

SBOT Financial Dashboard - April 2019

STATE BAR OF TEXAS - FINANCE DIVISION



Dashboard of Key Financial Trends

General Fund Operating Results for the Eleven Months Ended April 30, 2019

Chart A contains the State Bar's General Fund Budget to Actual Variance for the financial period. This indicates the overall earnings or deficit incurred from current year operations.

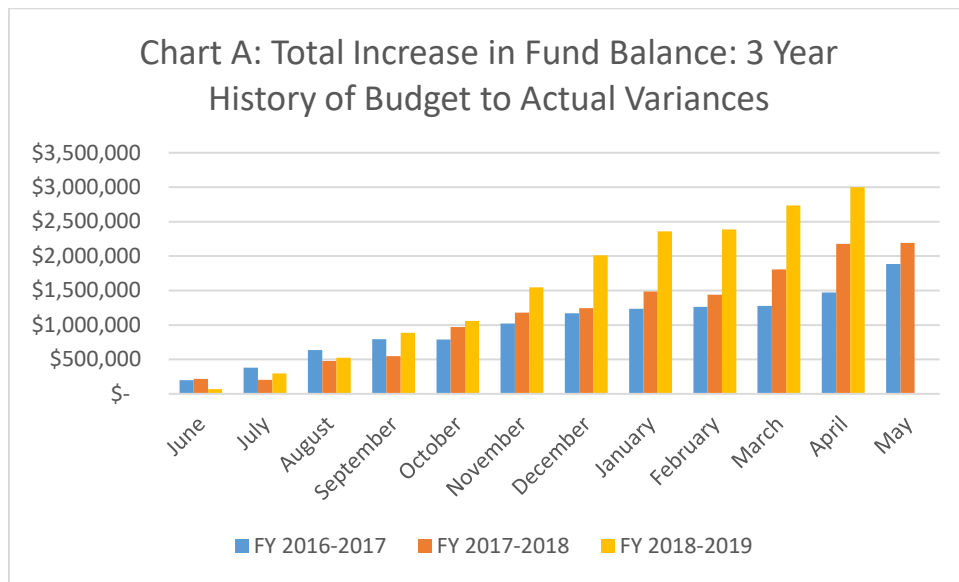


Table 1 contains details of data presented in Chart A above:

Operations of General Fund: Budget to Actual Variances (cumulative)

Table 1	FY 2016-2017	FY 2017-2018	FY 2018-2019
June	\$ 198,231	\$ 216,672	\$ 70,915
July	\$ 378,990	\$ 201,736	\$ 295,712
August	\$ 635,858	\$ 477,125	\$ 524,480
September	\$ 793,116	\$ 546,656	\$ 885,337
October	\$ 788,333	\$ 969,094	\$ 1,056,344
November	\$ 1,020,196	\$ 1,178,479	\$ 1,546,381
December	\$ 1,169,567	\$ 1,242,976	\$ 2,010,521
January	\$ 1,233,650	\$ 1,487,407	\$ 2,359,057
February	\$ 1,263,010	\$ 1,441,399	\$ 2,387,072
March	\$ 1,278,040	\$ 1,804,426	\$ 2,733,334
April	\$ 1,472,727	\$ 2,176,267	\$ 2,999,300
May	\$ 1,886,678	\$ 2,191,275	

Chart B presents the total Revenues and Expenditures of the State Bar’s General Fund over the previous three years.

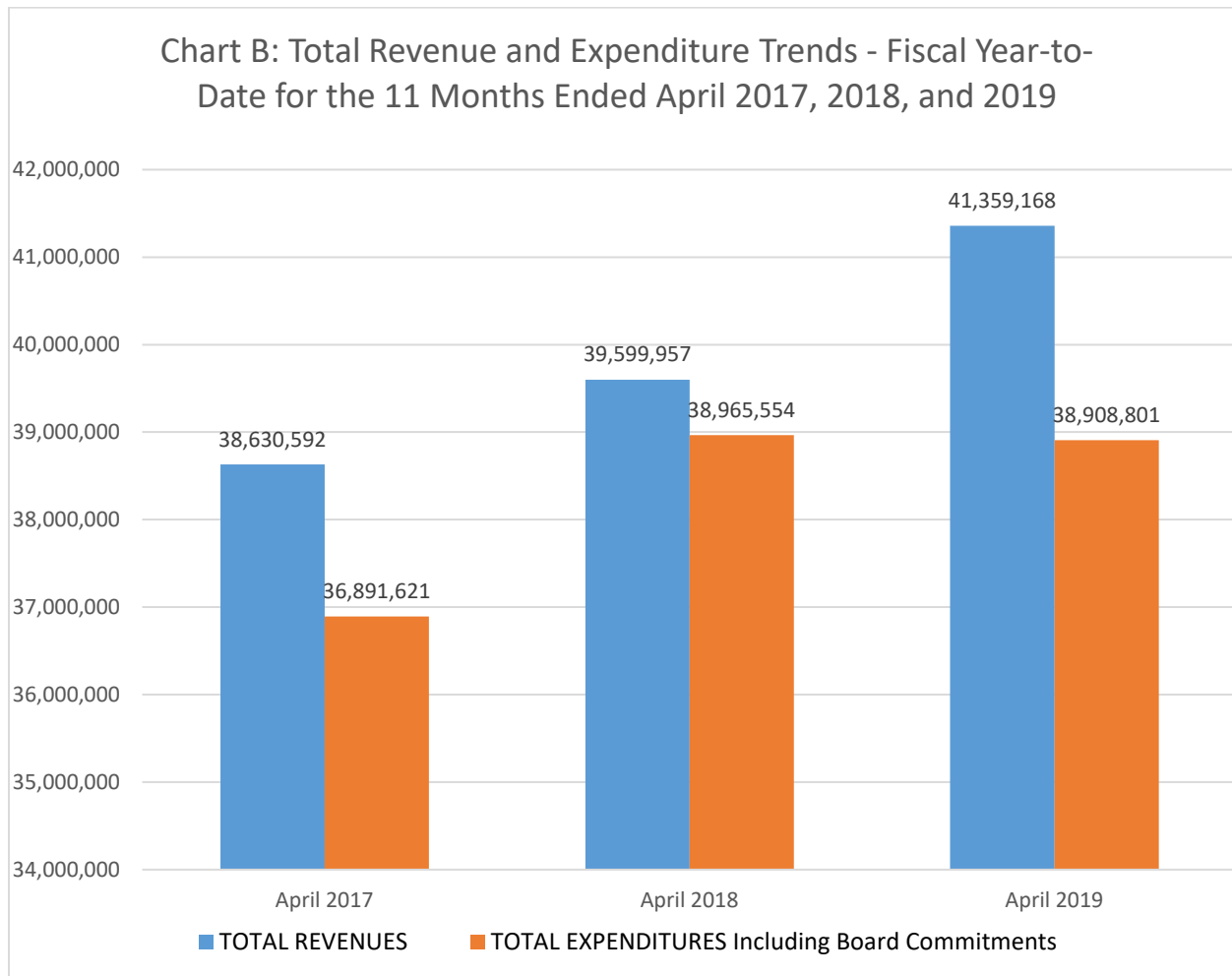


Chart C presents the total revenues by department of the State Bar's General Fund over the previous three years.

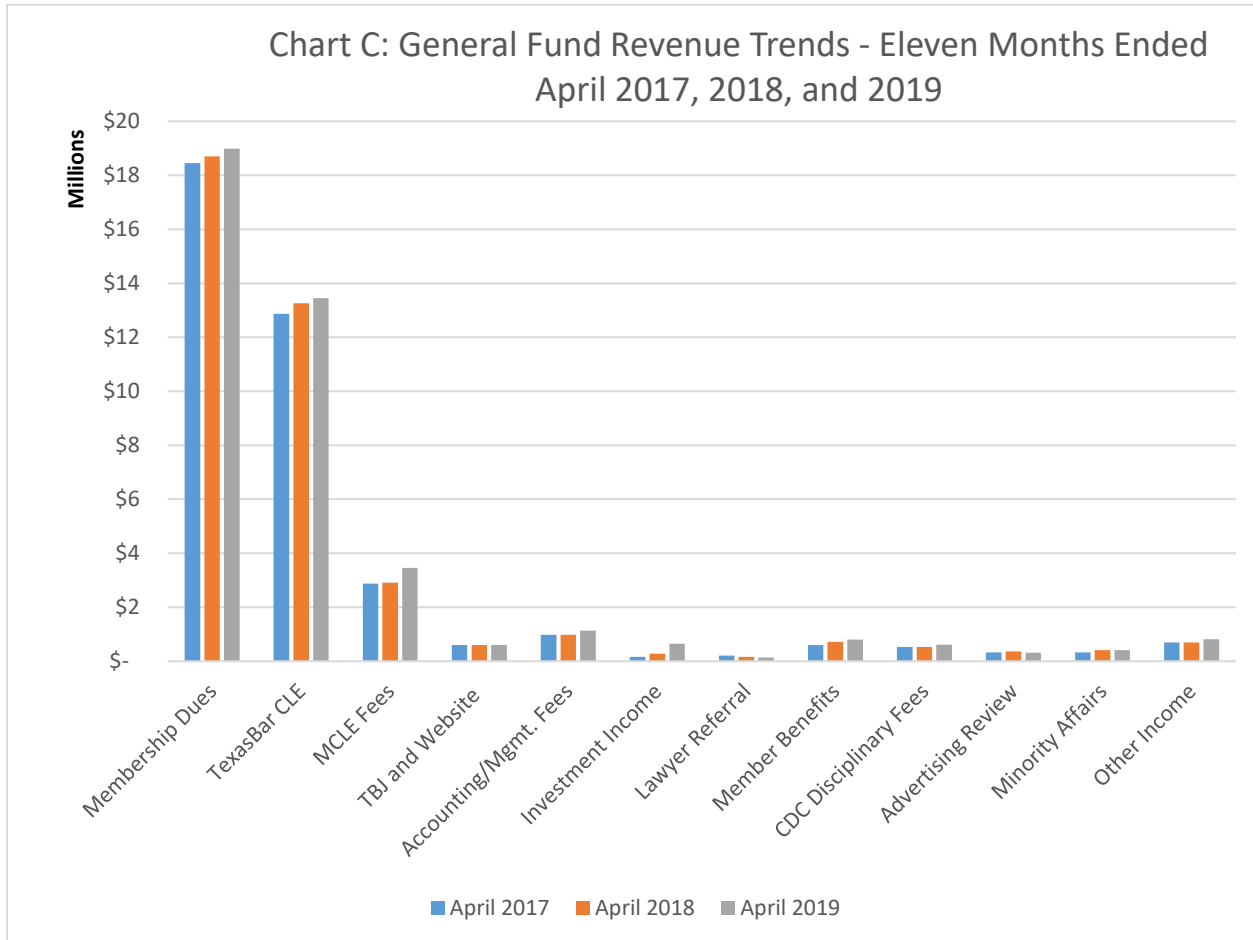
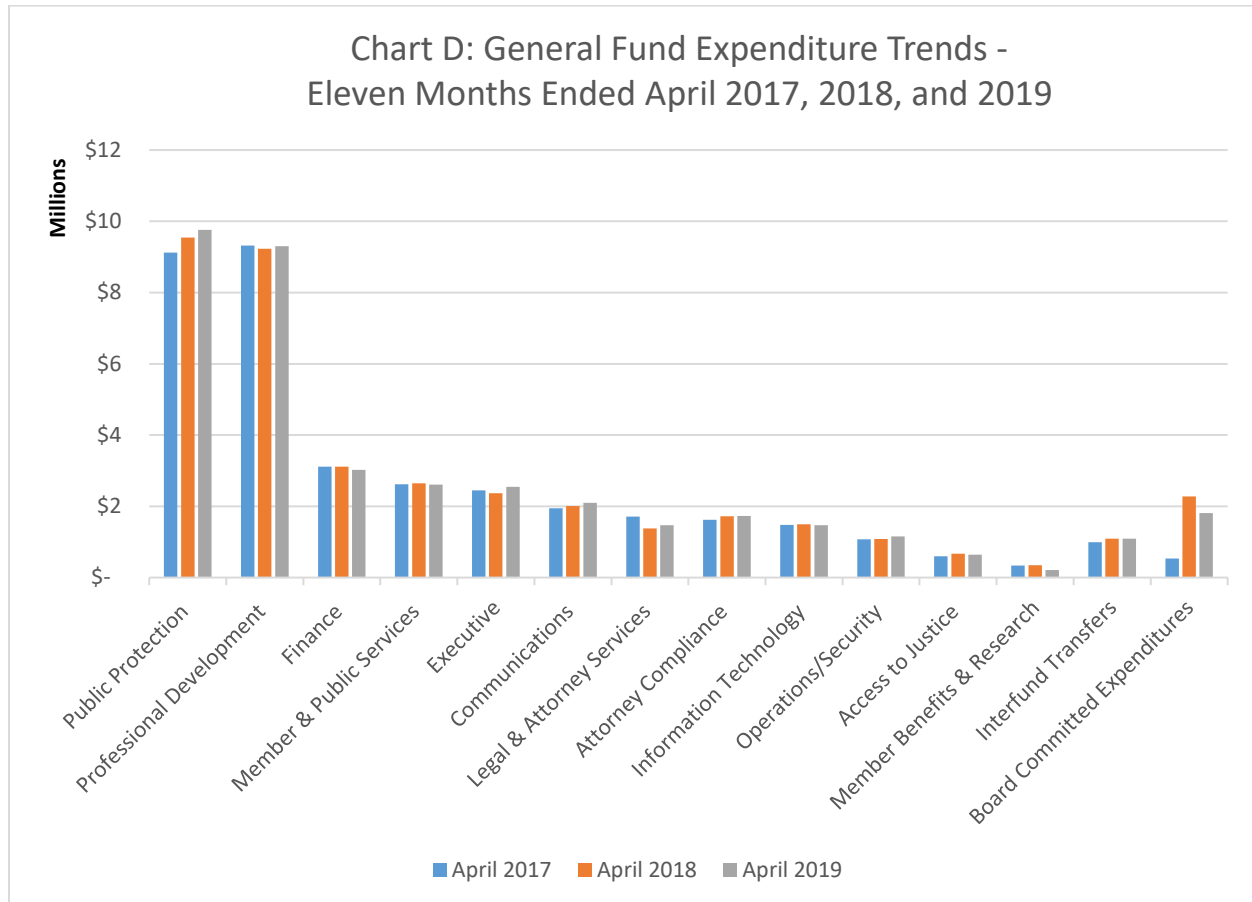


Chart D presents the total revenues by department of the State Bar's General Fund over the previous three years.



SBOT April 2019 Financial Statements

**State Bar of Texas General Fund
Financial Highlights
For the Eleven Months Ended April 30, 2019**

Total General Fund YTD results – As of April 30, 2019, the General Fund had a net excess of revenues over expenditures and transfers of \$4,264,226 compared to a budgeted net excess of \$1,264,926. This resulted in a positive overall variance of \$2,999,300.

	Actual	Budget	Variance	% Variance
Total Revenues	\$41,359,218	\$38,866,224	\$2,492,994	6%
Total Expenditures and Transfers	37,094,992	37,601,298	506,306	1%
Net Excess	\$4,264,226	\$1,264,926	\$2,999,300	

Revenues

For the period ending April 30, 2019, total revenues exceeded the budget by \$2,492,994 or 6%, thereby producing a positive actual to budget variance. An analysis of the revenues shows that the following departments had a positive revenue variance in excess of \$10,000 and 10% or more than \$100,000 for the period ending April 30, 2019.

- Member Dues – Total Positive Revenue Variance: \$459,925 or 2% - This positive variance results primarily from higher than anticipated dues collection.
- MCLE Department – Total Positive Revenue Variance: \$635,315 or 22% - This positive variance results primarily from higher than anticipated number of course applications, accreditation and late fees. There are also more new sponsors and courses this year than in the previous year.
- Investment Income – Total Positive Revenue Variance: \$464,382 or 251% - This positive revenue variance is due to a higher than anticipated yield on the State Bar's investment portfolio for the current fiscal year.
- CDC Disciplinary Fees – Total Positive Revenue Variance: \$114,143 or 23% - This positive variance results primarily from higher than anticipated attorney fees. There have also been higher than anticipated certification fees.
- Minority Affairs – Total Positive Revenue Variance: \$84,301 or 26% - This positive revenue variance results from a higher than expected number of sponsorships and attendees for the Texas Minority Counsel Program.

- Website Management - Total Positive Revenue Variance: \$184,459 or 51% - 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: \$18,778 or 32% - This positive revenue variance results from higher than anticipated revenue from National Trial Competition.
- Miscellaneous, Sales Tax Discounts, Etc. – Total Positive Revenue Variance: \$22,251 or 37% - This positive variance is primarily due to the collection of hotel occupancy tax refunds.
- Credit Card Processing Fees – Total Positive Revenue Variance: \$83,970 or 29% - This positive variance results from the convenience fee charged for membership dues credit card transactions. The convenience fee revenue is completely offset by credit card fees charged by the State Bar's merchant service provider.

Expenditures

For the period ending April 30, 2019, total expenditures were under the allocated budget by \$506,306 or 1%, which resulted in a positive actual to budget variance.

An analysis of the expenditures shows that six departments, Deputy Executive Director, Member & Public Services Director, Local Bars, Texas Lawyers Assistance Program, Membership and Printing had large positive expenditure variances in excess of \$10,000 and 10% in salaries and benefits for the primarily resulting from open positions.

An analysis of the expenditures shows that two departments, MCLE and Special Financial Advisor, had large negative expenditure variances in excess of (\$10,000) and (10%) in salaries and benefits. The MCLE department variance is primarily the result of additional labor costs to implement a new information system. The Special Financial Advisor is a new position.

An analysis of the expenditures shows that the following department had negative expenditure variances in excess of (\$10,000) and (10%) for the period ending April 30, 2019:

- Minority Affairs – Total Negative Expenditure Variance: (\$91,321) or (21%) - This negative variance results from an increase in additional conference expenses which were off-set by additional revenue collected from sponsorships and contributions.
- Unauthorized Practice of Law – Total Negative Expenditure Variance: (21,112) or (15%) – This negative variance in Profession Services results from expenses incurred due to several ongoing lawsuits.

TexasBarCLE (TBCLE)

For the period ending April 30, 2019, TexasBarCLE's net revenues over expenditures amount was over its budget target by \$795,500 or 21%, thereby producing a positive actual to budget variance.

	Actual	Budget	Variance	% Variance
TBCLE Revenues	\$13,446,886	\$13,059,519	\$387,367	3%
TBCLE Expenditures	8,771,932	9,180,065	408,133	4%
Net TBCLE Income	\$4,674,954	\$3,879,454	\$795,500	21%

In comparing TBCLE's performance to previous years, it is appropriate to make two comparisons: (1) compare the current fiscal year 18-19 to the previous fiscal year 17-18; and (2) compare the current fiscal year 18-19 to fiscal year 16-17. 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 April 30, 2019 to the prior period ending April 30, 2018, we see an increase in revenues of \$187,486 or 1%, and a decrease in expenditures of (\$19,347) or 0% for an overall increase in net revenues of \$168,139 or 4%. This is showing the difference between financial performances based on a comparison of a "legislative year" to a "non-legislative year".

In comparing actual revenues and expenditure amounts for the current period ending April 30, 2019, to the period ending April 30, 2017, we see an increase in revenue of \$581,505 or 5% and a decrease in expenditures of (\$92,742) or (1%) for an overall increase in net revenues of \$674,247 or 17%. This is showing the difference between financial performances based on a comparison of two "non-legislative years."

Salaries and Benefits

For FY 2019-2019, the salaries and benefits budget totals \$23,988,383 or 55% of the overall \$43,331,890 General Fund budget after budgeted board commitments. The \$23,988,383 includes a 4% vacancy rate. The actual vacancy factor for the period ending April 30, 2019 was 5.8%. The actual salary and benefit expenditures had a (\$178,954) negative variance to budget at the end of April 2019. Additional information on salary and benefit variances is reported in the expenditures section above.

Budget	\$ 21,908,736
Actual	22,087,690
Variance	<u>\$ (178,954)</u>

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Eleven Months Ending April 30, 2019

	Annual Budget	YTD Budget	YTD Actual	YTD Variance \$ Fav/(Unfav)	YTD Variance % Fav/(Unfav)	YTD Budget Prior Year	YTD Actual Prior Year	YTD Prior Year Variance \$ Fav/(Unfav)	YTD Prior Year Variance % Fav/(Unfav)
REVENUES:									
Membership Dues	\$20,372,039	\$18,521,234	\$18,981,159	\$459,925	2%	\$18,681,621	\$18,702,748	\$21,127	0%
Accounting/Management Fees	650,351	596,239	596,239			596,231	596,239	8	0%
Texas Bar Journal	580,600	549,590	582,804	33,214	6%	487,680	590,046	102,366	21%
Leadership SBOT	10,000	9,163	3,000	(6,163)	(67%)	4,998		(4,998)	(100%)
MCLE Fees	3,115,250	2,825,532	3,460,847	635,315	22%	2,815,147	2,910,668	95,521	3%
TexasBar CLE	13,777,842	13,059,519	13,446,886	387,367	3%	12,954,620	13,259,402	304,782	2%
Investment Income	185,000	185,000	649,382	464,382	251%	110,000	277,664	167,664	152%
Lawyer Referral	190,000	157,000	142,461	(14,539)	(9%)	180,000	157,833	(22,167)	(12%)
Member Benefits	915,766	754,619	800,675	46,056	6%	663,948	724,295	60,347	9%
CDC Disciplinary Fees	535,000	498,931	613,074	114,143	23%	415,963	526,245	110,282	27%
Membership	13,000	11,925	13,404	1,479	12%	11,226	14,370	3,144	28%
Local Bars	12,500	12,500	17,550	5,050	40%	11,500	13,300	1,800	16%
Minority Affairs	335,000	329,000	413,301	84,301	26%	340,700	409,437	68,737	20%
Computer Services Dept.	1,200	1,100	1,100			1,100	1,100		
Website	365,000	365,000	549,459	184,459	51%	329,750	385,539	55,789	17%
Legal Access Division	11,000	11,000	16,800	5,800	53%	20,000	8,100	(11,900)	(60%)
Law Related Education	15,500	15,500	14,550	(950)	(6%)	18,000	11,781	(6,219)	(35%)
TYLA	60,000	58,500	77,278	18,778	32%	48,500	65,332	16,832	35%
Law Student Division	6,000	5,600	7,100	1,500	27%	5,600	5,895	295	5%
Purchasing & Facilities	49,403	44,973	42,286	(2,687)	(6%)	44,973	41,074	(3,899)	(9%)
Advertising Review	370,000	339,299	314,845	(24,454)	(7%)	346,400	359,875	13,475	4%
Miscellaneous, Sales Tax Discounts, Etc.	72,000	60,513	82,764	22,251	37%	48,913	63,990	15,077	31%
Credit Card Processing Fees	290,000	290,000	373,970	83,970	29%	270,000	316,790	46,790	17%
Rent	179,440	164,487	158,284	(6,203)	(4%)	164,487	158,284	(6,203)	(4%)
TOTAL REVENUES	42,111,891	38,866,224	41,359,218	2,492,994	6%	38,571,357	39,600,007	1,028,650	3%
EXPENDITURES									
Executive Division									
Executive Director	627,410	572,067	577,523	(5,456)	(1%)	575,734	551,425	24,309	4%
Deputy Executive Director						230,253	83,574	146,679	64%
Associate Executive Director/Legal Counsel	518,566	473,567	515,432	(41,865)	(9%)	347,125	384,865	(37,740)	(11%)
Deputy Executive Director	222,945	205,188	189,311	15,877	8%	197,320	187,495	9,825	5%
Deputy Executive Director/External Affairs	274,165	251,226	225,260	25,966	10%	287,676	218,648	69,028	24%
Special Financial Advisor	75,000	68,750	149,969	(81,219)	(118%)				
Officers & Directors	836,836	626,239	586,903	39,336	6%	708,768	650,155	58,613	8%
Human Resources	280,789	257,617	267,561	(9,944)	(4%)	290,964	268,030	22,934	8%
Training/Tuition	71,133	39,500	32,500	7,000	18%	33,000	23,551	9,449	29%
Total Executive Division	2,906,844	2,494,154	2,544,459	(50,305)	(2%)	2,670,840	2,367,743	303,097	11%
Member & Public Services Division									
Member & Public Services Division Director	118,324	108,517		108,517	100%	157,703	140,262	17,441	11%
Center for Legal History	149,785	137,162	135,726	1,436	1%	133,222	130,583	2,639	2%
Law Related Education	508,232	475,823	462,547	13,276	3%	464,738	428,426	36,312	8%
Governmental Relations	156,607	144,712	149,177	(4,465)	(3%)	231,893	158,961	72,932	31%
Texas Young Lawyers Association	927,418	782,795	777,069	5,726	1%	773,662	728,437	45,225	6%
LeadershipSBOT	94,000	89,704	97,570	(7,866)	(9%)	87,904	92,288	(4,384)	(5%)
Sections	318,519	292,677	285,635	7,042	2%	291,644	279,164	12,480	4%
Local Bars	446,571	394,620	340,103	54,517	14%	416,807	384,120	32,687	8%
Special Events	73,604	72,435	78,149	(5,714)	(8%)	72,435	69,889	2,546	4%
Law Student Department	20,266	17,016	12,936	4,080	24%	16,730	15,513	1,217	7%

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Eleven Months Ending April 30, 2019

	Annual Budget	YTD Budget	YTD Actual	YTD Variance \$ Fav/(Unfav)	YTD Variance % Fav/(Unfav)	YTD Budget Prior Year	YTD Actual Prior Year	YTD Prior Year Variance \$ Fav/(Unfav)	YTD Prior Year Variance % Fav/(Unfav)
SBOT Volunteer Committees	289,467	264,728	272,375	(7,647)	(3%)	211,165	222,359	(11,194)	(5%)
Total Member & Public Services Division	3,102,793	2,780,189	2,611,287	168,902	6%	2,857,903	2,650,002	207,901	7%
Legal & Attorney Services Division									
Legal & Attorney Services Division Director	222,971	204,217	200,519	3,698	2%	199,570	193,817	5,753	3%
Texas Lawyers Assistance Program	455,312	417,921	368,362	49,559	12%	372,987	397,583	(24,596)	(7%)
Legal Access Division	1,036,508	961,236	900,598	60,638	6%	815,536	786,821	28,715	4%
Total Legal & Attorney Services Division	1,714,791	1,583,374	1,469,479	113,895	7%	1,388,093	1,378,221	9,872	1%
Access to Justice Commission	827,206	681,196	643,793	37,403	5%	737,819	672,720	65,099	9%
Member Benefits	343,218	65,647	58,666	6,981	11%	194,754	207,544	(12,790)	(7%)
Research & Analysis	167,645	148,264	154,028	(5,764)	(4%)	147,454	135,203	12,251	8%
Professional Development Division									
Texas Bar CLE	10,174,142	9,180,065	8,771,932	408,133	4%	9,063,518	8,752,586	310,932	3%
Minority Affairs	460,478	434,082	525,403	(91,321)	(21%)	433,098	476,663	(43,565)	(10%)
Total Professional Development	10,634,620	9,614,147	9,297,335	316,812	3%	9,496,616	9,229,249	267,367	3%
Attorney Compliance Division									
Office of Attorney Compliance Director	176,564	162,447	154,720	7,727	5%	158,728	153,075	5,653	4%
Advertising Review	182,597	168,609	166,996	1,613	1%	168,621	167,442	1,179	1%
Client Attorney Assistance Program	547,352	501,529	491,036	10,493	2%	524,761	486,871	37,890	7%
Lawyer Referral	353,692	317,284	325,320	(8,036)	(3%)	320,350	313,556	6,794	2%
MCLE	579,699	532,512	587,017	(54,505)	(10%)	537,144	598,461	(61,317)	(11%)
Total Attorney Compliance Division	1,839,904	1,682,381	1,725,089	(42,708)	(3%)	1,709,604	1,719,405	(9,801)	(1%)
Operations/Security Division									
Purchasing & Facilities	1,240,950	1,126,876	1,153,167	(26,291)	(2%)	1,143,951	1,081,486	62,465	5%
Total Operations/Security Division	1,240,950	1,126,876	1,153,167	(26,291)	(2%)	1,143,951	1,081,486	62,465	5%
Finance Division									
Accounting	936,017	858,682	890,727	(32,045)	(4%)	929,202	957,975	(28,773)	(3%)
Membership	832,080	651,554	582,503	69,051	11%	706,988	660,521	46,467	7%
Other Administrative	1,770,550	1,487,810	1,551,331	(63,521)	(4%)	1,422,113	1,492,542	(70,429)	(5%)
Total Finance Division	3,538,647	2,998,046	3,024,561	(26,515)	(1%)	3,058,303	3,111,038	(52,735)	(2%)
Information Technology Division									
Information Technology	1,304,534	1,196,101	1,113,875	82,226	7%	1,231,608	1,146,582	85,026	7%
Customer Service	370,930	334,782	355,671	(20,889)	(6%)	344,198	349,230	(5,032)	(1%)
Total Information Technology Division	1,675,464	1,530,883	1,469,546	61,337	4%	1,575,806	1,495,812	79,994	5%
Communications Division									
Office of Communications Director	249,259	225,241	218,535	6,706	3%	224,670	213,837	10,833	5%
Bar Journal	1,210,030	1,112,771	1,182,534	(69,763)	(6%)	1,154,479	1,080,936	73,543	6%
Printing	165,407	152,031	123,665	28,366	19%	153,749	159,756	(6,007)	(4%)
Graphics	162,342	149,625	153,376	(3,751)	(3%)	151,485	152,779	(1,294)	(1%)
Public Information	169,455	127,609	128,628	(1,019)	(1%)	114,153	106,283	7,870	7%
Web Management	395,862	310,160	289,854	20,306	7%	299,138	292,900	6,238	2%
Total Communications Division	2,352,355	2,077,437	2,096,592	(19,155)	(1%)	2,097,674	2,006,491	91,183	4%
Public Protection Division									
Chief Disciplinary Counsel	9,829,435	8,983,210	9,005,640	(22,430)	(0%)	8,892,322	8,837,775	54,547	1%

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Eleven Months Ending April 30, 2019

	Annual Budget	YTD Budget	YTD Actual	YTD Variance \$ Fav/(Unfav)	YTD Variance % Fav/(Unfav)	YTD Budget Prior Year	YTD Actual Prior Year	YTD Prior Year Variance \$ Fav/(Unfav)	YTD Prior Year Variance % Fav/(Unfav)
Grievance Oversight Committee	48,800	37,760	33,687	4,073	11%	44,520	36,499	8,021	18%
Unauthorized Practice of Law	170,000	136,710	157,822	(21,112)	(15%)	136,915	134,522	2,393	2%
Professional Ethics Commission	11,080	11,080	8,701	2,379	21%	11,080	11,805	(725)	(7%)
Board of Disciplinary Appeals	619,339	561,144	552,340	8,804	2%	549,848	523,804	26,044	5%
Total Public Protection Division	10,678,654	9,729,904	9,758,190	(28,286)	(0%)	9,634,685	9,544,405	90,280	1%
TOTAL EXPENDITURES	41,023,091	36,512,498	36,006,192	506,306	1%	36,713,502	35,599,319	1,114,183	3%
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	300,000	300,000	300,000			300,000	300,000		
TOTAL TRANSFERS	1,088,800	1,088,800	1,088,800			1,088,800	1,088,800		
TOTAL EXPENDITURES & TRANSFERS	42,111,891	37,601,298	37,094,992	506,306	1%	37,802,302	36,688,119	1,114,183	3%
Excess (Deficit) of Revenues Over Expenditures & Transfers		<u>1,264,926</u>	<u>4,264,226</u>	<u>2,999,300</u>	<u>237%</u>	<u>769,055</u>	<u>2,911,888</u>	<u>2,142,833</u>	<u>279%</u>
BOARD COMMITMENTS									
Board Commitment - SLRAP	350,000	350,000	350,000			350,000	350,000		
Board Commitment - Sheeran-Crowley Memorial Trust						250,000	250,000		
Board Commitment - Client Security Fund	800,000	800,000	800,000						
Board Commitment - Technology Fund						750,000	750,000		
Board Commitment - Texas Opportunity & Justice Incubator Program	755,278	166,199	166,199			222,497	222,497		
Board Commitment - Presidential Initiatives	157,867	27,381	27,381			136,142	136,142		
Board Commitment - Statewide Pro Bono Campaign	159,060	8,682	8,682			10,695	10,695		
Board Commitment - LAD 2018 Board Commitments	556,772	386,601	386,601			453,441	453,441		
Board Commitment - Referendum Reserve	100,000								
Board Commitment - Run-Off Election Reserve	70,000								
Board Commitment - Ethics Initiatives	12,431	448	448			4,660	4,660		
Board Commitment - Supreme Court Equipment Replacement						100,000	100,000		
Board Commitment - Document Preservation	50,000	50,000	50,000						
Board Commitment - Archives Digitization Project	100,000	24,500	24,500						
Board Commitment - Texas Law Center Renovations						16,525	16,525		
TOTAL BOARD COMMITMENTS	3,111,408	1,813,811	1,813,811			2,293,960	2,293,960		
TOTAL YTD INCREASE (REDUCTION) IN FUND BALANCE	(3,111,408)	(548,885)	2,450,415	2,999,300	546%	(1,524,905)	617,928	2,142,833	141%

**State Bar of Texas
General Fund
Balance Sheet
As of April 30, 2019**

Assets

Cash & Money Market Funds		\$1,134,242
Investments	21,729,800	
Adjust Investments to Market	<u>35,469</u>	
Investments at Fair Market Value		21,765,268
Accounts Receivable:		
Sales	41,836	
Less Allowance for Doubtful Accounts	<u>(2,092)</u>	
Net Accounts Receivable - Sales		39,744
Accrued Interest		81,103
Interfund		2,027,666
Other		65,455
Inventory		12,108
Prepaid Expenditures		<u>639,454</u>
Total Assets		<u><u>25,765,039</u></u>

Liabilities and Fund Equity

Liabilities

Accounts Payable:		
Cash - A/P		
Trade		861,507
Interfund		2,924,521
Accrued Liabilities		297,489
Deferred Revenue -		
Membership Dues		2,528,102
Other		957,630
Other Liabilities		<u>37,124</u>
Total Liabilities		<u><u>7,606,373</u></u>

**State Bar of Texas
General Fund
Balance Sheet
As of April 30, 2019**

Fund Balances

Nonspendable - Prepaids at May 31, 2018	\$ 672,040
Nonspendable - Inventory at May 31, 2018	9,453
Nonspendable - Investments FMV Adjustment at May 31, 2018	(31,424)
Board Committed - Minimum Reserve January 2019	11,059,004
Board Committed - Texas Opportunity and Justice Incubator Program	755,278
Board Committed - Legal Access Division Programs	556,772
Board Committed - Client Security Fund	800,000
Board Committed - Student Loan Repayment Assistance Program	865,000
Board Committed - Technology Fund	150,000
Board Committed Expenditures - Texas Law Center Renovations	100,000
Board Committed - Law Focused Education	79,500
Board Committed - Presidential Initiatives	157,867
Board Committed - Pro Bono Campaign	159,060
Board Committed - Run-off Election Reserve	70,000
Board Committed - Legal Access Fellowship Program	43,270
Board Committed - Referendum Reserve	100,000
Board Committed - Archives Digitization Project	100,000
Board Committed - Ethics Initiatives	12,431
Board Committed - Document Preservation	50,000

Total Fund Balance at May 31, 2018

15,708,251

Current Year Operations

Nonspendable - Prepaids at April 30, 2019	(32,586)
Nonspendable - Inventory at April 30, 2019	(2,655)
Nonspendable - Investments FMV Adjustment at April 30, 2019	66,893
Board Committed Expenditures - Client Security Fund	(800,000)
Board Committed Expenditures - SLRAP	(350,000)
Board Committed Expenditures - Texas Opportunity & Justice Incubator Prog	(166,199)
Board Committed Expenditures - Presidential Initiatives	(27,381)
Board Committed Expenditures - Statewide Pro Bono Campaign	(8,682)
Board Committed Expenditures - Legal Access Division Initiatives	(386,601)
Board Committed Expenditures - Ethics Initiative	(448)
Board Committed Expenditures - Document Preservation	(50,000)
Board Committed Expenditures - Archives Digitation Project	(24,500)
Amount Available for Board Commitment from Current Year Operations	4,232,574

Total Current Year Increase (Reduction) in Fund Balance

2,450,415

Total Fund Balance

18,158,666

Total Liabilities and Fund Balance

\$ 25,765,039

State Bar of Texas
Law Practice Resources Division
Statement of Revenues and Expenses
For the Eleven Months Ending April 30, 2019

	YTD Budget	YTD Actual	dget to Act % Variance	2018-2019 Budget
Revenues:				
Book Sales Net of Estimated Returns	\$1,613,451	\$1,738,990	7%	\$2,075,913
Online Sales	441,208	328,909	-34%	481,318
Total Sales	2,054,659	2,067,899	1%	2,557,231
Fees	50,821	51,579	1%	55,000
Interest	5,500	7,912	30%	6,000
Royalty	847,500	836,080	-1%	1,130,000
Total Revenues	2,958,480	2,963,470	0%	3,748,231
Cost of Goods Sold:				
Finished Products	330,757	118,968	178%	425,562
Publicity/Advertising for Specific Titles	51,583	21,959	135%	53,000
Royalties	76,454	96,978	-21%	101,353
Other	0	81,278	-100%	40,000
Total Cost of Goods Sold	458,794	319,183	44%	619,915
Expenses:				
Salaries	1,203,708	1,233,279	-2%	1,313,153
Benefits	403,854	388,152	4%	440,571
Travel	48,050	31,040	55%	48,450
Meetings & Conferences	1,650	1,466	13%	1,800
Professional Services	76,896	82,537	-7%	90,036
Publicity/Advertising	13,750	2,801	391%	15,000
Dues/Subscriptions/Licenses	41,530	46,129	-10%	50,014
Education/Training	11,602	9,038	28%	13,290
Supplies/Awards/Gifts/Spec. Items	14,269	30,122	-53%	15,999
Rentals - Office, Equipment, Storage	155,089	147,619	5%	169,188
Maintenance/Repair	22,000	28,899	-24%	24,000
Postage and Freight	162,720	124,046	31%	209,091
Telephone	4,125	3,152	31%	4,500
Insurance	5,500	5,694	-3%	6,000
Administrative Fee	497,336	497,336	0%	542,548
Bad Debts	42,110	(3,924)	-1173%	52,245
Capital Lease Expense	12,500	13,870	-10%	12,500
Printing	0	389	-100%	0
Copying	1,650	2,145	-23%	1,800
Total Operating Expenses	2,718,339	2,643,790	3%	3,010,185
Total Expenses	3,177,133	2,962,973	7%	3,630,100
Net Income/(Loss)	(218,653)	497	44095%	118,131

State Bar of Texas
Law Practice Resources Division
Statement of Net Position
As of April 30, 2019

Assets

Accounts Receivable :		
Sales	\$ 618,365	
Less Allowance for Doubtful Accounts	(30,918)	
Net Accounts Receivable - Sales		587,447
Interfund Receivable - General Fund		411,587
Inventory		
Inventory - Finished Goods	509,874	
Inventory - Work in Process	386,232	
Less Inventory - Reserve	(47,257)	

Total Inventory Less Reserves		848,849
Intangible Assets:		
Fixed Assets:		
Furniture/Equipment	353,637	
Less Accumulated Depreciation	(318,315)	

Net Fixed Assets		35,321

Total Assets		1,883,205
		=====

Liabilities and Net Position

Liabilities

Payables		32,894
Compensable Leave		95,363

Total Liabilities		128,257

Net Position

Net Position at May 31, 2018 - Unrestricted	54,074	
Designated - Minimum Operating Expenditures	702,377	
Designated - Projects in Process	948,000	
Designated - New Approved Projects	50,000	

Total Net Position at May 31, 2019		1,754,451
Current Year Operations		497

Total Liabilities and Net Position	\$	1,883,205
		=====

State Bar of Texas
Client Security Fund
Statement of Revenues & Expenditures
For the Eleven Months Ending April 30, 2019

Revenues:

Interest	\$ 60,877
Restitution/Other Income	72,143
Total Revenues	<u>133,020</u>

Expenditures:

Claims	550,090
Banking Fees	180
Total Expenditures	<u>550,270</u>

Excess (Deficit) of Revenue Over Expenditures	<u>(417,250)</u>
--	------------------

General Fund Operating Transfer In	300,000
General Fund Committed Funds Transfer In	800,000
Total Transfers In from General Fund	<u>1,100,000</u>

Net Increase (Decrease) in the Fair Value of Investments	494
Net after Operating Transfer & Unrealized Net Gain (Loss)	<u>\$ 683,244</u>

State Bar of Texas
Client Security Fund
Balance Sheet
As of April 30, 2019

Assets

Cash & Money Market Accts.	\$ 742,252
Investments	2,279,655
Adjust Investments to Market	(563)
Interest Receivable	<u>5,935</u>

Total Assets	<u><u>3,027,280</u></u>
--------------	-------------------------

Liabilities:

Due To (From) General Fund	<u>314,130</u>
Total Liabilities	314,130.00

Fund Balance

Beginning Fund Balance	2,029,906	
Current Year Activity	<u>683,244</u>	
Total Fund Balance		<u><u>2,713,150</u></u>

Total Liabilities and Fund Balance	<u><u>\$ 3,027,280</u></u>
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State Bar of Texas
Combining Statement of Revenue & Expenditures
And Changes in Fund Balance
All Special Revenue Funds
For the Eleven Months Ending April 30, 2019

	Law Focused Grants	TBLS	Convention Fund	Texas Law Center	Texas Bar College	Technology Fund	Misc Grant Fund	Total
Revenues:								
Fees		\$1,246,425	\$265,845		\$220,802			\$1,733,072
Sales			29,720		2,854			32,574
Investments	100	30,669	6,749	86,516	4,357			128,391
Grants	598,600						48,900	647,500
Contributions			253,250		3,250		45,117	301,617
Other Revenue		23,485						23,485
Total Revenues	598,700	1,300,579	555,564	86,516	231,263		94,017	2,866,639
Expenditures:								
Salaries		404,509			56,890			461,399
Benefits		150,214			21,084			171,298
Salaries & Wages - Temporary					987			987
Travel	150,582	35,869	6,137		39,206			231,794
Meetings & Conferences	41,992	45,645	434,964		10,085			532,686
Professional Services	110,425	95,095	8,055	6,410	9,290		38,951	268,226
Publicity/Advertising		81,731	39,000		4,886			125,617
Dues/Subscriptions/Licenses	1,602	21,529			1,668	30,631		55,430
Education/Training	375				175			550
Supplies/Awards/Gifts/Spec. Items	48,674	6,341	12,251	7,900	13,840	57,262		146,268
Rentals - Office, Equipment, Storage	5,040	108,370	629		2,269			116,308
Maintenance/Repair				9,070		410,137		419,207
Postage and Freight	5,301	4,179	20,143		8,106	36		37,765
Telephone		14,160	(237)		637			14,560
Administrative	13,368	80,217	9,800		29,451			132,836
Fixed Assets		1,956		51,489		426,151		479,596
Printing and Copying	15,834	5,420	18,269		18,286			57,809
Total Expenditures	393,193	1,055,235	549,011	74,869	216,860	924,217	38,951	3,252,336
Transfer (In) / Out				(288,800)		(500,000)		(788,800)
Total Expenditures & Transfers	393,193	1,055,235	549,011	(213,931)	216,860	424,217	38,951	2,463,536
Net Increase (Decrease) in the Fair Value of Investments				17,316				17,316
Total Revenues less Expenditures	205,507	245,344	6,553	317,763	14,403	(424,217)	55,066	420,419
Beginning Fund Balance at 6/1/18		1,858,938	337,791	3,676,630	198,619	1,281,166		7,353,144
Ending Fund Balance at 4/30/19	\$205,507	\$2,104,282	\$344,344	\$3,994,393	\$213,022	\$856,949	\$55,066	\$7,773,563

Expense Reimbursement Policies - FY2020

STATE BAR OF TEXAS Business Expense Reimbursement Policies and Procedures

Fiscal Year 2019-2020

Adopted: May 28, 2019

The enclosed internal policy, "State Bar of Texas Business Expense Reimbursement Policies and Procedures," is adopted pursuant to Section 3.07.01 of the State Bar Board Policy Manual (see below). To the extent this internal policy conflicts with a provision of the State Bar Board Policy Manual, the provision of the Board Policy Manual takes precedence.

3.07 Reimbursement of Expenses

3.07.01 General.

A. Policies and Procedures. Prior to June 1 of each year, the Executive Director shall prepare State Bar business expense reimbursement policies and procedures for the upcoming Fiscal Year, and shall submit such policies and procedures to the Board Audit and Finance Committee for approval.

B. Applicability. Subject to the provisions of this Policy Manual, the expense reimbursement policies and procedures shall apply to travel and other business-related expenses incurred by State Bar staff, Board members, standing committee members, special committee members, task force members, other entities funded by the State Bar, and State Bar volunteers acting on behalf of and at the direction of the Bar.

The following policies apply to State Bar Staff, Board Members, TYLA Board Members, Committee Members, Task Force Members, and Commission For Lawyer Discipline Members and Other Volunteers. This policy can be used as a guide for other State Bar-related entities.

GENERAL PROVISIONS

****All expense reimbursement requests must be submitted no more than 45 days after an event and must be accompanied by sufficient substantiation of the expenses, pursuant to Section 3.07 of Board Policy.****

Expense reimbursements, including substantiation, may be subject to the Public Information Act.

This policy covers reimbursements for expenses incurred by cash, personal credit card, and State Bar corporate credit card, or direct bill expenses charged to the State Bar.

Teleconferencing and Videoconferencing Consideration: For each State Bar meeting, careful consideration should be given as to whether business could be handled remotely through teleconference or videoconference, without travel by all or some of the participants. Whenever possible, remote meetings are strongly preferred over in-person meetings. The State Bar has technology that will facilitate presentations to participants through videoconferencing. For further information on this service, please contact your staff liaison or travel coordinator.

Event Accommodation Preference: If the State Bar provides meals and lodging at an event, expense reimbursements submitted in lieu of the meals and lodging provided at the event will be limited to the cost of lodging provided. Meals will not be reimbursed. If special needs or circumstances exist, separate meals and/or lodging may be necessary, but are subject to State Bar approval by staff liaison or travel coordinator prior to incurring the expense.

Expenditures for Non-State Bar travelers: Expenses for spouses, companions, relatives, or friends will not be reimbursed except as provided in the State Bar Board Policy Manual.

Early Arrival and Late Departure for Non-State Bar Business: Occasionally, a State Bar traveler may wish to arrive early for a meeting or event or stay over after a meeting for non-State Bar-related purposes. The State Bar will not reimburse expenses incurred as a result of such early arrival and/or late departure.

Travel Arrangements should be made as far in advance of the event or meeting as possible in order to take advantage of available special fares or rates. Absent substantiated special circumstances, reimbursement for expenses occurred for last-minute travel arrangements might not fully be reimbursed.

Discounted Rates: The State Bar member benefits program offers discounted rates on car rentals and hotels. The State Bar publishes discount programs for car rentals and hotels in the *Texas Bar Journal* and on the State Bar website at [texasbar.com/discounts](https://www.texasbar.com/discounts).

Budgetary Restrictions: Certain departments and programs impose additional limitations on expense reimbursements. Please check with your staff liaison or travel coordinator for further information.

Expense Reimbursement Form Required: The State Bar Expense Reimbursement Form is available upon request. The form is required to be completed and submitted to the State Bar. The staff contact and address are printed on the form. Reimbursement forms should be emailed, faxed, or mailed to the appropriate liaison C/O, PO Box 12487, Austin, TX 78711.

Signature Required. The Expense Reimbursement Form must be signed by the person for which the

reimbursement request is being made. An electronic signature is acceptable. The form must be completely filled out to prevent delay in processing the request.

Receipts Required. The reimbursement request must include itemized receipts for expenditures and must include all information described below, depending on the expense. Receipts should be submitted neatly, with small receipts taped to a letter-sized paper. Tips and miscellaneous expenses for which no bill or receipt is provided are reimbursable without receipt, and should be documented on the reimbursement form. On occasion, a traveler may lose a receipt. The traveler should list the expense incurred, including the name of the vendor, total amount incurred, the date incurred, and a statement that no alcohol was purchased. Excessive loss of receipts may result in a denial of reimbursement.

Payment Processing: Please allow two to three weeks from receipt by State Bar personnel to process the reimbursement and issue a check for payment. Reimbursement checks will be mailed to address on the form for non-State Bar employees. Employees can pick up reimbursement checks with the Cashier.

Questions? Please see the second page of the travel reimbursement form for staff contact information.

Modifications to Reimbursement: The State Bar retains the right to modify an expense reimbursement request to bring the request into compliance with this policy. The State Bar will provide the traveler with an explanation for modifications to the submitted reimbursement request.

TRANSPORTATION

The State Bar will reimburse the following expenses incurred when traveling on State Bar business:

Commercial airline travel will be reimbursed at the least expensive rate available for travel. Fully-reimbursable flights are as follows:

Southwest Airlines: "Wanna Get Away" fares are strongly preferred and should be booked for every Southwest Airlines flight unless otherwise unavailable. Early bird check in fees on Southwest are reimbursable.

Other Airlines: Economy or Economy Plus fares (whichever is less) will be reimbursed.

Timely Booking: To receive a low fare on airline travel, the traveler should book flights well in advance of the departure date, such as 30 days in advance. Depending on the circumstances, the State Bar may reduce reimbursements for premium, first class flights or for flights booked less than two weeks of departure date.

Special Circumstances: Under certain circumstances, a premium, or urgent flight may be necessary. Notification and prior authorization is required from appropriate State Bar staff to ensure full reimbursement. If the traveler anticipates a high likelihood of flight transfer or cancellation, the traveler may be reimbursed for the cost of the least expensive fully-refundable ticket.

Cancellation Fees: The State Bar will not reimburse for the cost of flight cancellation or transfer fees, unless the transfer or cancellation was due to a change in the State Bar schedule of events, illness, or other special circumstances. If a flight that has been paid for by the State Bar is cancelled, rebooked, or rescheduled and a credit is given to the traveler, the credit must be used for future State Bar business purposes.

Bus transportation. The use of bus services such as Vonlane or Greyhound is reimbursable.

Taxi or rideshares are reimbursable. The use of taxis, airport bus, or rideshare services is encouraged for short trips or distances because they are typically more cost effective than car rentals.

Car rental expenses and related fuel charges will be reimbursed by the State Bar. Car rentals should be limited to economy, standard, or intermediate cars when possible. On certain occasions, volunteers or employees may require a larger, high-grade rental car when sharing rides or carrying equipment. Only the volunteer or employee renting the car is eligible for reimbursement. Travelers should refuel the car prior to returning the car to avoid additional fees.

Discounted Rates: Discounted car rentals should be used when possible. Elected and appointed officials (including directors) and employees should use the State of Texas travel program for car rentals. Please contact your travel coordinator or staff liaison for the rate details and procedures. The discounted program should only be used for travel for official State Bar business. The discounted rates are with Hertz, Avis, and Enterprise.

Personal Vehicle Mileage will be reimbursed at the current reimbursement rate set by board policy. For the current calendar year, mileage will be reimbursed at \$0.545 per mile. The reimbursement rate for calendar year 2019 will be updated in January. Travelers who use their personal vehicles to travel may claim mileage from their place of departure, such as their home or office, to the destination. Support for the mileage, such as driving directions showing estimated mileage for the trip, may be requested. Fuel expense will not be reimbursed when claiming mileage.

Private Aircraft – Additional Passengers: A member who owns or leases a private aircraft is entitled to reimbursement up to the amount that would have been paid or reimbursed to each passenger had the passenger(s) incurred the reimbursable cost of coach airfare.

Parking and Tolls: Parking and toll expenses are reimbursable. Fines, such as parking tickets or towing fees from parking illegally are not reimbursable.

MEALS

Actual reasonable expenses for meals incurred while traveling on State Bar business will be reimbursed. Meal expenses must be accompanied by detailed receipts listing all items purchased. The receipt copy showing only the total cost of the meal and the tip will not be sufficient detail to substantiate a meal expense. The names of all reimbursable guests must be indicated on the receipt.

Alcohol Expenses will not be reimbursed.

Meals provided with the meeting: If a meal is provided with the meeting or event, the transportation to and from the meal and the cost of a meal at another location is not reimbursable.

Meals prior and post meeting: Meals incurred while traveling directly to and from an event are reimbursable.

LODGING

The State Bar will reimburse lodging expenses at reasonable, single occupancy or standard business room rates when traveling on State Bar business. When the hotel is at a conference or convention site with a special conference rate, reimbursement or corporate credit card approval will be limited to the conference rate.

Length of stay: To the extent possible, meetings should be scheduled so that attendees can arrive for the meeting and leave the same day. The State Bar will only reimburse hotel stays when necessary. Hotel stays must be approved in advance by State Bar staff, unless otherwise notified.

Cancellation Fees: The State Bar will not reimburse for the cost of lodging cancellation fees unless special circumstances are demonstrated. Cancellation fees incurred on direct bill reservations will be the responsibility of the individual. Cancellation fees can typically be avoided if notification is provided within three days of the reservation date.

Tips: Tips are reimbursable without receipt, but should be itemized.

Discounted Rate: Discounted hotel stays are available through the State Bar of Texas member benefits program.

OTHER EXPENSES

Other reasonable and necessary expenses of conducting State Bar business may be reimbursed, including such items as copying, postage, and long-distance telephone calls. Prior to incurring charges for printing and copying jobs costing more than minimal expense, please contact your staff liaison for alternative options. When possible, printing and copying jobs should be completed in advance of the meeting for maximum savings to the State Bar. The cost of Wi-Fi in hotel guest rooms will be reimbursed, if Wi-Fi is necessary to conduct State Bar business.

ADDITIONAL POLICIES APPLICABLE TO STATE BAR STAFF

Staff members may be reimbursed for *reasonable and necessary* expenses while conducting State Bar business.

The State Bar expects employees to act responsibly and professionally when incurring and submitting requests for expense reimbursements related to travel or any type of general business performed on behalf of the State Bar.

Submission: To receive reimbursement for expenses pursuant to this policy, staff members must submit a substantiated reimbursement request on the Reimbursement Form. The approved form should be presented to the State Bar's Accounting Department no later than 15 business days after the staff member returns to the office after State Bar business-related travel.

Use of Personal Vehicle: The State Bar does not pay for travel to and from the office. Employees who use their personal vehicles to travel for State Bar business may claim mileage from their home or office to the destination, if the destination is outside the city in which that employee's place of work is located. If the employee is traveling from home to another location that is within the same city as the employee's place of work, such as an airport, only the mileage that exceeds the distance between the employee's place of work and home will be reimbursed.

Use of a Rented Vehicle: The State Bar traveler should use a rental service that is accommodating while providing the least expensive fare overall. Employees not using the State's contracted rate, which includes insurance coverage, must decline insurance coverage offered by the car rental company (the State Bar's own coverage will apply). Before travel, please obtain a copy of the State Bar's automobile insurance identification card for use in renting a vehicle. This information can be obtained from the Office of Legal Counsel.

Travel Advances: Travel advances are authorized for specific situations that might cause undue financial hardship for staff traveling on State Bar business. A request for a travel advance must be approved in writing by a division director, department director, or a staff member specifically authorized to approve such a request.

A request for a travel advance should be made at least one week before funds are needed. A copy of the "Travel Advance Form" is included with this policy as Attachment A.

Within 5 business days of returning to work after a business trip for which a travel advance is requested, a staff member must complete a "Substantiation of Travel Advance Expenditures" form (see Attachment B) and return it to the Accounting Department. This deadline can only be extended in writing by the Finance Division Director.

If the staff member is returning a portion of the travel advance funds, the form and money should be given to the Accounting Department's Cashier.

If the State Bar owes the staff member additional monies because the travel advance did not cover all expenses related to the business trip, the completed "Substantiation of Travel Advance Expenses" form should be given to the Accounting Department's Accounts Payable Manager.

Corporate Credit Card: Items listed on a staff member's monthly corporate credit card statement must be substantiated by detailed receipts. The account coding for the expenses shown on the statement should be recorded on a form prescribed by the State Bar's Accounting Department. (See Attachment C). A corporate credit card is not to be used for personal charges. Prior to payment by the State Bar, a staff member's corporate credit card statement must be reviewed and all charges approved by authorized personnel.

The State Bar will not be responsible for payment of fees assessed due to the late payment of a corporate credit card statement unless such late payment is the fault of the State Bar.

Staff members required to travel on a regular basis are eligible to apply for a State Bar corporate credit card. If it is determined that a staff member is regularly requesting reimbursement for State Bar-related purchases charged to a personal credit card, the staff member may be requested to obtain a State Bar corporate credit card. A division director must approve the request for a State Bar corporate credit card. The forms to make application for the card may be obtained from the office of the Finance Division Director.

Out of State Staff Travel: No staff member may register for, travel to, or attend any out-of-state meeting or event at State Bar expense that is not a State Bar-sponsored event without pre-approval, obtained by:

(1) Completing a "Request for Authorization for Out of State Travel and Estimated Financial Impact Statement" (See Attachment D) which shall include:

- a. the location of the meeting or event;
- b. the full identity of the organization sponsoring the meeting or event;
- c. the nature of the meeting or event to be attended;
- d. a statement as to how the staff member's attendance at the out of state meeting or event would benefit the State Bar;
- e. the number of days during which attendance will be necessitated, which shall include the date of commencement and date of termination of the meeting;
- f. the reason for requested attendance at the meeting or event; and
- g. the estimated full amount of air travel round trip, the full amount of lodging during the meeting or event, the amount of registration fee, anticipated meal expenses and anticipated miscellaneous expense; and

(2) Obtaining the prior authorization and approval of the Executive Director before registering for the event or meeting.

Denial of Reimbursement Request: The State Bar of Texas reserves the right to deny reimbursement of any travel-related expense, or payment of any staff credit card statement, on the basis of failure to comply with the aforementioned policies and procedures. Noncompliance with this policy may result in disciplinary actions.

Approver Responsibility: A staff member who is authorized to review and approve another staff member's expense reimbursement or credit card statement is required to withhold approval for payment if there is reason to believe that the expenses are inappropriate, or unauthorized. The responsible division director should be notified of all instances of inappropriate, or unauthorized expenses. The approver is responsible for ensuring the travel expense is appropriately supported and complies with this policy.

SBOT Three Year Audit Plan



State Bar of Texas Internal Audit Services

Three-Year Internal Audit Plan April 3, 2019

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.

MJ

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 3, 2019

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

Dear Audit & Finance Committee Chair:

Attached is the Three-Year Audit Plan for the State Bar of Texas. Executing this Three-Year Internal Audit Plan will provide the State Bar of Texas (SBOT) with reasonable assurance that their highest risk functions have been independently assessed to confirm that adequate internal controls are in place and working as intended.

McConnell & Jones LLP (MJ) will execute this Three-Year Internal Audit Plan in accordance with all applicable professional standards, including the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, the IIA's Code of Ethics, and Generally Accepted Government Auditing Standards (GAGAS).

Please contact Darlene Brown at 713.968.1617 or Tracy Jarratt at 512.427.1481 if you should have any questions about this audit plan.

Sincerely,

Ira Wayne McConnell, CPA
Partner

7600 Chevy Chase Drive
Suite 307
Austin, TX 78752
Phone: 512.430.5358

WWW.MCCONNELLJONES.COM

1.0 PURPOSE

The purpose of this document is to communicate the three-year risk-based internal audit plan, the methodology used to develop the audit plan and the resource requirements necessary to complete the audit plan.

The Three-Year Internal Audit Plan was developed based on identification of the State Bar of Texas' (SBOT) audit universe, performing a comprehensive risk assessment of SBOT's operations, input from the SBOT's leadership team and prioritization of the identified risks. Using our risk assessment framework, we identified the organizational sources for potential audit engagements and auditable activities; examined risk factors; and prioritized the audits based on the risk rating.

2.0 RISK ASSESSMENT

Risk is defined as the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood. An organization's risk exposure is determined through the identification of risks and evaluating the impact on operations and likelihood of occurrence.

Risk assessments identify an organization's exposure to business disruptions and barriers to achieving the organization's strategic goals. They serve as a tool to focus limited resources to perform evaluations of controls that are in place to limit the exposure.

In accordance with The Institute of Internal Auditors (IIA) Standard 2010.A1, this internal audit plan is based on a documented risk assessment and input of the SBOT leadership team. Our assessment evaluated risk exposures relating to the SBOT's governance, operations, and information systems regarding the reliability and integrity of financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and policies and procedures.

The types of risk exposure relevant to the SBOT are:

- ✓ *Financial Exposure:* Financial exposure exists whenever an audit area is susceptible to errors or defalcations that affect the general ledger and financial statements or the integrity and safekeeping of agency assets, regardless of the financial statement impact.
- ✓ *Compliance Exposure:* Compliance exposure exists whenever an event in an audit area could cause the agency to fail to comply with regulations mandated by state or federal authorities, irrespective of whether financial exposure exists.
- ✓ *Information Exposure:* An information exposure exists whenever there is information of a sensitive or confidential nature, which could be altered, destroyed, or misused.
- ✓ *Efficiency Exposure:* An efficiency exposure exists whenever agency resources are not being utilized in an effective or efficient manner.
- ✓ *Human Resource Exposure:* A human resource exposure exists whenever an area is managing human resources in a way, which is contrary to agency policy.

- ✓ *Environmental Exposure:* An environmental exposure exists whenever internal or external factors pose a threat to the stability and efficiency of an audit area. Examples of factors that affect environmental exposure are:
 - Recent changes in key personnel
 - Changing economic conditions
 - Time elapsed since last audit
 - Pressures on management to meet objectives
 - Past audit findings and quality of internal control
- ✓ *Public Service Exposure:* A public service exposure exists whenever an event in an audit area could jeopardize existing public services or new public services.
- ✓ *Reputational Exposure:* A reputational exposures exists whenever an event in the audit area could jeopardize the reputation of the agency and stakeholder trust.

We assigned weights to each of these risk categories for each SBOT department or function. We also assessed risk of the following organizations of SBOT due to their inclusion in SBOT's financial statements and support provided by SBOT to the respective organization.

- ✓ Texas Bar of Legal Specialization (TBLS)
- ✓ Texas Bar College
- ✓ Sections

Figure 1 provides a heat map of the combined average score for each SBOT department, function or organization.

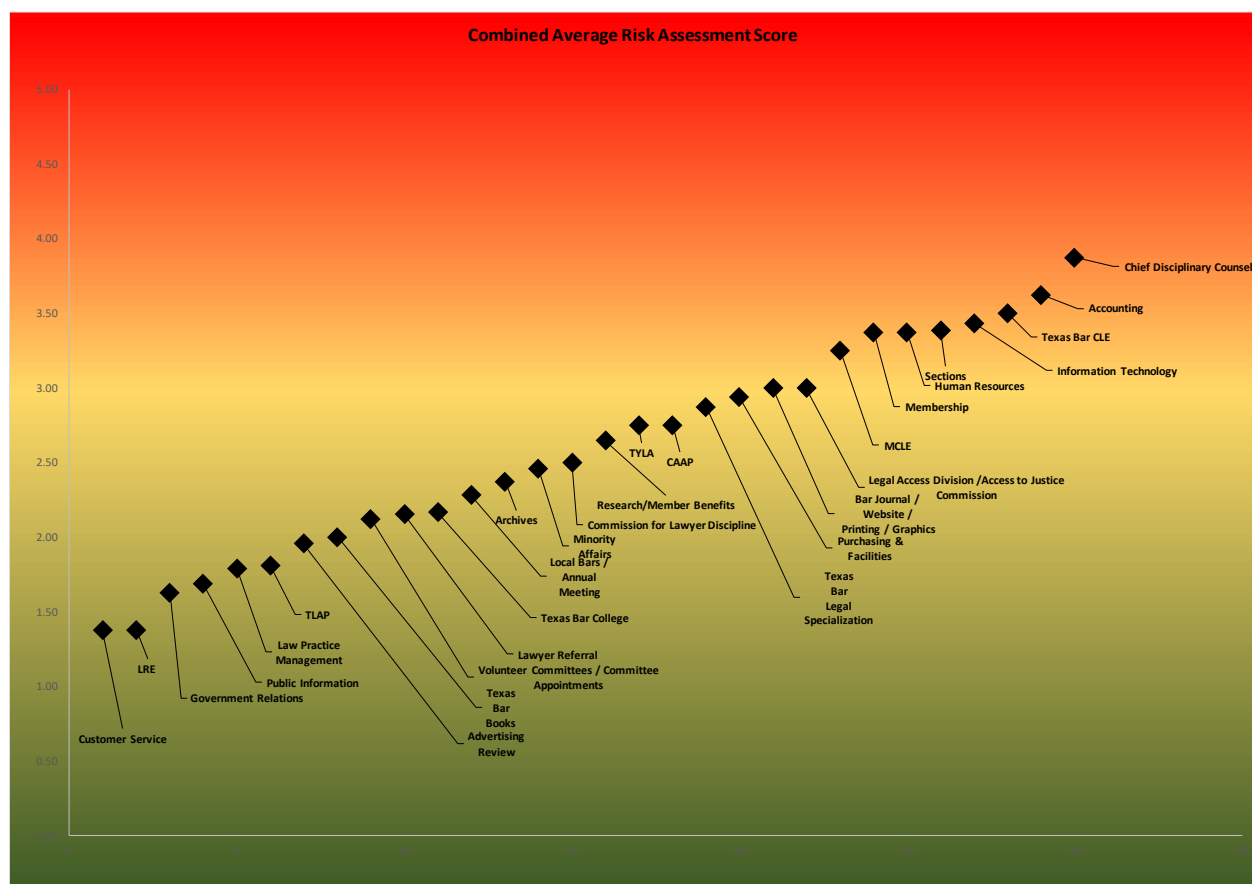


Figure 1 State Bar of Texas Organizational Risk Summary 2019

MJ discussed the risk exposures with SBOT's leadership team. We then prepared the Three-Year Internal Audit plan based upon current risks facing SBOT's operations.

3.0 THREE-YEAR INTERNAL AUDIT PLAN

MJ will conduct three audits each year, follow-up on open audit findings and prepare annual reports in accordance with all applicable professional standards, including the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, the IIA's Code of Ethics, and Generally Accepted Government Auditing Standards (GAGAS). Audit reports will be issued for each audit conducted. The open audit findings follow-up conclusions will be included in the annual audit reports.

The planned audits and budgets by year are summarized in the tables below. **Section 4** of this document includes the details of each audit's objectives, scope, and proposed audit activities.

Three-Year Internal Audit Plan Summary

Audit and Scope	Year 1 FY 2019	Year 2 FY 2020	Year 3 FY 2021
Texas Bar CLE <ul style="list-style-type: none"> ✓ Planning and executing CLE seminars ✓ Cash handling, including credit cards and checks ✓ CLE material production and printing ✓ Procurement processes ✓ Compliance with applicable regulations and policies 	✓		
Accounting & Finance <ul style="list-style-type: none"> ✓ Financial system controls ✓ Budgeting processes ✓ Revenues ✓ Expenditures ✓ Reconciliations ✓ Financial reports ✓ Annual Financial Report processes ✓ Compliance with applicable regulations and policies 	✓		
Sections <ul style="list-style-type: none"> ✓ Revenues ✓ Expenditures. ✓ Financial system controls ✓ Financial reporting ✓ Bank reconciliations ✓ Compliance with applicable regulations and policies 		✓	
Chief Disciplinary Counsel <ul style="list-style-type: none"> ✓ Complaint and grievance receipt, recording, classification and referral processes ✓ Complaint investigation processes ✓ Complaint presentation to local grievance committee panel ✓ Disciplinary actions monitoring ✓ Communications and reports to Commission for Lawyer Discipline ✓ Client Security Fund administration ✓ Ethics line monitoring and reporting ✓ Compliance with applicable regulations and policies 		✓	
Information Technology <ul style="list-style-type: none"> ✓ Security policy administration ✓ Security plan 			✓

Audit and Scope	Year 1 FY 2019	Year 2 FY 2020	Year 3 FY 2021
<ul style="list-style-type: none"> ✓ Data protection ✓ Incident response plan ✓ Information technology strategic planning ✓ Compliance with applicable statutes and policies 			
MCLE <ul style="list-style-type: none"> ✓ Member account maintenance ✓ Sponsor and member accreditation ✓ CLE materials review ✓ Revenue ✓ MCLE website ✓ Reporting ✓ Compliance with applicable regulations and policies 			✓
Investment Review <ul style="list-style-type: none"> ✓ Investment transactions ✓ Investment reconciliations ✓ Investment reporting ✓ Compliance with SBOT investment policy and PFIA requirements 	✓	✓	✓
Annual Report <ul style="list-style-type: none"> ✓ Summary of audit findings ✓ Status of open audit findings 	✓	✓	✓

Proposed audits will focus on internal controls, compliance and business processes.

Three-Year Internal Audit Plan Budget

Audit	Year 1 FY 2019		Year 2 FY 2020		Year 3 FY 2021	
	Hours	Cost	Hours	Cost	Hours	Cost
Texas Bar CLE	223	\$24,980				
Accounting & Finance	143	\$17,896				
Chief Disciplinary Counsel			233	\$26,640		
Sections			181	\$19,538		

Audit	Year 1 FY 2019		Year 2 FY 2020		Year 3 FY 2021	
Information Technology					225	\$29,603
MCLE					161	\$20,905
Investment Review	28	\$2,934	28	\$3,022	28	\$3,113
Annual Report	4	\$879	4	\$906	4	\$933
Audit Communications	4	\$879	4	\$906	4	\$933
Total	402	\$47,567	450	\$51,011	422	\$55,485

4.0 PROPOSED AUDIT DETAILS

McConnell & Jones will conduct the following audits using a risk-based approach where we focus on the business risk and underlying causes for any exceptions that we may identify. These audits are intended to assess management controls in place to monitor and mitigate the respective risks; ensure compliance with policies and regulations; and provide for process efficiencies. To accomplish this, we will review the respective departments or functions in totality, from beginning to end, top to bottom.

Texas Bar CLE (High Risk)

Texas Bar CLE rated high on the risk assessment due to their revenue generation activities; cash handling (cash, checks and credit cards) function; impact on SBOT's financial statements with annual revenues of \$13.9 million and expenditures of \$10.2 million; and impact on SBOT's objective to advance the legal profession through relevant and impactful continuing education.

Audit Objective:

MJ will assess management controls and processes in place to ensure the Texas Bar CLE program meets member needs and complies with SBOT policies. We will also assess controls in place for cash handling and expenditures. Our audit will address the following questions related to risk, controls, processes and reporting:

1. Are processes in place that ensure ongoing high-quality CLE for lawyers?
2. Are there processes to monitor the evolving continuing legal education needs of Texas lawyers?
3. Are budgets prepared for each CLE event and monitored to ensure that the costs remain within budget?
4. Are adequate controls in place to ensure CLE attendees are charged the correct amounts?
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 CLE event locations and expenses?*
7. *Are processes in place to ensure CLE materials are printed, produced or acquired using the best pricing methods?*
8. *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?*
9. *Are processes in place to ensure CLE event speakers are qualified for the topic they are presenting?*
10. *Are staff ensuring compliance with applicable policies and meeting the goals set in the strategic plan?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Planning and executing CLE seminars. - CLE event scheduling process; CLE event promotion activities; CLE 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.
- ✓ CLE material production and printing. - Planning, distribution and storage.
- ✓ Procurement processes. - Event location contracting; CLE material acquisition; and large-vendor contracting.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Conduct interviews with Texas Bar CLE staff and SBOT Finance & Accounting staff.
- ✓ Review system access and user roles to ensure adequate segregation of duties and audit trails.
- ✓ Review CLE event planning process for completeness and timeliness.
- ✓ Review revenue collection, receipting, reporting, deposit and reconciliation processes for adequate segregation of duties.
- ✓ Perform sample testing of revenues collected to ensure deposits were made in a complete, accurate and timely manner.
- ✓ Perform sample testing of CLE events to ensure compliance with policies; budget preparation and monitoring; revenues were collected and accurately reported; attendance met or exceeded planning assumptions; and expenditures were approved, supported and controlled.
- ✓ Analyze CLE major procurements to determine if best value pricing was obtained. Review major contracts within CLE to determine if costs are in-line with delivery of service or goods.

Accounting & Finance (High Risk)

Accounting & Finance rated high on the risk assessment due to the impact that their processes have on SBOT's ability to achieve its mission. The Accounting & Finance department's key responsibilities include ensuring sound financial management of SBOT's resources; ensuring financial transactions are accurately recorded; preparing financial reports; and developing and monitoring the budget. Accounting & Finance department staff are also responsible for processing disbursements, processing payroll and managing investments.

Audit Objective:

MJ will assess management controls and processes in place to protect SBOT financial assets and provide accurate financial information. Our audit will 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 adequate internal controls and segregation of duties in place over revenue collection, revenue recording, disbursements, bank accounts and accounting systems?*
6. *Are staff ensuring compliance with applicable financial related policies?*
7. *Are adequate controls in place for reconciling bank accounts to their financial system/records, including segregation of duties and appropriate reviews?*
8. *Are financial transactions and balances reported in an accurate, complete and timely manner?*
9. *Are processes in place to ensure that the Annual Financial Report is prepared in an accurate and timely manner?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Financial system - User access and roles.
- ✓ Budgeting processes - Development, monitoring and reporting.
- ✓ Revenues - Estimation processes, recording and reporting.
- ✓ Expenditures - Accounts payable, payroll and travel reimbursement processes.
- ✓ Reconciliations - Account and Bank Reconciliations.

- ✓ Financial reports – Internally provided to divisions and departments; Audit Committee Reports; Board Financial Reports.
- ✓ Annual Financial Report Processes. – Account reconciliation, adjustment positing, closing books, management discussion.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Conduct interviews with SBOT Accounting & Finance department staff.
- ✓ Review financial system for adequate segregation of duties and audit trails.
- ✓ Review budgeting process for timeliness and completeness.
- ✓ Review budget monitoring process for timeliness.
- ✓ Review processes for receipting and recording revenues for adequate internal controls and segregation of duties.
- ✓ Review processes to record financial transactions for adequate segregation of duties and compliance with policies.
- ✓ Perform sample testing of revenues to determine recording accuracy and timeliness.
- ✓ Perform sample testing of expenditures to determine authorization, compliance with policies, and recording accuracy.
- ✓ Perform sample testing of bank reconciliations for completeness, accuracy, review and timeliness. Review outstanding transactions for timely clearing and/or research.
- ✓ Perform sample testing of financial reports for completeness, accuracy and timeliness.
- ✓ Review the Annual Financial Reporting process for compliance with requirements and timeliness.

Chief Disciplinary Counsel (High Risk)

The Chief Disciplinary Counsel (CDC) rated high on the risk assessment due to the impact that their function has on SBOT's objective of protecting the public. CDC is the regulating function to ensure complaints and grievances are reviewed and investigated in a consistent manner and in accordance with the Commission for Lawyer Discipline requirements and SBOT policies. Additionally, CDC is responsible for administering the Client Security Fund disbursements and monitoring SBOT's ethics reporting line. CDC's expenditures consume 23 percent of SBOT's annual budget and the department's 97 employees comprise 37 percent of SBOT's total employees.

Audit Objective:

MJ will assess management controls and processes in place to ensure the attorney discipline system is administered in accordance with statute, the Commission for Lawyer Discipline requirements and SBOT policies in an effective and efficient manner. Assess internal controls and processes over the

Client Security Fund. Our audit will address the following questions related to risk, controls, processes and reporting:

1. *Are complaints and grievances handled in a consistent manner and in compliance with applicable SBOT policies and regulations?*
2. *Are processes in place to ensure that complaints and grievances are appropriately classified in accordance with policies and regulations?*
3. *Are all complaints and grievances recorded and tracked from receipt to disposition, including monitoring of judgements?*
4. *Are investigations completed in a timely manner, on a consistent basis and in compliance with policies and regulations?*
5. *Are information and reports provided to the Commission for Lawyer Discipline and local grievance committee panels complete, accurate and timely?*
6. *Is SBOT's ethics line being monitored on a regular basis?*
7. *Are there processes and criteria in place to ensure that all ethics line reports are reviewed, recorded, assigned and monitored from receipt to disposition?*
8. *Is there adequate segregation of duties over the Client Security Fund administration and disbursement activities?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Complaint and grievance receipt, recording, classification and referral processes. – Systems, tools and processes for receiving tips and complaints; systems tools and processes for recording complaints and grievances; classification criteria; internal and external referral criteria and process.
- ✓ Complaint investigation processes. – Systems, tools and processes for assigning investigations, monitoring progress and ensuring investigation consistency and compliance with policies and regulations.
- ✓ Complaint presentation to local grievance committee panel. – Report completeness and accuracy.
- ✓ Disciplinary actions monitoring. – Systems, tools and processes in place to ensure actions are monitored on a regular basis and actions are taken when individuals are not adhering to the judgement.
- ✓ Communications and reports to Commission for Lawyer Discipline. – Communication methods, frequency, accuracy and completeness.
- ✓ Ethics line monitoring and reporting. – Monitoring frequency; tip or complaint recording tracking tools used; review and assignment criteria and process; complaint resolution or

investigation monitoring process; ethics line activity report contents, frequency, completeness and accuracy.

- ✓ Compliance with applicable regulations and policies.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Conduct interviews with CDC staff, SBOT finance staff and Commission for Lawyer Discipline staff.
- ✓ Review system access and roles for authorized users to determine access is based on job functions and adequate segregation.
- ✓ Review key documents and management reports for relevance, completeness, accuracy and timeliness.
- ✓ Review survey instrument for question relevance and survey response reports for accuracy, completeness and timeliness.
- ✓ Perform sample testing of complaints, grievances and investigations for consistency in the processes and compliance with policies and regulations.
- ✓ Perform sample testing of ethics line tips and complaints for compliance with policies, assignment timeliness and resolution completion.
- ✓ Perform sample testing of key operational reports provided to the Commission for Lawyer Discipline, local panels and the public for accuracy and completeness.
- ✓ Perform sample testing of judgements determined to ensure recording in the system and monitoring activities are being performed.
- ✓ Assess physical and software controls over protecting confidential and sensitive information.

Sections (High Risk)

Sections rated high on the risk assessment due to their revenue and disbursement activity representing \$3.6 million annually. Each of the 48 sections maintains at least one bank account each and five of them maintain their own financial records. SBOT's accounting department maintains the financial records and issues disbursements for the remaining 43 sections.

Audit Objective:

MJ will assess management controls and processes in place to protect each Section's financial assets and provide accurate financial information. Our audit will address the following questions related to risk, controls, processes and reporting:

1. *Are Sections practicing sound fiscal management of their funds?*
2. *Do Sections have adequate internal controls and segregation of duties over their revenues, disbursements, bank accounts and accounting systems?*

3. *Are Sections ensuring compliance with applicable financial related policies?*
4. *Do Sections have adequate controls in place for opening and closing bank accounts and credit cards?*
5. *Do Sections have adequate controls in place for reconciling bank accounts to their financial system/records, including segregation of duties and appropriate reviews?*
6. *Does SBOT have adequate fiscal management policies and criteria for Sections to follow?*
7. *Do Sections have the required composition of leadership members?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Revenues. - Revenue generation activities, collection methods and recording process.
- ✓ Expenditures. - Perform sample testing of expenditures to determine authorization, compliance with policies, and recording accuracy.
- ✓ Financial systems. - Financial systems, databases and spreadsheets used to record Section financial transactions.
- ✓ Financial reporting. – Financial reports generated and distributed to Section members and SBOT.
- ✓ Bank reconciliations. – Bank reconciliation timeliness and review.
- ✓ Compliance with applicable regulations and policies.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Conduct interviews with Section leaders, SBOT section and accounting staff.
- ✓ Review each Section's revenue generation activities for internal controls and compliance with policies. Review processes for receipting and recording revenues for adequate internal controls and segregation of duties.
- ✓ Review each Section's financial systems, databases or spreadsheets used and processes to record financial transactions for adequate segregation of duties.
- ✓ Review each Section's processes to record financial transactions for adequate segregation of duties and compliance with policies.
- ✓ Review each Section's leadership composition for compliance with policies.
- ✓ Perform sample testing of revenues to determine authorization of the revenue generation activity, compliance with policies, recording accuracy and recording timeliness.
- ✓ Perform sample testing of expenditures to determine authorization, compliance with policies, and recording accuracy.

- ✓ Perform sample testing of bank reconciliations for completeness, accuracy, review and timeliness. Review outstanding transactions for timely clearing and/or research.
- ✓ Perform sample testing of financial reports provided to Section members and SBOT for completeness, accuracy and timeliness.
- ✓ Deploy electronic surveys to Section leaders to determine process compliance and internal controls.

Information Technology (High Risk)

Information technology (IT) rated high on the risk assessment due to the impact on SBOT operations if the network or systems go down or if the systems are compromised. Additionally, a significant amount of confidential and sensitive data is maintained on these systems.

Audit Objective:

MJ will assess management controls and processes in place to protect SBOT's information technology and data. Our audit will address the following questions related to risk, controls, processes and reporting:

1. *Are SBOT's information technology policies comprehensive and enforced to protect the organization?*
2. *Does SBOT's security plan address, and align with, key risk areas of SBOT's IT environment?*
3. *Does SBOT's IT processes, tools and systems protect confidential and sensitive data?*
4. *Are processes in place that would allow SBOT to quickly respond to an incident that compromised confidential and sensitive data?*
5. *Are change management processes in place to ensure that new applications, system updates and patch applications do not negatively impact operations?*
6. *Is an IT strategic plan in place to prioritize IT hardware and software needs?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Security policy administration. – Security policy components; security policy enforcement; employee IT security training.
- ✓ Security plan. – Security plan contents and updates.
- ✓ Data protection. – Processes, tools and systems in place to protect confidential data.
- ✓ Incident response plan. – Incident response plan content; incident monitoring; incident reporting; corrective actions.
- ✓ Information technology strategic planning. – IT strategic plan content, review and updates.
- ✓ Change management processes. – Change management policy; change management program; patch application processes; system development and testing processes.

- ✓ Compliance with applicable statutes and policies.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Conduct interviews with IT staff.
- ✓ Determine if the tools supporting the governance of the cyber security program address key risk areas with updated policy and procedures.
- ✓ Review system access and termination processes.
- ✓ Perform sample testing on user access.
- ✓ Review security plan to determine if it addresses and aligns to key risk areas with SBOT's IT environment.
- ✓ Review the processes/tools/systems used to manage the confidential and sensitive data to ensure risks are effectively addressed.
- ✓ Review the policy, procedures and supporting tools related to the incident response program to ensure risk areas are effectively addressed.
- ✓ Assess the patch management program and ensure it reduces the agency's risk exposure by addressing key patches in an effective manner.
- ✓ Assess the change management program and ensure it reduces the agency's risk exposure by addressing key patches in an effective manner.
- ✓ Review the IT strategic plan to determine if the development was a collaborative process, is updated on a regular basis and provides priorities for funding requirements.

MCLE (High Risk)

The MCLE function rated high on the risk assessment due to their impact on assuring the public is served by individuals that continue to advance their knowledge base through continuing education. The MCLE department's primary functions are ensuring members maintain their minimum continuing education requirements; assessing and collecting fees for member non-compliance with the continuing education requirements and reinstatements; accrediting courses submitted by sponsors and members and assessing fees for the accreditation; reviewing CLE materials for accreditation requirements; and supporting the Minimum Continuing Legal Education Committee of the State Bar of Texas.

Audit Objective:

MJ will assess management controls and processes in place to ensure the MCLE program fulfills their duties of protecting the public through monitoring member compliance with statutory required continuing education requirements. Assess controls in place for assessing and collecting fees. Our audit will address the following questions related to risk, controls, processes and reporting:

1. *Are non-compliance penalties consistently applied to member accounts?*

2. *Are processes in place to ensure member and public accounts are accurate, complete and updated in a timely manner?*
3. *Are course accreditations completed in a timely manner?*
4. *Are processes in place to ensure that member attendance at CLE is reported and recorded to member accounts in a complete, accurate and timely manner?*
5. *Are controls in place to ensure that CLE materials are reviewed thoroughly for requirements and that reviews are documented and completed in a timely manner?*
6. *Are adequate internal controls and segregation of duties in place over member accounts, revenue collection, revenue recording and deposits?*
7. *Is the course accreditation process effective and efficient?*
8. *Are processes in place to ensure the MCLE website is accurate, updated in a timely manner and user friendly?*
9. *Are reports and information generated for the Minimum Continuing Legal Education complete, accurate and timely?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Member accounts. – Recording CLE activity, recording penalties, recording updates.
- ✓ Sponsor and member course accreditation. – Accreditation review process, fee assessment and collection.
- ✓ CLE materials. – CLE material review process.
- ✓ Revenue. - Cash handling, including credit cards and checks.
- ✓ MCLE website. – MCLE content, updates and accessibility.
- ✓ Reporting. – Reporting completeness, accuracy, relevance and timeliness.
- ✓ Compliance with applicable regulations and policies.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Conduct interviews with MCLE staff and Accounting & Finance staff.
- ✓ Review system access and user roles to ensure adequate segregation of duties and audit trails.
- ✓ Review revenue collection, receipting, reporting, deposit and reconciliation processes for adequate segregation of duties.
- ✓ Review process for updating the MCLE website content and monitoring accessibility.

- ✓ Perform sample testing of revenues collected to ensure deposits were made in a complete, accurate and timely manner.
- ✓ Perform sample testing of member records for accuracy and timely updates.
- ✓ Perform sample testing of sponsor and member course accreditations for accuracy, completeness, timeliness, correct updates to accounts and assessment of fees.
- ✓ Perform sample testing of CLE material reviews to ensure reviews were timely and documented.
- ✓ Perform sample testing of reports and information provided to the MCLE Committee for completeness and accuracy.
- ✓ Perform sample testing of MCLE Committee meeting minutes for decision execution.

Investment Reviews (Compliance)

The Texas Public Funds Investment Act (PFIA) requires that agencies who invest public funds conduct a compliance audit of management controls on investments and adherence to the agency's established investment policies by their internal auditor or a private auditor at least once every two years. Historically SBOT has received this independent review on an annual basis.

Audit Objective:

MJ will 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). Our audit will address the following questions related to risk, controls, processes and reporting:

1. *Are investment transactions properly authorized?*
2. *Is there adequate segregation of duties over investment transaction preparation, review, authorization, reconciliation and reporting?*
3. *Are investment instruments in accordance with SBOT's investment policy and PFIA requirements?*
4. *Are investment transactions recorded accurately, completely and in a timely manner?*
5. *Are investment statements reconciled to the financial system in an accurate and timely manner?*
6. *Are investment reports provided to the Audit & Finance Committee complete, accurate and timely?*
7. *Is SBOT's investment policy in compliance with PFIA requirements?*
8. *Are investment officers and Board members obtaining the required investment officer training?*

Audit Scope:

The audit scope will include the following functions:

- ✓ Investment transactions. – Investment purchases, sales, interest, earnings, distributions, authorization and recording.
- ✓ Investment reconciliations. – Investment statement and investment bank account reconciliations to the financial system.
- ✓ Investment reporting. – Investment reports provided to the Audit & Finance Committee.
- ✓ Investment officer training. – Investment officer and board training certificates or assertions.
- ✓ Compliance with SBOT investment policy and PFIA requirements.

Audit Activities:

MJ will perform the following activities for this audit:

- ✓ Review investment statements, investment bank accounts and financial records for unusual transactions.
- ✓ Reconcile investment statements and investment bank accounts to SBOT financial reports.
- ✓ Sample testing of investment transactions.
- ✓ Review investment instruments and concentrations for compliance with SBOT policy and PFIA.
- ✓ Verify investment officer training records.

5.0 THREE-YEAR AUDIT PLAN APPROVAL

This Three-Year audit plan was presented to the State Bar of Texas Audit & Finance Committee and approved on June 12, 2019.

Mr. Jarrod Foerster, Chair