to

the SBOT Audit & Finance Committee continue to be some of the most comprehensive investment reports we see provided to boards.

**Figure 1** describes the internal control rating.

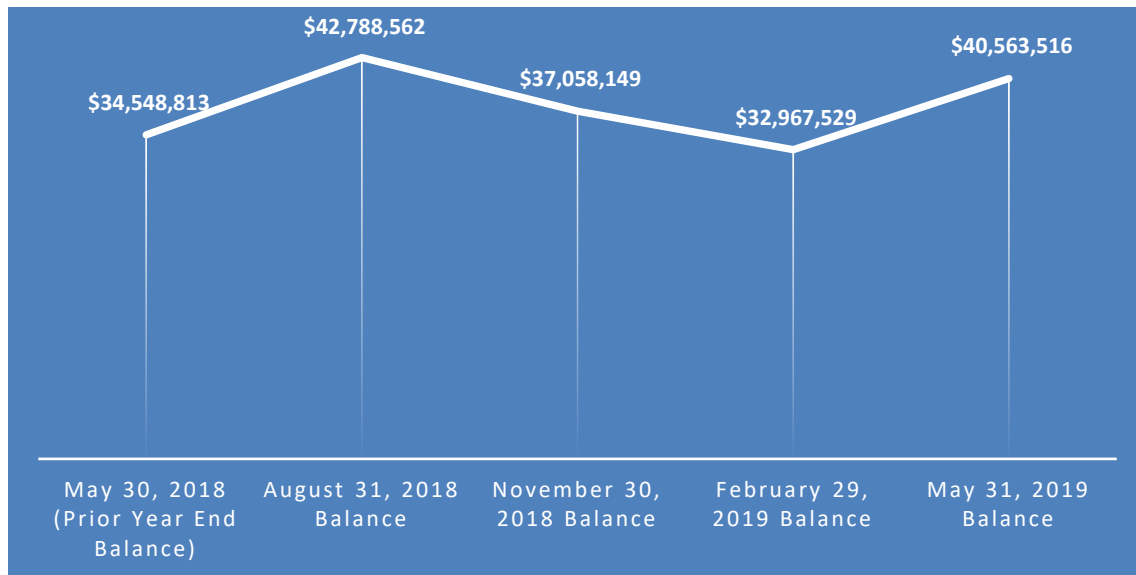


**Figure 1 Internal control rating description.**

SBOT's Director of Finance is the organization's designated investment officer. As such, this individual is authorized to execute investment transactions on behalf of SBOT. The Director of Finance and the Audit & Finance Committee members work closely with the contracted investment firm to ensure that the organization's funds are invested in the highest return vehicles allowed by statute. The investment firm provides detailed investment reports each quarter which are discussed at the Audit & Finance Committee meetings.

SBOT has exercised sound stewardship over membership fees and revenue generating activities as evidenced by the fact that SBOT's investment balance as of May 31, 2019 has increased slightly over \$6 million during a 12-month period. The total investment balance as of May 31, 2019 was \$40.56 million, which is up from \$34.54 million as of May 31, 2018.

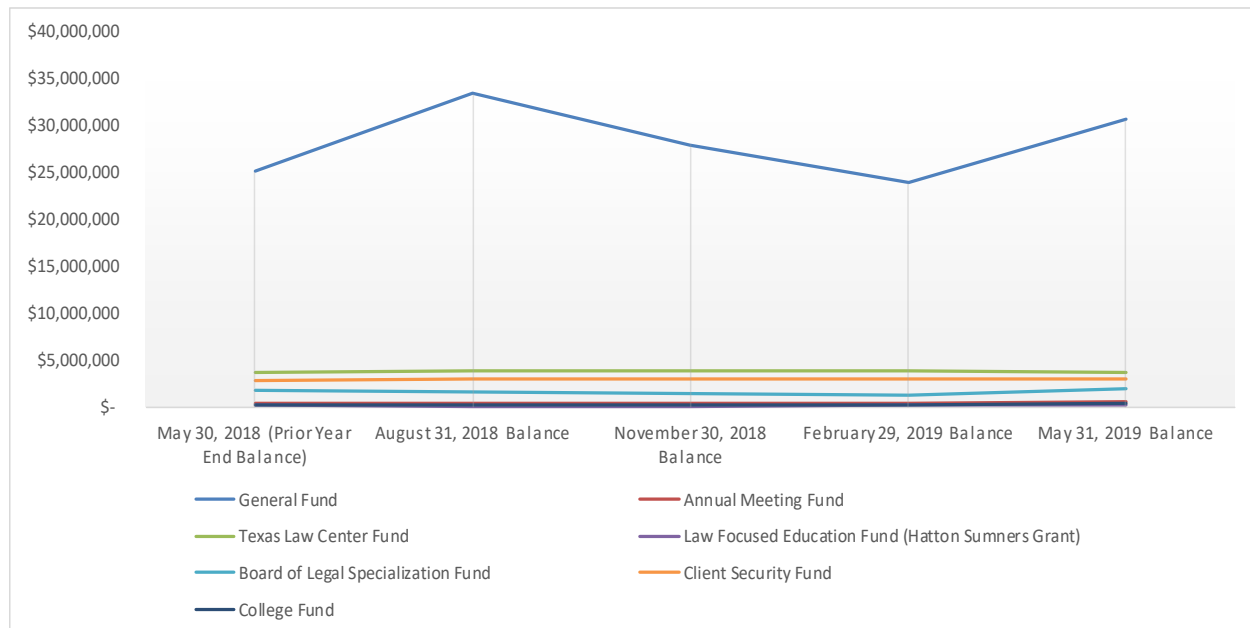
**Figure 2** provides a summary of SBOT's investment balances by quarter between May 31, 2018 and May 31, 2019.



**Figure 2 SBOT Total Investment Balances by Quarter May 31, 2018 to May 31, 2019**

SBOT's excess funds are invested in a combination of short-term and long-term investment instruments. SBOT uses over-night investments to the extent possible to allow for some degree of interest to be earned yet have the funds readily available for operating expenses when needed. The General Fund account is where the operating funds are

invested, as such this account has the most investment balance fluctuations while the other six investment funds remain relatively stable. **Figure 3** provides a summary of individual investment fund balances each quarter between May 31, 2018 and May 31, 2019.



**Figure 3 Individual Investment Fund Balances by Fund May 31, 2018 to May 31, 2019**

## 2.0 COMPLIANCE AUDIT DETAILS

The State Bar of Texas maintains investments for seven funds. These funds are:

- ✓ General Fund
- ✓ Client Service Fund (CSF)
- ✓ Texas Board of Legal Specialization (TBLS)
- ✓ Texas Bar College (TBC), which includes an Endowment Fund
- ✓ Hatton Sumners Grants (HSG)
- ✓ Texas Law Center (TLC)
- ✓ Annual Meetings Fund (AM)









### A. Investment Policy





The PFIA requires state organizations that invest public funds to have a written investment policy that is reviewed at least once per year by the governing body. Section 2256.005 Investment Policies, Investment Strategies; Investment Officer lists specific topics that must be included in the agency's investment policy.

Audit procedures applied to determine compliance with these requirements included:

- ✓ Reviewed SBOT's investment policy and compared it to requirements listed in Section 2256.005.

**Figure IP1** compares Section 2256.005 requirements to SBOT's investment policy.

Texas Government Code Sec. 2256.005 Section	PFIA Investment Policy Requirements	SBOT Investment Policy Meets Requirement
(b)(1)	The investment policies must be written.	
(b)(2)	Primarily emphasize safety of principal and liquidity.	
(b)(3)	Address investment diversification, yield, and maturity and the quality and capability of investment management.	
(b)(4)(A)	Include a list of the types of authorized investments in which the investing entity's funds may be invested.	
(b)(4)(B)	Include the maximum allowable stated maturity of any individual investment owned by the entity.	
(b)(4)(C)	Include for pooled fund groups, the maximum dollar weighted average maturity allowed based on the stated maturity date for the portfolio.	N/A SBOT does not invest in pooled fund groups.
(b)(4)(D)	Include methods to monitor the market price of investments acquired with public funds.	
(b)(4)(E)	Include a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis.	
(b)(4)(F)	Include procedures to monitor rating changes in investments acquired with public funds and the liquidation of such	

Texas Government Code Sec. 2256.005 Section	PFIA Investment Policy Requirements	SBOT Investment Policy Meets Requirement
	investments consistent with the provisions of Section <a href="#">2256.021</a> .	
(d)	As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance: (1) understanding of the suitability of the investment to the financial requirements of the entity; (2) preservation and safety of principal; (3) liquidity; (4) marketability of the investment if the need arises to liquidate the investment before maturity; (5) diversification of the investment portfolio; and (6) yield.	
(e)	The governing body of an investing entity shall review its investment policy and investment strategies not less than annually.	
(e)	The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.	
(f)	Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity.	

**Figure IP1** Section 2256.005 requirements and SBOT's compliance.

Legend:



Internal controls are effective and SBOT is in compliance with requirement; no observations noted.

## Conclusion

SBOT is in compliance with Section 2256.005 Investment Policies, Investment Strategies; Investment Officer. Our audit procedures resulted in no exceptions noted.

## Recommendation

No recommendations are made for this compliance requirement.

## Management's Response

Management response is not required as no observations were noted for this compliance requirement.

## B. Investment Officer, State Agency Board Member and Officer Training






The PFIA section 2256.007 lists specific training requirements for the agency investment officers, board members and officers.

- ✓ Reviewed quarterly investment reports and reports on Subchapter A, Chapter 2256, provided to SBOT's governing body.

Audit procedures applied to determine compliance with these requirements included:

- ✓ Reviewed SBOT's investment training records to determine compliance with the requirements of section 2256.007.

**Figure IT1** compares section 2256.007 training requirements to SBOT's records of investment officer training taken.

Texas Government Code Sec. 2256.007 Section	INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS.	SBOT Investment Officer and Officers Training Meet Requirements
(a)	Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.	
(b)	The Texas Higher Education Coordinating Board shall provide the training under this section.	
(c)	Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.	
(d)	An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency.	
(d)	The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.	

**Figure IT1** Texas Government Code training requirements compared to SBOT's training taken.

Legend:



Internal controls are effective and SBOT is in compliance with requirement; no observations noted.

## Conclusion

SBOT was in compliance with PFIA section 2256.007. SBOT's investment officer has completed all training required to perform the role of an investment officer.

## Recommendation

No recommendations are made for this compliance requirement.

## Managements Response

Management response is not required as no observations were noted for this compliance requirement.

## C. Management Reports




The PFIA requires state agencies that invest public funds provide investment management reports to its governing body. Section 2256.023 Internal Management Reports lists specific information that must be included in the investment management reports.

SBOT's Finance Division Director works with SBOT's investment manager, PFM Asset Management LLC, to prepare detailed investment reports. The investment reports are signed/certified by the SBOT Executive Director, Finance Division Director and PFM. The investment reports are provided to the SBOT Audit & Finance Committee each quarter.




Audit procedures applied to determine compliance with Section 2256.023 requirements included:

- ✓ Reviewed quarterly investment reports for completion and content compliance with Section 2256.023.
- ✓ Compared quarterly investment reports to SBOT Balance Sheets and trial balance report to determine completeness and accuracy.

**Figure MR1** compares the Section 2256.023 investment management report requirements to SBOT's investment reports.

Texas Government Code Sec. 2256.023 Section	Internal Management Reports	SBOT Investment Management Reports Meet Requirements
(a)	Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.	
(b)(1)(2)(3)	The report must: (1) describe in detail the investment position of the entity on the date of the report; (2) be prepared jointly by all investment officers of the entity; (3) be signed by each investment officer of the entity;	
(b)(4)	contain a summary statement of each pooled fund group that states the:	



Texas Government Code Sec. 2256.023 Section	Internal Management Reports	SBOT Investment Management Reports Meet Requirements
	(A) beginning market value for the reporting period; (B) ending market value for the period; and (C) fully accrued interest for the reporting period;	
(b)(5)	state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;	
(b)(6)	state the maturity date of each separately invested asset that has a maturity date;	
(b)(7)	state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired;	
(b)(8)	state the compliance of the investment portfolio of the state agency or local government as it relates to: (A) the investment strategy expressed in the agency's or local government's investment policy; and (B) relevant provisions of this chapter.	
(c)	The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.	
(d)	If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.	

**Figure MR1** Texas Government Code reporting requirements compared to SBOT's management reports.

Legend:



Internal controls are effective and SBOT is in compliance with requirement; no observations noted.

## Conclusion

SBOT's investment reports are in compliance with Section 2256.023. Additionally, the monthly investment reports were complete and accurate.

## Recommendation

No recommendations are made for this compliance requirement.

## Management's Response

Management response is not required as no observations were noted for this compliance requirement.









**State Bar of Texas**  
**Internal Audit Services**  
An Internal Audit of:  
**Texas Bar Continuing Legal Education  
Program Administrative Processes**  
**Report #20-002**  
**February 17, 2020**

*This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.*



**McCONNELL & JONES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS



February 17, 2020

Mr. Jarrod Foerster  
State Bar of Texas Audit & Finance Committee  
1414 Colorado Street  
Austin, TX 78701

Dear Mr. Foerster and Audit & Finance Committee Members:

Attached is internal audit report #20-002 Texas Bar Continuing Legal Education Program Administrative Processes. This audit was performed as part of the approved Annual Internal Audit Plan.

We assessed the Texas Bar Continuing Legal Education (TBCLE) program's internal control effectiveness; compliance with internal policies and procedures; and compliance with Texas Government Code, State Bar of Texas Rules and State Bar of Texas Board of Directors Policy Manual. Our audit scope was focused on the following areas:

- ✓ Planning and executing TBCLE seminars – TBCLE event scheduling process; TBCLE event promotion activities; TBCLE event location reservations and pricing negotiation; speaker identification; speaker fees and travel costs; budgeting; staff travel costs; and cost containment.
- ✓ Cash handling, including credit cards and checks – Receipting process; reporting process; recording process; deposit process; and reconciliations.
- ✓ TBCLE material production and printing – Planning, distribution and storage of training materials.
- ✓ Procurement processes – Event location contracting; TBCLE material acquisition; and large-vendor contracting.

We determined that the Texas Bar Continuing Legal Education Program's administrative processes internal control environment ensures compliance with policies. We also noted that TBCLE provides a valuable service to SBOT's members. We have identified some need for improvement. These improvement opportunities are described in the attached report. We discussed reportable opportunities to enhance internal controls and improve process efficiencies with management.

Please contact Darlene Brown at 281.740.0017 if you should have any questions about this audit report.

Sincerely,

Ira Wayne McConnell, CPA  
Partner



## Executive Summary

### TBCLE Program Administrative Processes

#### Why Was This Review Conducted?

McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit) for the State Bar of Texas, performed this internal audit as part of the approved Internal Audit Plan.

#### Importance of Program

Texas Bar CLE (TBCLE) helps the State Bar fulfill its mission to advance the quality of legal services to the public and maintain high standards of competence among lawyers by providing relevant and impactful continuing legal education. TBCLE plays a significant role in educating Texas lawyers while providing financial stability to the State Bar of Texas with annual revenues of \$14.3 million and expenditures of \$9.5 million.

#### Audit Objectives and Scope

To assess management controls and processes in place to ensure the Texas Bar CLE program meets member needs and complies with SBOT policies. We reviewed TBCLE's processes and internal controls for the period of June 1, 2018 through November 10, 2019.



#### Audit Focus



This review focused on the following key mission-critical areas:

- TBCLE seminar planning and execution.
- TBCLE quality control monitoring.
- TBCLE budgeting and pricing.
- TBCLE cash handling.
- TBCLE material production and printing.
- TBCLE program procurement processes.

*thank you*

*We wish to thank all employees for their openness and cooperation. Without this, we would not have been able to complete our review.*

#### Audit Conclusions

Overall, TBCLE's processes and internal controls ensure compliance with policies. We also noted that TBCLE provides a valuable service to SBOT's members. The Texas Bar Continuing Legal Education is Texas' leading CLE sponsor for the legal professional's minimum continuing legal education (MCLE) compliance. TBCLE has maintained a sizeable portion of the CLE market share by offering a variety of courses to cover all legal practice areas at reasonable costs and convenient locations. Additional convenience is provided by offering courses online, on-demand from any location.



#### Internal Control Rating

Adequate with Some Improvement Needed. Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met; however, auditors identified some areas for which the State Bar could improve its internal controls.

#### What Did We Recommend?

- Perform a documented cost analysis for IT support prior to the next contract and then every two to three years to ensure the agency is receiving the best value.
- Develop and document TBCLE criteria for meeting rooms and lodging. Designate TBCLE staff responsible for procurement processes as purchasing officers and ensure that they receive training to perform procurement processes. Develop processes to ensure TBCLE's compliance with procurement and purchasing requirements.



#### Number of Findings by Risk Rating

High	Medium	Low	Total
0	2	1	3



## INTRODUCTION



*McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit) for the State Bar of Texas (SBOT), performed an internal audit of SBOT's internal controls and compliance with SBOT's board policy and internal policies and procedures for Texas Bar Continuing Legal Education (TBCLE) processes.*

We performed this audit as part of the approved FY 2019 Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

## OBJECTIVE



*The purpose of this audit was to assess management controls and processes in place to ensure the TBCLE program's administrative processes meet member needs and comply with SBOT policies. We also assessed controls in place for cash handling and expenditures.*

Our audit was designed to address the following questions related to risk, controls, processes and reporting:

1. Are processes in place that ensure on-going high-quality continuing legal education opportunities for legal professionals?
2. Are there processes to monitor the evolving continuing legal education needs of Texas legal professionals?
3. Are budgets prepared for each TBCLE event and monitored to ensure that the costs remain within budget?
4. Are adequate controls in place to ensure TBCLE attendees are charged the correct amount?
5. Are adequate internal controls and segregation of duties in place over revenue collection, revenue recording and disbursements?
6. Are processes in place to obtain best value pricing terms for TBCLE event locations and expenses?
7. Are processes in place to ensure TBCLE materials are printed, produced or acquired using the best value methods?
8. Are processes in place to ensure TBCLE materials are printed, produced or acquired in quantities that minimize out-of-stock occurrences while also reducing inventory obsolescence?
9. Are processes in place to ensure TBCLE event speakers are qualified for the topic they are presenting?
10. Are staff ensuring compliance with applicable policies and meeting the goals established in the strategic plan?

## SCOPE



*The audit period was June 1, 2018 through November 10, 2019. Some test procedures were performed as of the fieldwork date. This work product was at a point in time evaluation that cannot address the inherent dynamic nature of subsequent changes to the processes and procedures reviewed.*



## PROCEDURES PERFORMED



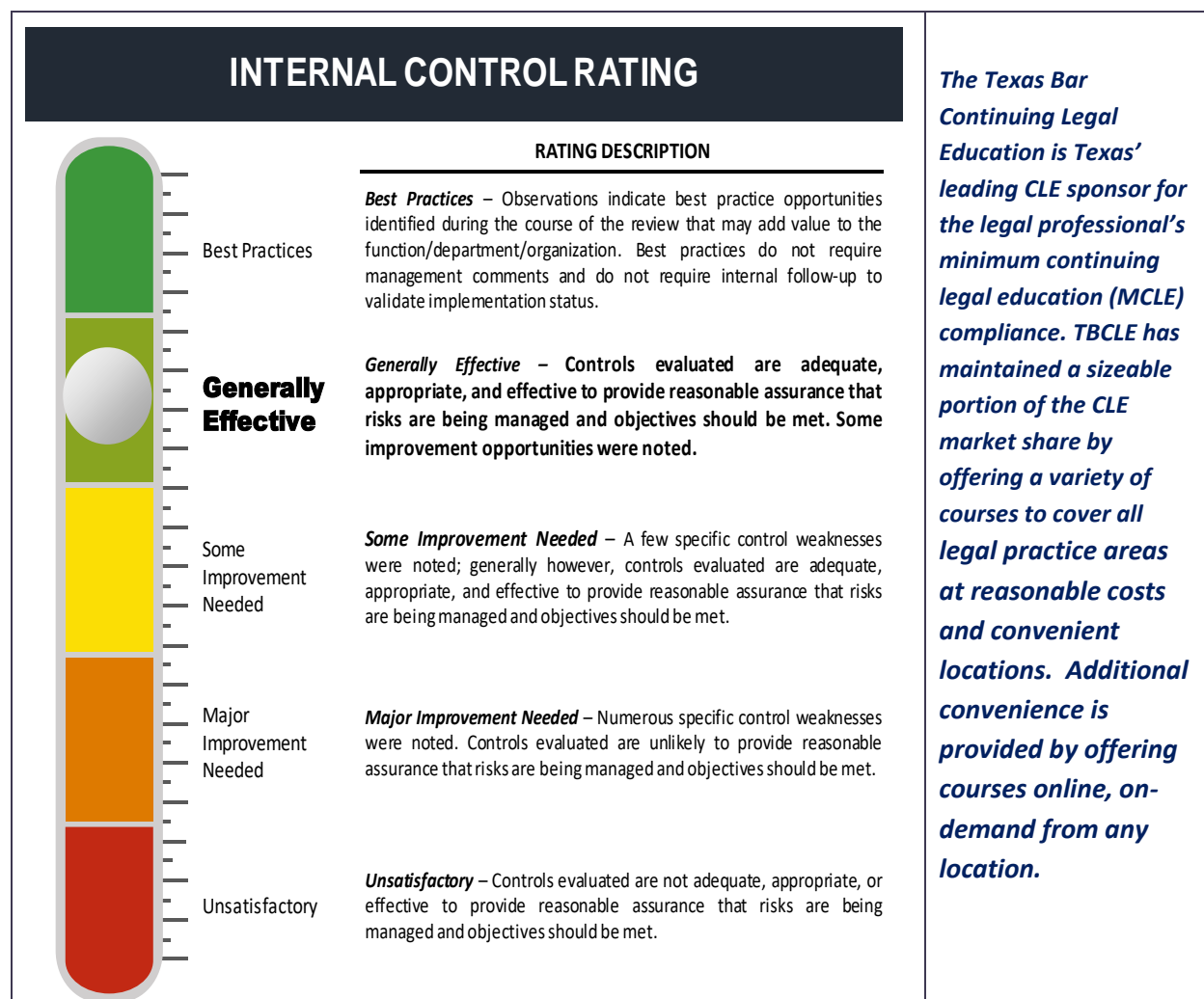
We conducted interviews, business process walkthroughs, reviews of written policies and procedures and sample testing of supporting documentation.

## CONCLUSION AND INTERNAL CONTROL RATING



This audit identified findings that resulted in an overall internal control rating of *Generally Effective with Some Improvement Needed*. **Figure 1** describes the internal control rating.

**Figure 2** summarizes our observations and recommendations. During the audit there was one confidential, operational matter dealing with vendor proprietary information that came to our attention which we discussed with management and the agency's Audit & Finance Committee. Due to the confidentiality of this matter, it is not included in this report, but management is addressing the auditor recommendation.



**FIGURE 1** Internal control rating description





## OBSERVATION AND RISK RATING SUMMARY



*Figure 2 is a summary of our audit observations. See the detailed observation section of this report for a discussion of all issues identified, recommendations and management implementation plans.*




Number	Observation	Risk Rating
1	<p>TBCLE has not performed a documented analysis to ensure that the best value is received for information technology (IT) support, web content and databases.</p>  <p><b>Recommendation:</b></p> <p>Perform a documented cost benefit analysis for IT support prior to the next contract issuance and then every two to three years to ensure the agency is receiving the best value.</p>	Medium Risk
2	<p>TBCLE did not have processes in place to ensure that inventory levels reported by their third-party inventory management company were accurate. TBCLE was not ensuring that their staff conducted physical inventories. We also noted that TBCLE's inventory reports did not include the item costs.</p>  <p><b>Recommendation:</b></p> <p>No recommendations are made as TBCLE management took immediate corrective action.</p>	Medium Risk
3	<p>TBCLE does not ensure that lodging and meeting space requests for pricing are distributed to/requested by all vendors who meet criteria for TBCLE event standards.</p>  <p><b>Recommendation:</b></p> <p>Develop and document TBCLE criteria for meeting rooms and lodging. Designate TBCLE staff responsible for procurement processes as purchasing officers and ensure that they receive training to perform procurement processes. Develop processes to ensure TBCLE's compliance with procurement and purchasing requirements.</p>	Low Risk

FIGURE 2 Observation and Recommendation Summary





## TEXAS BAR CONTINUING LEGAL EDUCATION PROGRAM OVERVIEW

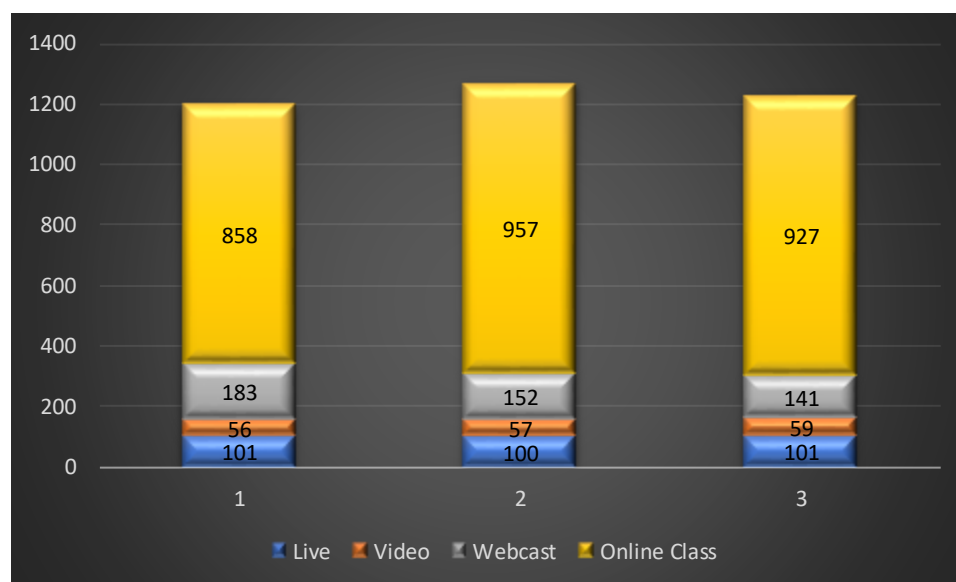


*This section of the report provides an overview of the Texas Bar Continuing Legal Education department.*

The Texas Bar Continuing Legal Education (TBCLE) department's mission is to protect and enhance the quality of legal services delivered to the public through high-quality programs and other services specifically designed to improve the legal knowledge, skills, and competency of Texas attorneys.

TBCLE is Texas' leading CLE sponsor for attorney minimum continuing legal education (MCLE) compliance. TBCLE has maintained a sizeable portion of the CLE market share by offering a variety of courses to cover all legal practice areas at competitive prices and convenient locations. The training provided by TBCLE plays a vital role in training Texas lawyers.

TBCLE provides training through a variety of methods in order to meet the preferences of Texas lawyers. Training is offered through live in-person seminars, video replays (video recordings of live seminars, shown at an in-person venue), webcasts (studio produced CLE programs taped and broadcast via the internet), and online classes (on demand web-based programs). These methods enable individuals to obtain their CLE in the manner and location that is most convenient for them. TBCLE staff planned and coordinated a total of 1,198 courses in 2017, 1,266 in 2018, and 1,228 in 2019. **Figure 3** provides a summary of courses offered by delivery method for 2017, 2018 and 2019.



**Figure 3 Summary of TBCLE Courses Offered by Delivery Method 2017 through 2019.**

Significant effort goes into planning each course. The planning process is inclusive of stakeholders to ensure that the courses offered are relevant to State Bar members. TBCLE staff prepare an annual course calendar and detailed plans for each course to ensure that all activities involved are tracked and monitored for completion. This includes marketing the course, registration and fee collection, identifying and working with sponsors, sourcing appropriate facilities, sourcing speakers, printing the training materials and facilitating logistics. TBCLE has a total of 40 employees to perform all of these activities required to facilitate more than 1,200 course offerings each year. **Figure 4** provides the TBCLE organization and staffing structure as of October 2019.

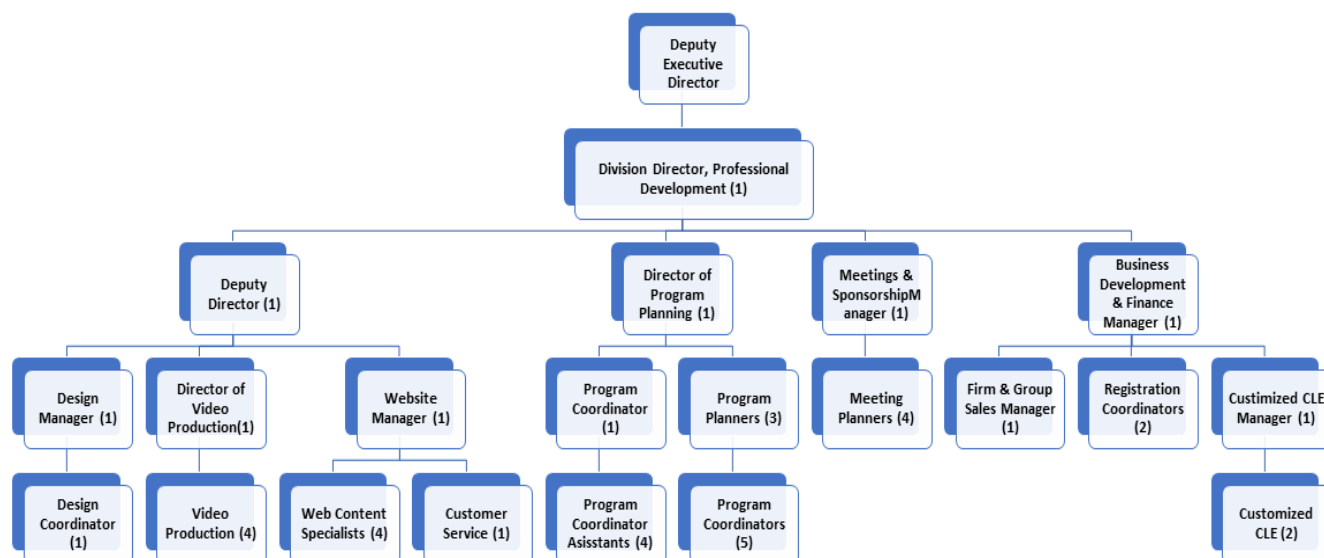


Figure 4 TBCLE Organization and Staffing as of October 2019.

## TEXAS BAR CONTINUING LEGAL EDUCATION BUSINESS OBJECTIVES AND RISKS



*This section of the report provides a summary of business objectives, primary business risks, TBCLE's internal controls in place, and the respective internal control assessment. TBCLE established internal controls in the form of policies, procedures/memos, management review and monitoring processes. Overall, these internal controls are effective and working as intended; however, some improvement opportunities were identified.*

### 1 BUSINESS OBJECTIVE - CLE Seminar Planning

<b>Business Objective</b>	To establish processes that ensure ongoing high-quality CLE for attorneys and continuous monitoring of the evolving continuing legal education needs of Texas attorneys.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➔ Presence of other CLE providers that compete on the basis of cost, convenience or relevant topics and content.</li> <li>➔ Ensuring courses are strategically selected.</li> <li>➔ Maintaining adequate attendance at continuing legal education events.</li> <li>➔ CLE courses to ensure efficient use of SBOT resources, including financial.</li> <li>➔ Maintaining SBOT's positive reputation as a professional membership organization and CLE sponsor through the high quality of courses offered.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➔ TBCLE organizes a planning committee which consists of a diverse group of attorneys for each course developed.</li> </ul>



## 1 BUSINESS OBJECTIVE - CLE Seminar Planning

	<ul style="list-style-type: none"> <li>➤ TBCLE solicits input from Sections, the CLE Committee, the SBOT Professional Development Sub-Committee, and staff attorneys who monitor the market for evolving topics to consider including in the TBCLE portfolio.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Reviewed course planning documents.</li> <li>➤ Attended a planning committee meeting.</li> <li>➤ Conducted interviews and walk-throughs.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	None Required

## 2 BUSINESS OBJECTIVE - CLE Seminar Budgeting

<b>Business Objective</b>	Processes are established and implemented to ensure budgets are prepared for each CLE event and monitored to ensure that the costs remain within budget.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring CLE seminars are profitable.</li> <li>➤ Identifying “loss leaders” and evaluating the respective seminar’s viability or continued need.</li> <li>➤ Tracking expenses to ensure that the respective course remains within the budget.</li> <li>➤ Ensuring that scholarships are provided to legal professionals and law students according to policies, which could result in the financial loss.</li> <li>➤ Ensuring that expenses are reported, reviewed, and reconciled timely.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ TBCLE’s Business Development and Finance Manager creates budgets for each course based on comparable program history.</li> <li>➤ The Customized CLE Manager is the first reviewer of CLE expenses and expense reimbursements.</li> <li>➤ CLE Business Development and Finance Manager is the second reviewer and approver for CLE expenses and expense reimbursements.</li> <li>➤ An after-action report is generated after each seminar’s execution to evaluate actual costs incurred.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk-throughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> <li>➤ Reviewed CLE budget to actual spreadsheet.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b> The budget process does consider the number of complimentary registrations by looking at the actuals for each course, counting the paying registrants to project revenue, and all registrants (including complimentary) to project expenses. TBCLE notates how many complimentary registrants attend each course.



## 2 BUSINESS OBJECTIVE - CLE Seminar Budgeting

**Recommended Actions** None

**Management Action Plan** None Required

## 3 BUSINESS OBJECTIVE – Registration Fees

**Business Objective** To establish internal controls and processes that ensure CLE attendees are charged the correct registration fee amounts.

**Business Risk**

- Ensuring TBCLE registration fees are applied accurately during registration.
- Ensuring discounts are applied during registration in accordance with the course brochure.
- Ensuring appropriate pricing for program registrants.
- Lack of standardization in course pricing.
- Ensuring that when TBCLE staff enroll CLE attendees manually, that costs are not overridden, resulting in financial loss to the organization.

**Management Controls**

- TBCLE's registration database allows registrants to specify the discounts they are eligible for while registering online.
- The discounts available for CLE courses are programmed into the database and reflect the discounts listed in the course brochure.
- TBCLE's registration coordinators manually register individuals seeking group/firm discounts.

**Control Tests**

- Conducted interviews and process walk-throughs.
- Analyzed applicable documentation.
- Performed audit testing.

**Control Assessment** Internal controls are effective.

**Recommended Actions** None

**Management Action Plan** None Required

## 4 BUSINESS OBJECTIVE – Financial Segregation of Duties

**Business Objective** To establish internal controls and processes that ensure segregation of duties are in place over revenue collection, revenue recording and disbursements.

**Business Risk**

- Ensuring adequate segregation of duties exist between TBCLE staff receiving cash and those enrolling participants into courses.
- Ensuring cash received is appropriately receipted and documented on mail log or deposited.



#### 4 BUSINESS OBJECTIVE – *Financial Segregation of Duties*

	<ul style="list-style-type: none"> <li>➤ Ensuring adequate segregation of duties exists for TBCLE financial processes related receipts and disbursements.</li> <li>➤ Ensuring CLE revenue received and disbursed are accurately recorded in the organization's financial systems.</li> <li>➤ Ensuring CLE revenue received is accurately reported on the organization's financial statements.</li> <li>➤ Ensuring procedures exist to facilitate TBCLE's disbursements processes.</li> <li>➤ Ensuring procedures exist to facilitate TBCLE's revenue collection processes.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ TBCLE course registrants have the ability to register themselves online without interacting with TBCLE staff.</li> <li>➤ Revenues received by lockbox are posted to registrant's accounts by the registration coordinators based on the registration received.</li> <li>➤ SBOT Accounting and Finance Department reviews all revenue entries entered by program staff prior to posting transactions into their financial system.</li> <li>➤ Disbursements are authorized by the TBCLE's Business Development &amp; Finance Manager and/or Professional Development Division Director and supporting documentation is forwarded to SBOT Accounting and Finance Department for processing.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk-throughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	None Required

#### 5 BUSINESS OBJECTIVE - *Procurement: Event Location Contracting*

<b>Business Objective</b>	To establish internal controls and processes that ensure best value pricing and terms for CLE event locations and expenses.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring TBCLE obtains the best prices and terms for event facilities and associated expenses.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ TBCLE's Meeting planners draft specifications needed to accommodate the course needs.</li> <li>➤ TBCLE's staff request Lodging and Meeting Space RFPs (request for pricing) for events that meet desired facility and accommodations standards from known / familiar hotels.</li> <li>➤ TBCLE works with the event vendors to schedule future programs to avoid paying for committed rooms not used.</li> </ul>



## 5 BUSINESS OBJECTIVE - *Procurement: Event Location Contracting*

<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk-throughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<p><b>Internal controls are generally effective but need some improvement.</b></p> <ul style="list-style-type: none"> <li>➤ TBCLE does not ensure that Lodging and Meeting Space RFPs are distributed to all vendors who meet the criteria for TBCLE event standards.</li> </ul>
<b>Recommended Actions</b>	Develop and document CLE criteria for meeting rooms and lodging. Designate TBCLE staff responsible for procurement processes as purchasing officers and ensure that they receive training to perform procurement processes. Develop processes to ensure TBCLE's compliance with procurement and purchasing requirements.
<b>Management Action Plan</b>	TBCLE agrees to create a working list of acceptable vendors meeting the criteria for meeting rooms, lodging, and other amenities from existing documented historical data. TBCLE will continue to work closely with Convention and Visitors Bureaus in each city to add appropriate properties as they enter the market. TBCLE will document the RFP process for each conference and the rationale for choosing the venue ultimately selected. TBCLE and the Purchasing Department will identify staff who work with hotels to procure meeting rooms and lodging and ensure they receive training.

## 6 BUSINESS OBJECTIVE - *Inventory Management*

<b>Business Objective</b>	<p>To establish internal controls and processes that ensure CLE materials are printed, produced or acquired in quantities that minimize out-of-stock occurrences while also reducing inventory obsolescence.</p> <p>To ensure adequate controls are in place over inventory management and that CLE inventory is maintained at an appropriate level to avoid excessive or shortage of inventory.</p>
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ The TBCLE program may have excess training materials if they do not confirm the number of attendees prior to printing materials. CLE prints materials prior to the cutoff date for enrollment.</li> <li>➤ Ensuring accurate CLE inventory.</li> <li>➤ Ensuring inventory is not subject to misappropriation.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ TBCLE uses a local vendor for production, fulfillment and storage of CLE program related materials.</li> <li>➤ TBCLE meeting planners place production and fulfillment requests with the vendor directly.</li> <li>➤ TBCLE has access to run reports related to course material inventory.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk-throughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<p><b>Internal controls are generally effective but need some improvement.</b></p> <ul style="list-style-type: none"> <li>➤ TBCLE did not have processes in place to perform physical inventory counts.</li> <li>➤ TBCLE inventory costs were not quantified.</li> </ul>



## 6 BUSINESS OBJECTIVE - *Inventory Management*

	➔ Inventory reports did not agree with order shipped reports.
<b>Recommended Actions</b>	➔ None as TBCLE staff took immediate action to correct the identified internal control deficiencies.
<b>Management Action Plan</b>	None Required

## 7 BUSINESS OBJECTIVE - *Procurement: Information Technology Support*

<b>Business Objective</b>	To establish internal controls and processes that ensure best value pricing and terms for TBCLE's information technology used to support the program.
<b>Business Risk</b>	➔ The TBCLE program may not ensure the best pricing and terms for information technology (IT) support if they do not conduct regular competitive procurement opportunities.
<b>Management Controls</b>	➔ TBCLE utilizes a local vendor for information technology support and services such as email marketing, event registration/ecommerce, website and online CLE delivery, and the Event Manager database and program planning system.
<b>Control Tests</b>	➔ Conducted interviews and process walkthroughs. ➔ Analyzed applicable documentation.
<b>Control Assessment</b>	<b>Internal controls are generally effective but need some improvement.</b> ➔ The annual IT support provided by a third-party has not been competitively bid and a documented cost/benefit analysis has not been performed to determine that the agency is receiving the best value.
<b>Recommended Actions</b>	➔ Perform a documented cost benefit analysis for IT support.
<b>Management Action Plan</b>	<p>Management agrees to perform a cost benefit analysis for the IT services it procures identifying the major information systems, websites, hardware, software and support services prior to entering another contract with the current vendor.</p> <p>The current vendor developed, supports, and updates TBCLE's customized IT systems to enable TBCLE to handle many processes that are customarily supported by multiple vendors. The arrangement has provided TBCLE with great flexibility to respond to the educational needs of Texas attorneys, a fully integrated system, superior marketing capabilities, and valuable data and information used to make strategic business decisions.</p>

## 8 BUSINESS OBJECTIVE - *CLE Speaker Identification*

<b>Business Objective</b>	To establish processes that ensure CLE event speakers are qualified for the topic they are presenting.
<b>Business Risk</b>	➔ Strategically select CLE event speakers to ensure quality course outcomes. ➔ Ensuring CLE event speakers are qualified for the topic they are presenting.





## 8 BUSINESS OBJECTIVE - CLE Speaker Identification

<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ Potential speakers are identified by TCBLE's Planning Committee during planning sessions.</li> <li>➤ Speakers are required to submit articles at least six weeks prior to CLE courses.</li> <li>➤ TBCLE frequently utilizes new CLE speakers for webcast courses to measure effectiveness prior to allowing new CLE speakers to present at live courses.</li> <li>➤ TBCLE reviews and maintains speaker evaluations to ensure speaker effectiveness.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walkthroughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	None Required

## 9 BUSINESS OBJECTIVE - Performance Measures

<b>Business Objective</b>	To establish processes that ensure compliance with applicable policies and meet performance goals set in the strategic plan.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring TBCLE staff are aware of applicable policies.</li> <li>➤ Ensuring TBCLE scholarships are provided to legal professionals and law students according to policies.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ TBCLE has configured their system to provide multiple, in depth reports to track performance measures reflected in the strategic plan.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walkthroughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	None Required





## DETAILED OPPORTUNITIES AND RECOMEMNDATIONS



*This section of the report provides a detailed discussion of opportunities we noted during the audit along with recommendations to improve internal controls or business processes.*

### **Business Objective #1: Procurement: Training Materials Acquisition and IT Support**

*Are processes in place to ensure TBCLE materials are printed, produced or acquired using the best value methods?*

*Are processes in place to ensure that IT support is acquired using the best value methods?*

#### **Audit Conclusion #1**

TBCLE contracts with an independent third-party provider for information technology support and services such as email marketing, event registration/ecommerce, website and online CLE delivery, and the Event Manager database and program planning system. While the contracting of these services provides the necessary resources to ensure the program is supported, a documented cost analysis is not performed on a regular basis to ensure that the best cost is received from vendors.

TBCLE also contracts with a third-party provider for training material printing, inventory management and distribution. This service was competitively bid in 2016 and a cost-benefit analysis was performed to ensure the best value for the program.

#### **Audit Recommendation #1**

Implement processes to perform a documented cost benefit analysis for IT support services prior to the next contract and then every two to three years to ensure that the agency is receiving the best value and terms.

#### **Management Response Recommendation #1**

Management agrees to perform a documented cost benefit analysis for the IT services it procures identifying the major information systems, websites, hardware, software and support services prior to entering another contract with the current vendor.

The current vendor developed, supports, and updates TBCLE's customized IT systems to enable TBCLE to handle many processes that are customarily supported by multiple vendors. The arrangement has provided TBCLE with great flexibility to respond to the educational needs of Texas attorneys, a fully integrated system, superior marketing capabilities, and valuable data and information used to make strategic business decisions.

### **Business Objective #2: Inventory Management**

*Are processes in place to ensure CLE materials are printed, produced or acquired in quantities that minimize out-of-stock occurrences while also reducing inventory obsolescence?*

*Are processes in place to ensure CLE inventory is maintained at an appropriate level to avoid excessive or shortage of inventory?*



## Audit Conclusion #2

TBCLE did not have processes in place to ensure that inventory levels reported by their third-party inventory management company were accurate. This includes ensuring that TBCLE staff conducted physical inventory spot checks.

TBCLE inventory is delivered to the third-party vendor for storage, inventory management and distribution. The third-party vendor provides TBCLE with inventory reports on a regular basis and authorized TBCLE staff have access to the vendor's inventory system.

We noted that reports provided by the third-party inventory management company did not agree with each other. We compared the following two reports for the time periods listed in **Figure 2A** and noted that the items ordered and shipped by product line did not agree with the number of items shipped during the period. We also noted that TBCLE's inventory reports did not include the item costs.

- Seven percent of the active product lines reflected more orders shipped than indicated on the inventory report between June 1, 2017 and May 31, 2018. In total, 270 more products were ordered and shipped during this period than what was included on the inventory report.
- Twenty-eight percent of the active product lines reflected more orders shipped than indicated on the inventory report between June 1, 2018 and May 31, 2019. In total, 361 more products were ordered and shipped during this period than what was included on the inventory report.
- Four percent of the active product lines reflected more orders shipped than indicated on the inventory report between June 1, 2019 and October 10, 2019. In total, 27 more products were ordered and shipped during this period than what was included on the inventory report.

Description	June 1, 2017 - May 31, 2018	June 1, 2018 - May 31, 2019	June 1, 2019 - October 10, 2019
Product Lines	264	264	264
Inactive Product Lines (zero quantities, orders and shipments)	86	118	108
Active Product Lines	178	146	156
Product Lines with Differences Between Ordered and Shipped	12	41	7
Percentage of Active Product Lines with Differences Between Ordered and Shipped	7%	28%	4%
Number of Items Ordered per Order List	52,087	44,346	26,851
Number of Items Shipped per Inventory List	51,817	43,985	26,824
Difference Between Orders and Shipped	(270)	(361)	(27)

**Figure 2A Comparison of Product Orders to Inventory Shipped June 1, 2017 through October 10, 2019**

Source: Compiled from product orders and inventory reports provided by SBOT November 2019.

## Audit Recommendation #2

TBCLE management took corrective action during this audit and have now begun performing physical spot checks of inventory at the third-party inventory management vendor's warehouse. They are also now getting item costs and inventory value included in the reports.

## Management Response Recommendation #2

No response is necessary as management took immediate action to improve the inventory management process and controls.



### ***Business Objective #3: Procurement: Event Location Contracting***

*Are processes in place to obtain best value pricing terms for CLE event locations and expenses?*

#### ***Audit Conclusion #3***

TBCLE does not ensure that Lodging and Meeting Space RFPs (requests for pricing) are distributed to/requested by all vendors who meet criteria for CLE event standards. TBCLE staff understand their customer's expectations with regards to event and accommodation facilities. To this effect, they have processes in place to identify available options in the location that the respective course or seminar will be held. They then work with the local resources to obtain pricing. However, this process does not necessarily ensure that the process is open to all venues that meet criteria that TBCLE establishes. This can lead to a potential for TBCLE to not be receiving the best value.

#### ***Audit Recommendation #3***

Develop and document TBCLE's criteria for meeting rooms and lodging. Designate TBCLE staff responsible for procurement processes as purchasing officers and ensure that they receive training to perform procurement processes. Develop processes to ensure TBCLE's compliance with procurement and purchasing requirements.

#### ***Management Response Recommendation #3***

TBCLE agrees to create a working list of acceptable vendors meeting the criteria for meeting rooms, lodging, and other amenities from existing documented historical data. TBCLE will continue to work closely with Convention and Visitors Bureaus in each city to add appropriate properties as they enter the market. TBCLE will document the RFP process for each conference and the rationale for choosing the venue ultimately selected. TBCLE and the Purchasing Department will identify staff who work with hotels to procure meeting rooms and lodging and ensure they receive training.





**State Bar of Texas**  
**Internal Audit Services**  
An Internal Audit of:  
**Accounting and Finance Processes**  
**Report #20-003**  
**February 17, 2020**

*This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.*



**McCONNELL & JONES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS



February 17, 2020

Mr. Jarrod Foerster  
State Bar of Texas Audit & Finance Committee  
1414 Colorado Street  
Austin, TX 78701

Dear Mr. Foerster and Audit & Finance Committee Members:

Attached is internal audit report #20-003 State Bar Accounting and Finance Audit. This audit was performed as part of the approved Annual Internal Audit Plan.

We assessed the State Bar of Texas' (SBOT) internal control effectiveness; compliance with internal policies and procedures; and compliance with Texas Government Code, State Bar of Texas Rules and State Bar of Texas Board of Directors Policy Manual. Our audit scope was focused on the following areas:

- |                             |  |
|-----------------------------|--|
| ✓ Financial system controls | ✓ Reconciliation processes             |
| ✓ Budget processes          | ✓ Financial reporting processes        |
| ✓ Revenue processes         | ✓ Annual Financial Reporting processes |
| ✓ Expenditure processes     |  |

We determined that the agency's internal control environment for safeguarding assets and ensuring financial transactions are recorded in a complete, accurate and timely manner are effective.

Please contact Darlene Brown at 281.740.0017 if you should have any questions about this audit report.

Sincerely,

Ira Wayne McConnell, CPA  
Partner



## Executive Summary

### Accounting and Finance Processes

#### Audit Report Highlights

##### Why Was This Review Conducted?

McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit) for the State Bar of Texas, performed this internal audit as part of the approved Internal Audit Plan.

##### Audit Objectives and Scope

To assess management controls and processes in place to protect SBOT's financial assets and provide accurate financial information.

We reviewed the Finance Division's processes and internal controls for the period of June 1, 2018 through May 31, 2019.



##### Audit Focus



This review focused on the following areas:

- Financial system controls
- Budgeting processes
- Revenue processes
- Expenditure processes
- Reconciliation processes
- Financial reporting processes
- Annual Financial Reporting processes

*thank you*

*We wish to thank all employees for their openness and cooperation. Without this, we would not have been able to complete our review.*

##### Audit Conclusions

Overall, SBOT's processes and internal controls ensure compliance with policies, provide assurance that the agency's assets are protected and financial reports are complete and accurate.



The State Bar of Texas' external financial auditors issued the May 31, 2019 Annual Financial Report during the course of this internal audit. The external financial auditors issued an opinion that the financial statements are fairly presented. The external auditors separately communicated a material weakness and a significant deficiency in internal controls over financial reporting. The material weakness was related to restating the prior year's ending fund balance for the Sections and Division to include the Paralegal Division, which was self-identified by SBOT as part of their due diligence process review over Sections and Divisions. The significant deficiency in internal controls was related to not recording MCLE revenues in the proper period due to implementation delays in the new system. We have discussed these instances with the Finance Division Director and believe that they were one-time events and the agency has taken appropriate corrective action to prevent this from occurring in the future.

##### Internal Control Rating

Effective.

##### What Did We Recommend?

We had no recommendations for SBOT's accounting and finance processes as internal controls are effective to protect the agency against financial loss.







## INTRODUCTION



*McConnell & Jones LLP (MJ), serving as the outsourced internal audit function (Internal Audit) for the State Bar of Texas (SBOT), performed an internal audit of SBOT's internal controls and compliance with SBOT's board policy and internal policies and procedures for accounting and finance processes.*

We performed this audit as part of the approved Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

## OBJECTIVE



*The purpose of this audit was to assess management controls and processes in place to protect SBOT financial assets, provide accurate and complete financial information, assess compliance with internal policies and procedures, and identify potential process improvement opportunities. In doing so, we also evaluated management controls in place to ensure that the organization's business risks are mitigated where possible and that resources are used efficiently.*

Our audit was designed to address the following questions related to risk, controls, processes and reporting:

1. Are adequate internal controls and segregation of duties in place over revenue collection, revenue recording, disbursements, bank accounts and accounting systems?
2. Does the budgeting process ensure reasonable assurance that anticipated expenditures do not exceed revenues generated?
3. Does the budgeting process provide for adequate reviews and comments prior to presentation to the Board for approval?
4. Are budget monitoring processes in place to ensure timely corrective actions can occur if needed?
5. Are staff ensuring compliance with applicable financial related policies?
6. Are adequate controls in place for reconciling bank accounts to their financial system/records, including segregation of duties and appropriate reviews?
7. Are financial transactions and balances reported in an accurate, complete and timely manner?
8. Are processes in place to ensure that the Annual Financial Report is prepared in an accurate and timely manner?

## SCOPE



*The audit period was June 1, 2018 through May 31, 2019. Some test procedures were performed as of the fieldwork date. This work product was at a point in time evaluation that cannot address the inherent dynamic nature of subsequent changes to the process and procedures reviewed.*





## PROCEDURES PERFORMED



We conducted interviews, business process walkthroughs, reviews of written policies and procedures and sample testing of supporting documentation.

## CONCLUSION AND INTERNAL CONTROL RATING



This audit resulted in an overall internal control rating of **Effective**. Figure 1 describes the internal control rating.

We did not identify any reportable opportunities to enhance internal controls and improve process efficiencies with management. During the audit there were non-reportable opportunities that we discussed with management.

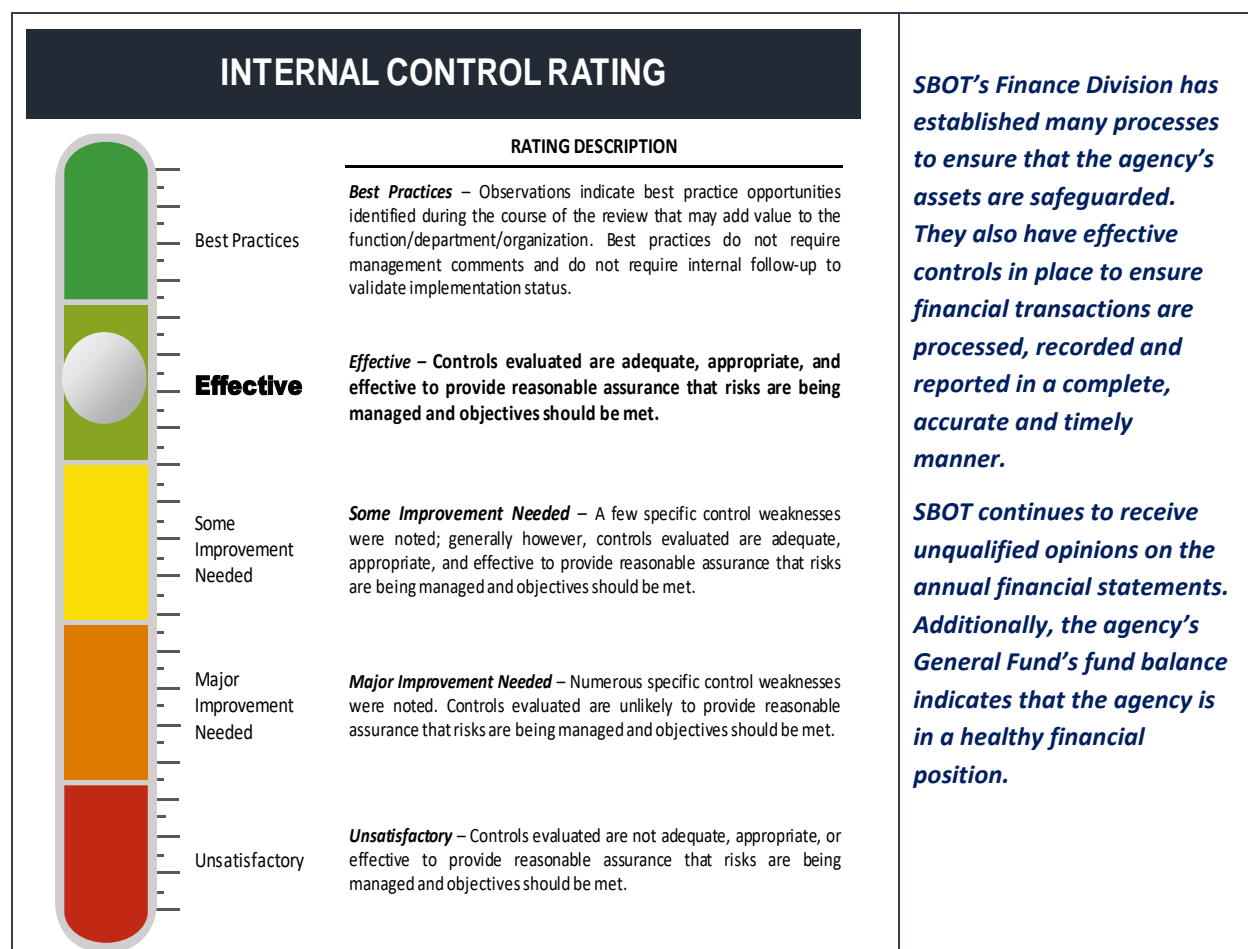


FIGURE 1 Internal Control Rating Description



## FINANCIAL CONTROLS PROGRAM OVERVIEW



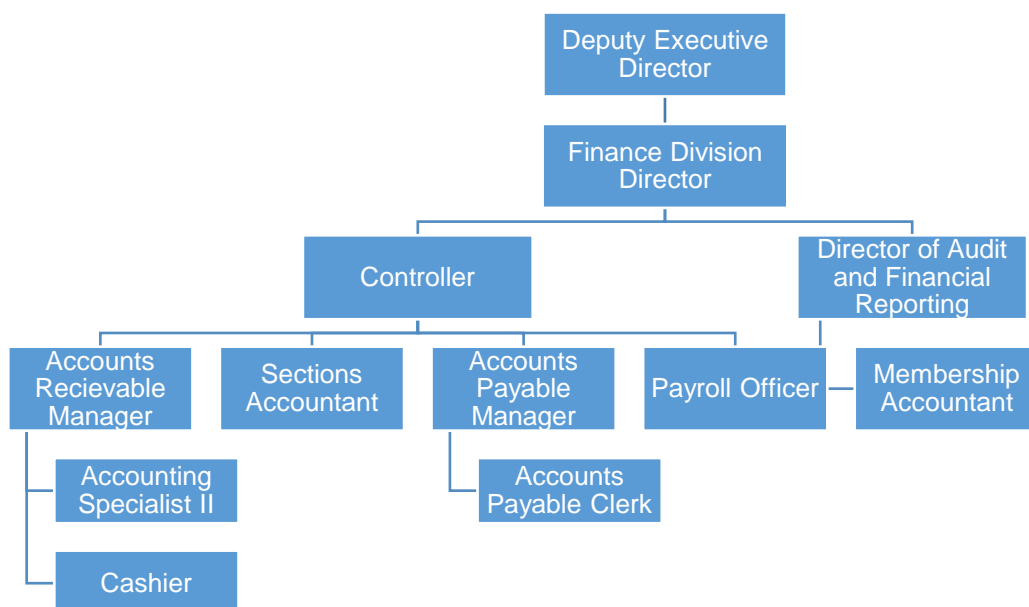
*This section of the report provides an overview of the revenue collections and disbursements which flow through SBOT's Finance Division.*

SBOT's Finance Division is responsible for the agency's finance and accounting operations. This includes:

- Accounts payable
- Accounts receivable
- Audit
- Billings and collections
- Budget
- Financial records and reports
- Financial reporting Investments
- Fixed asset management
- Payroll
- Revenue reporting
- Section reporting

The Finance Division's administrative activities include, but are not limited to, managing the Accounting Department's services to ensure quality and efficiency; assist in troubleshooting, researching, dealing with outside parties when needed; and providing assistance to other State Bar departments, management, and board committees in financial matters. The Finance Division also supports State Bar Sections with providing bookkeeping and reconciliation assistance.

The Accounting Department is staffed with 12 employees assigned to accounting and financial reporting. The Finance Division reports to the Deputy executive Director. **Figure 2** provides a summary of the Finance Division's reporting relationship and structure.



**Figure 2 SBOT Finance Division Organization**



SBOT's Finance Division is responsible for ensuring the agency's assets are safeguarded and that financial transactions are recorded and reported in an accurate, complete and timely manner. Between June 1, 2018 and May 31, 2019, the Finance Division managed \$52,141,674 in revenues and \$49,021,342 in expenses. This volume of transactions requires sound policies, processes and internal controls to be in place. SBOT is effective in this manner as demonstrated by the fact that the agency continues to receive unqualified opinions on their annual financial reports.

The State Bar of Texas' external financial auditors issued the May 31, 2019 Annual Financial Report during the course of this internal audit. The external financial auditors issued an opinion that the financial statements are fairly presented. The external financial auditors separately communicated a material weakness and a significant deficiency in internal controls over financial reporting. The material weakness was related to restating the prior year's ending fund balance for the Sections and Division to include the Paralegal Division, which was self-identified by SBOT as part of their due diligence process review over Sections and Divisions. The significant deficiency in internal controls was related to not recording MCLE revenues in the proper period due to implementation delays in the new system. We have discussed these instances the Finance Division Director and believe that they were one-time events and the agency has taken appropriate corrective action to prevent this from occurring in the future.

**Figure 4** provides a summary of SBOT's financial activities as of May 31, 2019.

Description	General Fund	Sections and Divisions	Nonmajor Governmental Funds	Total Governmental Funds
Revenues	\$44,762,270	\$4,455,841	\$2,923,563	\$52,141,674
Expenditures	\$40,831,843	\$4,075,412	\$4,114,087	\$49,021,342
Excess (deficiency) of revenues over (under) expenditures	\$3,930,427	\$380,429	\$(1,190,524)	\$3,120,332
Total Other financing sources (uses)	\$(1,888,800)		\$1,888,800	\$0
Net changes in fund balance	\$2,041,627	\$380,429	\$698,276	\$3,120,332
Fund balances at beginning of year, as restated	\$15,708,250	\$7,843,920	\$9,402,799	\$32,954,969
Fund balances at end of year	\$17,749,877	\$8,224,349	\$10,101,075	\$36,075,301

**Figure 4 SBOT Financial Summary May 31, 2019**

*Source: State Bar of Texas Financial Report May 31, 2019, Page 21.*

An indicator of financial health is the number of months average general fund expenditures that the fund balance contains. For SBOT the average monthly general fund expenditures is \$3,402,654 (\$40,831,843 annual expenditures / 12 months). With the general fund's fund balance of \$17,749,877 SBOT has just over five months of operating expenditures available in the fund balance to cover unforeseen expenses or disruption to cash flows. This is indicating that SBOT's financial position is healthy and its current budgeting practice for calculating minimum reserves result in sufficient funds retained.



## SBOT FINANCIAL CONTROLS BUSINESS OBJECTIVES AND RISKS



*This section of the report provides a summary of the financial controls business objectives, primary business risks, SBOT's internal controls in place and the respective internal control assessment. SBOT established internal controls in the form of policies, procedures/memos, management review and monitoring processes. These internal controls are effective and working as intended; however, improvement opportunities have been identified.*

### 1 BUSINESS OBJECTIVE - Segregation of Duties

<b>Business Objective</b>	To design processes and internal controls to ensure adequate segregation of duties exist and are followed over revenue collection, revenue recording, disbursements, bank accounts and accounting systems.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring that SBOT's financial processes are documented and that consistent processes and/or key internal control activities are being performed.</li> <li>➤ Ensuring adequate segregation of duties to avoid misappropriation of assets.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ SBOT has designed processes and internal controls that are documented in written policies and procedures.</li> <li>➤ SBOT's Finance and Accounting Department ensures that segregation of duties exists between receiving money, depositing money and recording the transaction.</li> <li>➤ SBOT's Finance and Accounting Department ensures that segregation of duties exists between initiating transactions, review and authorization of transactions.</li> <li>➤ SBOT's Finance and Accounting Department ensures that segregation of duties exists between entering transactions in the accounting system and approving them.</li> <li>➤ SBOT's Finance and Accounting Department ensures that segregation of duties exists within the accounting system through user access rights. These are reviewed on a regular basis.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Reviewed written policies and internal memos (procedures).</li> <li>➤ Conducted interviews and walk throughs.</li> <li>➤ Conducted audit testing of transactions.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None.
<b>Management Action Plan</b>	None Required.



## 2 BUSINESS OBJECTIVE - *Budget Development and Adoption Processes*

<b>Business Objective</b>	<p>To develop budget processes that ensure reasonable assurance that anticipated expenditures do not exceed revenues generated.</p> <p>To develop budget processes and controls to provide for adequate reviews and comments prior to presentation to the Board for approval.</p>
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring budgets are appropriately prepared to avoid overspending.</li> <li>➤ Ensuring the budget planning process is inclusive so that key needs are funded, and programs, divisions and departments understand their allocated funds and how to use them.</li> <li>➤ Ensuring the budget planning calendar and process allows for adequate review and discussion with stakeholders.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ SBOT has designed processes and internal controls that are documented in written policies and procedures.</li> <li>➤ SBOT's budget development processes are collaborative with each division and department manager.</li> <li>➤ SBOT's budget development documents require each division and department to describe their revenue sources along with their anticipated expenditure needs, including staffing.</li> <li>➤ SBOT's leadership team scrutinizes the annual budgets prior to submission to the Budget Committee for review and the Board for approval.</li> <li>➤ SBOT's Budget Committee and the Audit &amp; Finance Committee are actively involved in budget development and monitoring.</li> <li>➤ SBOT's Board reviews the annual budget and recommends adoption by the Supreme Court.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Reviewed written policies and procedures.</li> <li>➤ Conducted interviews and process walk throughs.</li> <li>➤ Analyzed applicable documentation.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None.
<b>Management Action Plan</b>	None Required.

## 3 BUSINESS OBJECTIVE - *Budget Monitoring*

<b>Business Objective</b>	To develop effective process and controls for monitoring budgets to ensure timely corrective actions can occur if needed.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring controls are in place to address potential over spending.</li> </ul>



### 3 BUSINESS OBJECTIVE - *Budget Monitoring*

	<ul style="list-style-type: none"> <li>Ensuring that the budget monitoring process includes frequent comparison of budget to actuals to allow for appropriate actions to be taken.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>SBOT has designed budget monitoring processes and internal controls that are documented in written policies and procedures.</li> <li>SBOT's Finance Division prepares and distributes budget to actual reports each month and upon request.</li> <li>SBOT's Audit &amp; Finance Committee reviews budget to actual reports at each meeting.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>Conducted interviews.</li> <li>Reviewed recent account reconciliations.</li> <li>Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<b>Internal controls are effective.</b>
<b>Recommended Actions</b>	None.
<b>Management Action Plan</b>	None Required.

### 4 BUSINESS OBJECTIVE - *Financial Controls and Compliance with Policies*

<b>Business Objective</b>	To develop process and controls to ensure accurate, complete and timely recording of financial transactions and ensure compliance with applicable financial related policies.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>Ensuring SBOT revenue received and disbursements are accurately recorded in the organization's financial systems.</li> <li>Ensuring SBOT revenue received is accurately reported on the organization's financial statements.</li> <li>Ensuring procedures exist to facilitate the organization's disbursements processes.</li> <li>Ensuring procedures exist to facilitate the organization's revenue collection processes.</li> <li>Ensuring financial transactions are reviewed or approved by appropriate levels within the organization.</li> <li>Ensuring financial performance measures are accurately tracked and reported.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>SBOT has designed processes and internal controls that are documented in written policies and procedures.</li> <li>SBOT's Finance Division ensures accurate, complete and timely entry of financial transactions within the agency's financial system.</li> <li>All disbursements require review and authorization prior to release.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>Reviewed policies and procedures.</li> <li>Conducted interviews and walk throughs</li> </ul>



#### 4 BUSINESS OBJECTIVE - *Financial Controls and Compliance with Policies*

	➤ Performed audit testing.
<b>Control Assessment</b>	Internal controls are effective.
<b>Recommended Actions</b>	None.
<b>Management Action Plan</b>	None Required.

#### 5 BUSINESS OBJECTIVE – *Reconciliations*

<b>Business Objective</b>	To develop processes and controls to ensure bank accounts are reconciled to the financial system/records in an accurate and timely manner, including segregation of duties and appropriate reviews.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Ensuring bank account reconciliations are performed in an accurate and timely manner.</li> <li>➤ Ensuring account transactions are reconciled in an accurate and timely manner.</li> <li>➤ Ensuring reconciliations are reviewed.</li> <li>➤ Ensuring bank reconciliation outstanding items are investigated and resolved in a timely manner.</li> <li>➤ Ensuring financial reconciliation account adjustments are reviewed and made in a timely manner.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ Bank account reconciliations are performed each month by staff that are independent of the account transaction entry.</li> <li>➤ Bank account reconciliations are reviewed by the agency's Controller each month.</li> <li>➤ Bank account outstanding transactions are reviewed and monitored for investigation and corrective action.</li> <li>➤ Financial account reconciliations are performed each month by staff that are independent of the account transaction entry.</li> <li>➤ Financial account reconciliations are reviewed by the agency's Controller each month.</li> <li>➤ Financial account corrections are posted each month by an individual other than the person performing the reconciliation.</li> <li>➤ The Finance Division has a spreadsheet template that identifies the monthly closing processes, reconciliations and adjustments that must be performed.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and walk throughs.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	Internal controls are effective.



## 5 BUSINESS OBJECTIVE – Reconciliations

**Recommended Actions** None.

**Management Action Plan** None Required.

## 6 BUSINESS OBJECTIVE - Annual Financial Reporting Processes

**Business Objective** Are financial transactions and balances reported in an accurate, complete and timely manner?

**Business Risk** ➔ Planning AFR preparation to ensure compliance with state reporting dates.

**Management Controls**

- ➔ The Finance Division has a spreadsheet template that identifies the annual closing processes, reconciliations and adjustments that must be performed.
- ➔ Trail balance reconciliations are performed to ensure accounts balance.
- ➔ The Controller and Finance Division Director work closely together to ensure that the financial statements and notes are prepared in an accurate and timely manner.
- ➔ SBOT contracts with an independent accounting firm to perform annual audits of the agency's financial statements.
- ➔ The audited annual financial statements are provided to the Accounting & Finance Committee and the Board. They are also posted on the agency's website.

**Control Tests**

- ➔ Conducted interviews and walk throughs.
- ➔ Reviewed the annual financial reports.
- ➔ Performed audit testing.

**Control Assessment** Internal controls are effective.

**Recommended Actions** None.

**Management Action Plan** None Required.



