



# **Washington State Bar Association Fiscal Policies and Procedures Manual**

**October 16, 2024**

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## Introduction

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### Purpose

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The WSBA Fiscal Policies and Procedures Manual (Manual) contains all WSBA fiscal policies and procedures. The fiscal policies encompass the rules by which financial transactions are classified and reported. The goal of these policies and procedures is to ensure accountability and regulatory compliance, sound financial management and data integrity practices. The Manual is available to all WSBA employees, Board of Governors and volunteers to promote organization-wide adherence to documented policies and procedures and to abide with standard accounting practices. The fiscal policies herein must be approved by the Board of Governors and all fiscal procedures set forth herein may be updated by the Executive Director and/or Director of Finance from time to time as procedures, information, or Generally Accepted Accounting Principles change.

### Fiscal Year

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The WSBA's fiscal year is October 1 through September 30.

### Basis of Accounting

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During the fiscal year, the WSBA uses a **combination of cash and accrual accounting**. The following items are recorded on a cash basis:

- Bar exam fees
- MCLE fees
- CPF assessment fees
- Miscellaneous revenue (Recovery of Discipline Costs, Diversions, Practice Fees, etc.)
- CLE seminar expenses
- Most other WSBA expenses

The following items are recorded on an accrual basis monthly:

- License fees
- CLE product sales revenue and cost of goods sold
- CLE seminar revenue
- Rent
- Insurance
- Personal Property Taxes
- Most payroll-related expenses
- Credit Card Expenses

WSBA Financial Statements are prepared on an **accrual basis** of accounting. Accrual accounting is an accounting method where revenue or expenses are recorded when a transaction occurs versus when payment is received or made. Therefore, items that may have already been paid and booked as an expense, but for which the corresponding revenue has not been collected or the benefit has not been received, will be moved to "Deferred Costs." Revenue that has not yet been earned will be moved into "Deferred Revenue."

## WSBA's Internal Control System

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An effective internal control system encourages adherence to prescribed policies; promotes operational efficiencies; protects the business assets from waste, fraud, and theft; and ensures accurate and reliable accounting data. The goal of this internal control system policy is to ensure that duties of individuals are separated so that no one person handles an entire transaction from beginning to end.

The broad principles of internal control are:

- Responsibilities should be clearly identified and established, with one person responsible for each task.
- Adequate records should be maintained. Good records are an important means of protecting assets, ensuring that employees follow prescribed procedures, and providing management with reliable information to monitor business operations.
- Assets should be safeguarded, protected and insured.
- To ensure data integrity, staff responsible for accounting records keeping duties shall be separate and distinct from those responsible for maintaining the asset, be it a physical asset or a virtual asset such as credit card information.
- Responsibility for related transactions should be divided. This provides checks and balances for the related tasks (i.e., the work of one employee acts as a check on another).
- Computerized and mechanical devices should be used whenever possible as they reduce the human error and intentional inaccuracy in routine tasks.
- Regular reviews of the system of internal controls should be conducted, to ensure organizational compliance with policies and procedures.

See Chapter 8 for more details on the WSBA's internal control policies.

## Chapter 1: Key Fiscal Policies

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**Rationale: Key Fiscal Policies are enacted to ensure there is support and rules for operational actions where the fiscal integrity of the WSBA may be at risk. Key Fiscal Policies also intend to ensure a consistent treatment of matters as they relate to fiscal operations of the WSBA.**

### Responsibility for WSBA Finances

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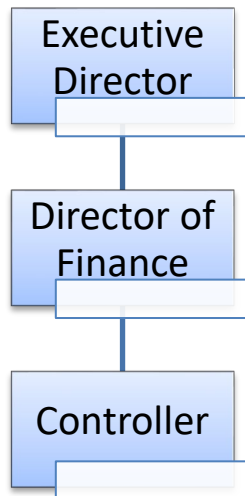
#### Fiscal Management

The Budget and Audit Committee of the Board of Governors oversees budgeting and financial matters of the Bar. The Director of Finance serves on the Budget and Audit Committee and is in charge of the Bar's financial operations.

WSBA management is responsible for producing complete, accurate financial statements. The Finance Department is delegated the responsibility to implement WSBA's fiscal policies by performing the accounting and finance functions for the WSBA.

Department directors are responsible for preparing their department/cost center budgets, monitoring their monthly financial statements, reviewing back up for accuracy, collecting revenue or receivables related to their cost centers, approving expenses, and enforcing the WSBA's expense policies. These tasks may be delegated to others, but department directors are ultimately responsible for the fiscal issues related to their departments.

The structure of the Finance Department is set forth below (these positions are referred to throughout the Manual):



#### Board of Governors

With ultimate responsibility for the fiscal health of the WSBA, the Board of Governors approves or sets all *significant* fiscal policies. The following policies are deemed to be significant and must be approved by the Board of Governors:

- Budget and Audit Committee Charter (Chapter 1)
- Approval of the Fiscal Responsibilities Matrix (Chapter 1)
- Budget Policies (Chapter 1)
- Selection of Independent Auditors (Chapter 1)
- Investment Policy (Chapter 2)
- Resolution Authorizing Banking Relationships (Chapter 2)
- Unrestricted and Restricted Fund Balance Policy (Chapter 4)
- General Expense Reimbursement Policy and Philosophy (Chapter 6)
- Purchase of Alcohol for Bar Functions (Chapter 6)
- Expense Policies for the WSBA Officers and Board of Governors (Chapter 6)
- Executive Director Expense Policies (Chapter 6)
- Any other policies that may be approved and established by the Board of Governors from time to time to ensure sound accounting principles and good governance

## **Board of Governors Budget and Audit Committee Charter**

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### **Rationale**

The purpose of the Budget and Audit Committee is to take actions as empowered by the Board of Governors and review and make recommendations to the Board of Governors on financial matters of the WSBA as outlined in the Fiscal Responsibilities Matrix as noted in this policy.

### **Composition**

The voting members of the Budget and Audit Committee shall consist of the following: a minimum of two Governors from each class, not to exceed eight Governors, one of whom must be the Treasurer. The President, President-elect, Executive Director and Director of Finance shall serve as *ex officio*, non-voting members of the Budget and Audit Committee. The Board of Governors elects the Treasurer of the WSBA, who also serves as chair of the Budget and Audit Committee and has a vote on the committee.

### **Duties**

#### **Annual Budget and Long-Range Financial Planning**

1. Review and revise drafts of the WSBA's annual budget and recommend approval of a final budget to the Board of Governors.
2. Review long-range financial projections and the revenues, including member license fees, needed to meet long-range needs. Make recommendations to the Board of Governors for increases in license fees when necessary.
3. Recommend to the Board of Governors as needed timely forecasts for the year including annualized impacts of unforeseen matters to the current budget.
4. Review and deliver fiscal analysis of any unbudgeted programs or projects sanctioned by the Board of Governors throughout the Fiscal Year

#### **Approvals**

1. Approve expenditures within limits and parameters set forth in this policy as well as the Fiscal Responsibilities Matrix.

#### **Financial Reports**

1. On a monthly basis, review the interim management financial reports and report highlights, key information, major variances from budget, and any concerns of the Board of Governors. Recommend corrective action as needed.
2. Review the preliminary year-end management financial reports and report results compared to budget to the Board of Governors.
3. Review status and performance of investments per the WSBA Investment Policy.

#### **Annual Audit**

1. Recommend to the Board of Governors the engagement of the independent auditors to perform the annual audit of the WSBA's financial statements.
2. Meet annually with the independent auditors to receive their report on the audit of the financial statements and review their recommendations for improvements on internal controls.
3. Recommend to the Board of Governors the engagement of independent auditors/ to perform other reviews, when deemed appropriate.

#### **Recommend Significant Financial Policies**

1. Recommend to the Board of Governors the WSBA's Investment Policy.
2. Recommend to the Board of Governors the WSBA's Fiscal Policies.

### **Quorum**

A quorum shall consist of a simple majority of the voting members.



## **Budget and Audit Facilities Advisory Subcommittee Charter**

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### **Purpose**

The purpose of the Facilities Advisory Subcommittee is to advise the Budget and Audit Committee on issues related to the WSBA's facility needs (i.e., lease or ownership of real estate to meet WSBA operational needs). The Subcommittee shall seek to examine how efficiently WSBA facilities are being used, how much revenue is being generated through the use of buildings and equipment, track the condition of assets and suggest adequate funds to be earmarked for replacement or repair so as to avoid unexpected expenses for which funds may not be readily at hand from current revenue. The Facilities Advisory Committee is an advisory sub-committee only and has no decision-making authority.

### **Composition**

The voting members of the Facilities Advisory Subcommittee and associated terms are as follows:

- Treasurer (chair/1-year term);
- Executive Director (permanent member);
- Director of Finance (employee liaison/permanent member);
- Two members of the Budget and Audit Committee (1-year term)

The Facilities and Advisory Subcommittee shall endeavor to seek guidance and counsel from experts in the area of Real Estate when considering key matters as defined by the Chair. These areas of expertise include but are not limited to:

- No fewer than three representatives from the real estate industry with experience in one or more of the following (2 year terms):
  - Real estate law (i.e., real estate attorney)
  - Commercial real estate brokerage,
  - Commercial real estate appraisal
  - Commercial construction management
  - Architecture and/ or space planning
  - Commercial real estate lending

### **Conflict of Interest**

No voting member of the Facilities Advisory Committee will be eligible for any business contract or other business arrangement with the Washington State Bar Association relating to any matter that is within the scope of the Subcommittee's activities, so as to avoid any conflict of interest. No former voting member of the Facilities Advisory Subcommittee will be eligible for any business contract or other business arrangement with the Washington State Bar Association relating to any specific transaction or proposed transaction that was considered by the Committee while that person was a voting member.

All voting members of the Facility Advisory Subcommittee will be bound by the Board of Governors Conflict of Interest policy as amended.

### **Appointment Process**

The Treasurer, Executive Director, and Director of Finance shall serve as *ex officio* members. The members of the sub-committee shall be appointed from current members of the Budget and Audit Committee by the Treasurer. The representatives from the real estate industry shall be appointed by the President (the terms shall be staggered so that each President appoints at least one member during his/her term).

## **Activities**

### **WSBA Facilities Strategy**

1. Define and periodically review the facilities needs of the WSBA.
2. Identify key facilities decisions to be taken over a 10-year period and relevant market factors.
3. Review current and future estimated real estate market conditions and analyze how these conditions may affect the WSBA's decisions in connection with the ownership and/or lease of real estate.
4. Review proposed options and provide recommendations for dealing with end-of-lease and other transition issues, such as, for example, whether to renew the existing lease or look for new space and considerations relating to relocation of WSBA offices and other functions.
5. Twice a year the advisory committee will update the Budget and Audit committee with any matters related to facilities.

### **WSBA Facilities Reserve Fund**

1. Periodically review the balance in the Facilities Reserve Fund and analyze whether such balance is prudent and adequate in relation to identified needs and decisions, current market conditions, future market projections, time remaining until the end of current lease, etc.
2. Make recommendations as to target Facilities Reserve Fund balances at future points in time and suggest strategies and/or funding policies for meeting those targeted balances.

### **Quorum**

A quorum shall consist of a majority of the voting members.

## **Fiscal Responsibilities Matrix**

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The objective of the Fiscal Responsibilities Matrix is to set forth levels of authority that will be followed by the WSBA to promote transparency and appropriate internal controls. The Fiscal Responsibilities Matrix should also assist in providing an efficient management structure, and appropriate oversight of the Bar's financial activity.

### **Executive Director**

According to WSBA bylaws, the Executive Director is responsible for managing the office and activities of the Bar under the direction of the Board of Governors, with power to employ and compensate employees within limits of the budget. In terms of managing the budget, the following guidelines shall apply (Note: approval authority may be exercised or delegated to the next higher authority at the discretion of the decision-maker):

**Authority:** The Executive Director is authorized to establish deposit and credit relationships, withdraw WSBA funds from banks, sign checks, and invest excess cash. Signatory authority may be delegated to any department director(s) except the Director of Finance.

The authority to make bank deposits, invest funds in accordance with the Investment Policy, and transfer funds between established accounts may be delegated to the Director of Finance and appropriate accounting and finance employees following sound internal control practices.

**Executive Director Approves (Note: Executive Director may delegate approval authority to Directors or other employees as appropriate):**

- reimbursement requests – may reject or modify requests to comply with expense policies,
- service and program fees, including,
  - advertising rates

- fees for copies of the WSBA's public records
- fees for sale of member contact information
- sales price of the *Resources* directory
- sales price of CLE and WSBA publications
- sales price of other WSBA merchandise
- miscellaneous fees
- adjustments to employee salaries within the aggregate approved budget dollars,
- in-kind contributions of WSBA to the Washington State Bar Foundation,
- grants to WSBA, including negotiations of administrative fees,
- approving and reporting to the Board of Governors about certain unbudgeted expenses, including reallocations of budgeted expenditures where the intent is similar or varies slightly; unbudgeted expenditures that are fully offset by unbudgeted revenue or a reallocation of budgeted expenditures up to 5% of the approved operating budget to address operational, regulatory or programmatic needs; and necessary and prudent expenditures to implement WSBA's Disaster Recovery Plan or to maintain WSBA's operations. Per occurrence limit is \$215,000.00. Reallocations may not affect the annual budget's bottom line. The Executive Director must report reallocation of funds to the President on a monthly basis and to the Board on a quarterly basis. It is expected that the Executive Director will consult with the President on reallocations that may be considered sensitive or controversial in nature, prior to execution.
- supplemental budget requests from sections that exceed 25% of the section's annual expense budget or \$1,000, whichever is greater,
- binding the WSBA to future expenses, as in contracts and agreements, for budgeted or operational expenses,
- engagement of independent auditor selected for the up to six-year period, annually; or may initiate the selection of the competitive bid process,
- fiscal policies, where indicated in the specific policy.

In the event of an emergency and when it is not feasible to get the approval of the Budget and Audit Committee or the Board of Governors, the Executive Director and/or Treasurer shall have the authority to approve expenditures that are necessary and prudent in order to keep the WSBA operational in the case of an emergency (e.g., if the WSBA's computer network crashed or an event which triggers the established disaster recovery plan). These expenditures may be beyond the capital or operating budgets and may or may not impact the WSBA's reserves. The Board of Governors shall be immediately notified by the Treasurer or Executive Director when expenditures of this nature are authorized.

#### **Treasurer**

Chairs the Budget and Audit Committee, is authorized to establish deposit and credit relationships, withdraw WSBA funds from banks with a dual signature, and sign checks.

#### Reviews/Approves:

- Executive Director's credit card charges, reports of expenses, payroll reports, and fringe benefits (quarterly)
- Year-to-date vendor payment listing as part of the monthly financial statements review

#### **MCLE Board**

#### Recommends to the Board of Governors:

- all MCLE fees for failure to comply with the MCLE rules and to defray the reasonably necessary costs of administering APR 11 (APR 11(d)(2)(v)), including:
  - MCLE accredited sponsor annual fees (APR 11(j)(7))
  - MCLE sponsor activity application fees and late fees (APR 11(g)(1))
  - MCLE comity fees (APR 11(c)(6))
  - MCLE compliance late fees (APR 11(i)(4))

#### **CLE Committee**

#### Recommends to the Board of Governors:

- Expenditures from the CLE reserve fund
- Adjustments to the standard CLE seminar registration fees

**Personnel Committee**

Recommends to the Budget and Audit Committee:

- Adjustment to employee compensation policy.

Recommends to the Board of Governors:

- Compensation of the Executive Director

**Client Protection Board (APR 15 Reg. 6)**

Approves:

- gifts up to \$25,000 per applicant

Recommends to Board of Governors:

- gifts over \$25,000 per applicant

## **Budget & Audit Committee**

Reviews the long-range financial projections and the revenues, including member license fees, needed to meet long-range needs.

### Approves:

- Approving and reporting to the Board of Governors about certain unbudgeted expenses, including, reallocations of budgeted expenditures where the intent is similar or varies slightly; unbudgeted expenditures that are fully offset by unbudgeted revenue or a reallocation of budgeted expenditures over 5% and up to 10% of the approved operating budget to address operational, regulatory or programmatic needs; and necessary and prudent expenditures to implement WSBA's Disaster Recovery Plan or to maintain WSBA's operations. Per occurrence limit is \$430,000.00. Reallocations may not affect the annual budget's bottom line.
- Business Recovery Plan
- Fiscal policies, where indicated in the specific policy.

### Recommends to the Board of Governors

- Bar application and admission fees for all license types (APR3(i)(B), APR5(a)(1))
- Bar license fees for all license types (WSBA Bylaws Art. 3 Sec. 1, APR 12(f)(3), APR 28I.(3))
- Client Protection Fund assessment
- The annual budget and subsequent adjustments over 10% of approved operating budget.
- Adjustments to the compensation plan (based on recommendation from Personnel Committee)
- Fiscal policies, where indicated in the specific policy
- Investment policy
- Adjustments to the standard CLE seminar registration fees
- Unbudgeted expenditures from reserve funds
- Engagement of the independent auditors for other reviews, when deemed appropriate

### Reviews:

- Monthly financial reports, including revenue and expenditure patterns; reports significant variances to Board of Governors
- Reports of the independent auditors

Oversees the process of selecting an independent accounting firm to perform the annual audit, at least once every six years, and makes a recommendation to the Board of Governors.

## **Board of Governors**

### Elects the Treasurer

#### Approves/Sets:

- The annual budget and the following adjustments:
  - Appropriation requests for expenditures from the unallocated contingency budget
  - Unbudgeted expenditures over 10% of operating budget
  - Any changes to the bottom line arising from a reallocation or reforecast
  - Expenditures from reserve funds, in accordance with reserve policies
  - Fiscal policies, where indicated in the specific policy
- Investment policy
- Banking authorities
- Keller deduction to license fees
- Gifts from the Client Protection Fund (CPF) over \$25,000 per applicant
- Long-term leases for WSBA office space or equipment
- Election of independent audit firm
- Compensation of the Executive Director
- Standard CLE seminar registration fees
- law clerk program application fees (APR 6(b)(4))

#### Approves and Sends to the Supreme Court for Information:

- law clerk program enrollment fees (APR 6(d)(1))
- all MCLE fees for failure to comply with the MCLE rules and to defray the reasonably necessary costs of administering APR 11 (APR 11(d)(2)(v)), including:
  - MCLE accredited sponsor annual fees (APR 11(j)(7))
  - MCLE sponsor activity application fees and late fees (APR 11(g)(1))
  - MCLE comity fees (APR 11(c)(6))
  - MCLE compliance late fees (APR 11(i)(4))

#### Approves and Sends to the Supreme Court for Review:

- Bar license fees for all license types (WSBA Bylaws Art. 3 Sec. I, APR 12(f)(3), APR 28I.(3))
- Bar application and admission fees for all license types (APR 3(i)(B), APR 5(a)(1))
- Licensed legal intern application fees (APR 9(d)(3))

#### Recommends to the Supreme Court:

- CPF assessment

#### Reviews/Accepts:

- Quarterly financial reports
- Reports of the independent auditors

## **Supreme Court**

### Information:

- law clerk program enrollment fees (APR 6(d)(1))
- all MCLE fees for failure to comply with the MCLE rules and to defray the reasonably necessary costs of administering APR 11 (APR 11(d)(2)(v))

### Reviews for Reasonableness (GR 12.2(b)(22)):

- license fees for all license types

### Reviews ("subject to review by the Supreme Court"):

- Bar application and admission fees for all license types (APR 3(i)(B), APR 5(a)(1))
- Licensed legal intern application fees (APR 9(d)(3))

Approves:

- CPF assessment

WSBA FISCAL MATRIX	ED	TREASURER	B & A	BOG	S. Court
License fees for all license types	Recommends		Recommends	Sets	Reviews for reasonableness
CPF assessment	Recommends		Recommends	Recommends	Approves
Keller deduction to license fees	Recommends		Recommends	Approves	
Bar application & admission fees for all license types	Recommends		Recommends	Approves	Subject to Review
Legal intern fees	Recommends		Recommends	Approves	Subject to Review
Law clerk program enrollment fees	Recommends		Recommends	Approves	Information
Law clerk program application fees	Recommends		Recommends	Approves	
Annual Budget	Recommends		Recommends	Approves	
Expenditures from unallocated contingency in budget	Recommends		Recommends	Approves	
Expenditures from reserve funds	Recommends		Recommends	Approves	
Unbudgeted expenditures offset by unbudgeted revenue, or reallocation of budgeted expenditures where the intent is similar or varies slightly, which do not affect the annual budget's bottom line	Up to 5% of approved operating budget – up to \$215,000 per occurrence – must notify President and report to the Board		Over the ED approval Level Up to 10% of annual operating budget – up to \$430,000 per occurrence - must report to the Board	Unlimited	
Changes to annual budget's bottom line	Recommends		Recommends	Approves	
Supplemental Sections budget requests (over 25% of the Sections expense budget or \$1,000 whichever is greater)	Approves				
Check Requests/Expense Reports	Approves within parameters of fiscal policies	Approves Expense Reports Exceptions to policy		Approves overall expense policies	
Staff compensation policy/salary adjustments	Approves salaries within adopted comp. policy			Approves overall WSBA comp. policy. Approves annual budget.	
Executive Director compensation		Reviews/approves ED expenses/FBs	Personal Committee recommends	Approves	
MCLE fees under APR 11			(MCLE Board recommends)	Approves	Information
Adjustments to standard CLE seminar fees	Recommends		(CLE Committee recommends)	Approves	
Service & program fees: ad rates, copies, member contact info., publications, merchandise, and misc.	Approves				
Gifts from CPF			Client Protection Board approves up to \$25,000/applicant)	Approves +\$25,000/applicant	
Grants to WSBA	Approves				
In kind contributions by WSBA	Approves				
Long term leases for WSBA office space and other real estate	Recommends		Recommends	Approves	
Future obligations for budgeted or operational expenses	Approves				
Business Recovery Plan	Recommends		Approves		
Fiscal Policies	As per special policy		As per special policy	As per special policy	
Investment Policy	Recommends		Recommends	Approves	
Banking authorities	Recommends		Recommends	Approves	
Engagement of independent auditors (up to 6-year period)	Engages as selected by BOG		Recommends	Approves	
Emergency expenditures (Disaster Recovery Plan/maintain WSBA Ops)	Approves	Approves			



### Overall Philosophy

WSBA financial statements are important documents both to individuals inside and outside the organization. The budget is a tool that lays out a financial plan for the coming fiscal year and it is also a guide to action for all WSBA employees. The Budget will help guide decision making and provides a way for direct oversight to WSBA Fiscal activities. The Budget is a statement of the values of the organization as well as a financial document as it is a tangible expression of WSBA's real priorities. WSBA's managers are guided by the organization's strategic plan, but various departments, programs or purposes are in competition for the organization's limited resources and the outcome of that competition is determined by where the funds are actually allocated. Budgets invariably create incentives and disincentives that will affect the behavior of managers, staff and volunteers.

Additionally, it gives WSBA staff direction on how and where to invest its resources. In order to be a useful tool, the budget cannot be a rigid document that can never be amended, it can and should be amended if necessary through the reforecast process with adequate oversight and directions. The budget can be amended by the Board of Governors, Budget and Audit Committee or Executive Director via decisions made under this Fiscal Policy as well as the Fiscal Responsibilities Matrix.

WSBA should budget revenues and expenses as accurately as possible. Revenues should be realistic, but not overly conservative. Expenses should be estimated not on remote possibilities, but rather on historical spending patterns and actual planned expenses. There should be some flexibility in the budget to allow for contingencies and necessary adjustments. Variances to the budget (over or under) are to be expected and will be reported to the Budget and Audit Committee through the review of the monthly financial reports throughout the fiscal year.

WSBA fiscal policies recognize the difference between controllable and uncontrollable expenses and will seek to hold managers and staff accountable accordingly. Individual departments or programs may be credited with or charged with revenues and expenditures attributable to them, but a manager can only be held responsible for line items under his/her/they/them control. Managers should be able to make recommendations for significant variations from the budget where and when it faces uncontrollable vagaries and make mid-year corrections as needed.

The WSBA should prepare an annual budget and establish its budget by function ("cost center") insofar as practical to permit subsequent cost-benefit analysis. The budget should be transparent so it is easy for the Board of Governors and members to see how the WSBA is spending its money.

Generally, as much as possible, WSBA budget shall be separated into three broad sections: (1) an operating budget: tracks all revenues and expenditures, (2) a capital budget: concerns the purchase, leaseholds or disposal of long-term physical assets, such as buildings and equipment; (3) Cash Flow: tracks the flow of cash during the year whether related to operating or capital activities.

WSBA budgets shall be structured to accommodate Cost Centers (committees, boards and other entities) and Profit Centers (CLE divisions). The budget for each cost center should include its revenues, its direct expenses, and its share of the WSBA's overhead (indirect) expenses. By knowing the total cost of each program or function, the Board can make policy decisions about which programs should be supported by member license fees, which programs should be self-supporting, and which programs should generate revenue for other WSBA functions or programs.

The revenue and costs associated with specific program areas; committees, boards and other entities; and other activities should be grouped into cost centers in order to further the Board's ability to make such policy decisions.

More specifically, that shall include, but is not limited to, all revenues and expenses (direct and indirect) being presented in separate cost centers for: (1) the Board of Governors; (2) the Executive Director; (3) the LLLT program; (4) the LPO program, and (5) all Supreme Court boards and committees

The only allocation of full-time employee units to the Board of Governor cost center shall be the direct time of any administrative staff among whose primary purposes is to assist the Board. The full cost of the position of Executive Director shall be reflected in its own cost center without allocation to any other cost center and shall include the direct time of any administrative staff among whose primary purposes is to assist the Executive Director. Both the Board of Governors cost center and Executive Director cost center shall be allocated their pro-rata share of enterprise expenses in accord with standing practices.

WSBA's operational needs, taking into account the strategic plan and goals, shall guide the budget process. The budget process shall provide an opportunity for the board of governors to provide direct oversight over WSBA spending and priorities.

### **Procedure for Long-range Forecasting and Planning**

The Director of Finance should prepare long-range forecasts, prior to the annual budgeting process to get an indication of the parameters around the upcoming annual budget; and whenever requested by the Board of Governors, usually for planning for license fee increases and as part of the long-range planning process.

WSBA should annually update its long-range financial plan to anticipate the needs of the Bar and so that, if increased funds become necessary, the Bar can plan logically and in advance on what additional funding will be required to meet such needs

### **Procedure for Annual Budgeting Timeline/Process**

The budgeting process begins in April for the coming fiscal year (October 1 – September 30). An official calendar will be prepared by the Director of Finance and presented for approval to the Budget and Audit Committee prior to the start of the budget process.

The Director of Finance requests budgets from each Department Director, Section Chair, and liaison to the WSBA's various committees and boards. These individual budgets are compiled by the Controller and reviewed by the Director of Finance and the Executive Director.

The Director of Finance and Budget and Finance Manager meet with department directors, employees, section leaders, etc. to conduct a thorough review of all budgets and comparison of budget figures to historical and year-to-date fiscal information.

The Budget and Audit Committee reviews drafts of the entire WSBA budget (general fund, CLE, CPF, and sections) in June, July, and August, and provides guidance where necessary.

The Board of Governors reviews a preliminary budget in July and approves the final entire WSBA budget at its last meeting of the fiscal year (September).

If deemed appropriate from an operational perspective, a budget reforecast process may be executed in late Quarter 2.

## **Capital Budget**

The capital budget forecasts capital purchases anticipated in the coming fiscal year that are over \$2,500 and have a useful life over 1 year (the depreciation for which is included in the expense budgets prepared by the WSBA Controller). In addition, Capitalized IT hours are a part of this budget. Capitalized Hours require to be tethered to an ongoing approved capital project or must be included and identified in any newly submitted project. The Board of Governors reviews a preliminary capital budget in June and approves the final capital budget with the entire WSBA budget at its last meeting of the fiscal year (September).

### **Capital Budget Procedure**

A capital budget is prepared each year as part of the annual budget process. The Capital Budget is prepared by the Controller in collaboration with Department Managers.

## **Cash Flow Budget**

Quarterly a cash flow forecast will be prepared by the WSBA Controller to anticipate the timing and amount of cash and liquidity needs of the WSBA for the current quarter and the excess funds available for longer - term investments.

### **Procedure for Additional Budget Requests**

Department directors, committee/board employee liaisons, or section leaders who anticipate a need for funds in excess of their approved budget should make a request to the Director of Finance, indicating the additional amount requested and the purpose of the additional funds. (Note: Sections are required to obtain approval from the Executive Director for any unbudgeted expense which totals either 25% or more of the section's annual expense budget or \$1,000 (whichever option is greater) – see Chapter 10 for details.) This request will be handled according to the Fiscal Responsibilities Matrix.

### **Procedure for Ongoing Program Review**

WSBA should anticipate both new initiatives and planning for potential termination or decreased funding for some older programs, depending on relevance for and needs of WSBA. WSBA should maintain a scheduled program review process for all non-regulatory WSBA programs.

## **Procedures for Financial Reporting**

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### **Monthly (Interim) Financial Reporting**

WSBA should have accurate interim financial reports so that over-expenditures are less likely when the fiscal year ends and so that corrections may be made in mid-year. Interim financial reports should be consistent with final year-end financial statements and prepared with similar governing principles. Below are the financial reports generated by Finance department employees. The format and level of detail provided in the financial statements are subject to modification as needed.

#### Monthly Financial Summary

Each month, the Controller produces a summary of the year-to-date budgeted (original and amended- *if applicable*) and actual revenue and expenses for the general fund (by cost center), CLE, CPF, and sections (total of all sections) and fund balance information. This report is usually available after the tenth working day of the following month, except at year-end when the closing process is 2-3 months. The Controller provides the report to the Executive Director and department directors; it is also provided to the Budget and Audit Committee and Board of Governors with the

## Monthly Summary Reports by Cost Center/Section.

### Monthly Cost Center/Section Summary Reports

The Controller prepares year-to-date detailed financial reports for each cost center/section. These reports show the cost center/section's annual budget or Reforecast, actual monthly revenue and expenses, year-to-date actual revenue and expenses, and year-to-date remaining budget. Monthly Cost Center/Section Summary Reports are usually distributed after the tenth working day of the following month to each person responsible for a cost center/section (e.g. department director, Section Chair, and other designated employees). They are also provided to the Budget and Audit Committee and Board of Governors on a regular basis (the months that correspond to their meeting schedules).

### Monthly Detailed Reports by Cost Center/Section

In addition to the monthly financial summaries, each person responsible for a cost center/section (e.g., department director, Section Chair, and other designated employees) is provided with reports showing the detail of posted transactions. These detailed reports should be reviewed for **accuracy** (report any adjustments, reclassifications, corrections or questions to Finance) and **comparison to budget** (report the reason for significant variations from budget or trends of interest to the Director of Finance). Any questions about the amount of an income or expense item, the category in which it is recorded, or any other concerns, may be addressed to the Controller or Director of Finance.

### Key Financial Benchmarks

The Controller prepares a percentage comparison of key figures (revenue, indirect, and direct expenses for the general and CLE fund) of the current fiscal year's actual year-to-date activity with the percentage of the year completed and the prior year percentage. It also includes additional comments regarding where employees expect to be in terms of budget by year end and any additional information that helps explain large variances. This report is provided to the Executive Director and department directors on a monthly basis with the internal financial statements.

### Year-to-date Vendor Payment Listing

The Controller prepares a year-to date vendor payment listing that shows total payments made by vendor over \$10,000. The report will be provided to the Executive Director after the tenth working day of the month, consistent with the completion of the monthly financial statements. Additionally, on a quarterly basis, the Director of Finance will provide this report to the Treasurer for review.

### **Tracking and Accounting for Budget Amendments**

1. Budget Amendments (where bottom line is changed– BOG approval required):
  - Tracked on a separate list.
  - Appropriate expense line amended according to BOG decision  
The bottom line of the budget will be amended to reflect amendments made to the budget by the BOG during the year, so that financial statements compare actual to amended budget figures rather than original budget figures.
2. Reallocations of budgeted expenses to other line items:
  - Track any reallocations approved by the Executive Director, Budget and Audit or BOG on a separate sheet.

### **Quarterly Financial Reporting**

On a quarterly basis, the Director of Finance will, if circumstances require, prepare a summary of budget amendments, reallocations, important financial issues, and explanations of significant budget to actual differences for the Executive Director, Budget and Audit Committee and the Board of Governors.

**Annual Financial Reporting**

The WSBA's annual audited financial statements are prepared by independent auditors. The WSBA Controller prepares the final year-to-date internal financial statements with detail for each cost center (see explanations above).

**Selection of Independent Auditors**

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An annual audit of the Washington State Bar Association's financial records shall be performed by an independent accounting firm for the purpose of expressing an opinion on the Association's financial statements for the fiscal year.

At least once every six years the Association shall undertake a formal process of seeking competitive bids from several qualified accounting firms for performing the annual audit. The Budget and Audit Committee will oversee this process, interview final candidate firms, and make a recommendation to the Board of Governors. The Board of Governors shall make the final selection.

During the six-year period, the Executive Director is authorized to engage the firm so selected for each year's annual audit, or to initiate a competitive bid process prior to the end of the six-year period.

## Chapter 2: Assets

### Authorization of Banking Relationships

The Board of Governors will authorize banking relationships as needed (e.g., when there is a new Executive Director). Signatures cards with the bank are updated when there are changes in staffing or Treasurers. Below is the standard generic template generally used by WSBA. This resolution is used in conjunction with a letter from the Executive Director naming individuals holding the positions noted in there solution:

#### **RESOLUTION AUTHORIZING BANKING RELATIONSHIPS**

WHEREAS, it is necessary and prudent for the Washington State Bar Association to establish and maintain a number of banking relationships for the purposes of depositing, managing and investing WSBA funds; and

WHEREAS, it is necessary and prudent for the Washington State Bar Association to establish and maintain certain credit relationships for the purposes of purchasing goods and services;

NOW, THEREFORE, BE IT RESOLVED:

That the Treasurer or Executive Director of the Washington State Bar Association are hereby authorized to establish both deposit relationships and credit relationships necessary to conduct WSBA business; and

That the Treasurer, Executive Director, and \_\_\_\_\_ are authorized as signers on any deposit relationship in order to withdraw funds of the WSBA; and

That the Executive Director, Director of Finance, and the Controller are authorized to invest excess balances, in accordance with the Investment Policy; and

That the Executive Director, Director of Finance, Controller, and their designees, are authorized to make deposits and transfers in established accounts.

Approved by resolution of the Board of Governors on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
xxxxx, President

ATTEST:

\_\_\_\_\_  
xxxxx, Executive Director, and  
Secretary to the Board of Governors

## **Investment Policy**

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### **PHILOSOPHY**

The WSBA's funds have historically been invested exclusively in cash, cash equivalents and debt instruments. Although this provides a high degree of safety, the returns received are low and have not always kept up with inflation. The Board of Governors believes it is prudent and in the best interest of the WSBA and its membership to hold a diversified portfolio of investments that allows funds to be invested in a manner that is consistent with cash needs of the organization while meeting its investment objectives. The WSBA's funds are invested in cash, cash equivalents, debt instruments, and equities.

The investment policy was modified in March 2007 to allow for the investment of a portion of the funds held by the WSBA in the broader market (beyond items such as Certificate of Deposits and Bonds, into the equities market) while at the same time maintaining a pool of short-term investments to meet anticipated needs over the next 12 month period. Investing in the broader market involves a greater degree of investment risk, therefore only that portion of the funds that is not needed to meet the short-term needs may be invested in such markets.

WSBA's approach is to invest in a portfolio that includes stocks, cash, bonds, real estate, and other classes of assets. Funds selected should focus on providing for the long-term growth of the principal investments. The investment strategy is to maximize total return while preserving principal. Returns on investment include total interest, dividends, and appreciation in the value of the funds. Annually, WSBA may decide to withdraw from the fund/investment and transfer to operating funds for expenditures that year. Any additional investment returns are reinvested in the principal, enabling it to grow.

### **OBJECTIVES**

The primary investment objectives of the Washington State Bar Association are:

- Preservation and safeguarding of the principal amount invested;
- Maintenance of liquidity to meet operating cash flow needs; and
- Maximization of return consistent with the above two objectives.

At least quarterly, balances shall be monitored and compared to cash flow needs so that funds may be invested promptly upon receipt in order to meet the primary investment objectives. It is expected that investments in debt instruments or time deposits will be held to maturity, and therefore funds that are allocated to those investments should be invested so that they mature when cash is expected to be needed for operations.

### **AUTHORITIES**

Annually, the Board of Governors will review and make any necessary changes to their resolution authorizing banking and investment relationships that designates who is authorized to:

- Establish deposit relationships;
- Make deposits and transfers in established accounts;
- Invest excess balances and reinvest funds at maturity or when otherwise available from one investment vehicle to another; and
- Deposit proceeds of maturing or sold investments into appropriate interest-bearing accounts.

Investments are made under the prudent investor standard applicable to fiduciaries under the provisions of RCW 11.100.020, with judgment and care under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment,

considering the probable safety of their capital as well as the probable income to be derived.

In making investments, the following factors shall be considered:

- The probable income as well as the probable safety of the investment;
- Marketability of investments;
- General economic conditions;
- Length of the term of the investments; and
- The WSBA's projected liquidity needs for both the short-term (next twelve months) and the long-term (over one year).

## **PORTFOLIO CONSTRUCTION**

The assets of WSBA may be held or invested in cash or cash equivalents, governmental and corporate fixed income securities, and equities. WSBA's total portfolio shall be comprised of the following:

1. A portion of the assets not to exceed the Board-designated general fund Facilities Reserve ("long-term portfolio") shall be invested in accordance with the prudent investor standard.
2. The balance of the assets ("short-term portfolio") shall be kept in cash, cash equivalents, auction rate securities, or fixed income securities having maturity dates that are consistent with the time frames for the anticipated liquidity needs of WSBA.

## **INVESTMENT GUIDELINES**

### Equities

- U.S. Common Stocks
- U.S. Convertible Notes and Bonds
- U.S. Convertible Preferred Stocks
- American Depository Receipts (ADR) and American Depository Shares (ADS) of Non-U.S. Companies
- No-Load Mutual Funds that invest in securities allowed in this investment policy and which have annual operating expenses of less than one percent (1%)
- Auction Rate Securities with a minimum rating of A or better

### Cash Equivalents

- Treasury Bills
- Money Market Funds with a Moody's rating of A or better
- Commercial Paper issued by corporations rated A1 by Standard and Poor's or P1 by Moody's
- Banker's Acceptances issued by domestic banks rated A1 by Standard and Poor's or P1 by Moody's
- Certificates of Deposit issued by any U.S. bank that meets all the regulatory reserve requirements and minimum capital requirements, and which are insured by the FDIC or the National Credit Union Administration, up to the federally insured amount.



### Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds, rated AA by Standard and Poor's or Aa by Moody's.
- Mortgage-Backed Notes and Bonds

### Combined Funds

- Investments in conservative or moderate growth and value funds which invest in established companies both domestically and internationally and select Government and Corporate Bonds

### General Guidelines

Quantitative guidelines for investments will be made at the time of selecting the investment in accordance with this policy and with consideration given to the three Objectives stated above. Decisions regarding investments should only be made after consultation with professional investment advisors who have reviewed the WSBA Investment Policy. Appropriate amounts based on the percentage of the available funds will be made at the time of investment and will be supported by a cash flow analysis prepared by the Director of Finance and must be approved by the Budget and Audit Committee.

## **MANAGEMENT AND MONITORING OF PERFORMANCE**

### Investment(s)

The WSBA may engage one or more fee-for-service investment managers and delegate individual investment decisions to such investment managers within the guidelines of this statement and the specific direction of the Budget and Audit Committee. A qualifying investment manager must be a registered investment advisor under the Investment Advisors Act of 1940. The selection and allocation of funds to individual investment managers will be made by the Budget and Audit Committee. The Director of Finance and/or Controller shall work with the investment managers in implementing the investment strategy.

The Budget and Audit Committee and Board of Governors must approve any significant changes in the investment strategy. In the event the WSBA's investment managers recommend an immediate change in strategy that creates the need for a time-sensitive decision to be made, the Director of Finance has the authority to approve the investment manager's suggested strategic change. Prior to granting such authorization, the Director of Finance shall consult with the Executive Director (or acting E.D.) and/or Treasurer, and if neither of them are available then the President, President-elect, or Immediate Past-President in that order. The Budget and Audit Committee shall be notified of such changes as soon as practicable.

### Reporting

A report will be prepared at the end of each month listing the investments held, and which shall state the maturities and rates of return of any fixed income securities. This report will be included in the monthly financial statements and provided to the Budget and Audit Committee and the Director of Finance for review, and provided to the Board of Governors at each meeting. Additionally, the Controller will prepare an investment update at the end of each month that will report on the long-term portion of the portfolio. This will be provided to the Budget and Audit Committee and the Board of Governors at each meeting.

### Performance Reviews

The Director of Finance, the Controller, the Treasurer, and one or two current Budget and Audit Committee members (collectively, the "Investment Subcommittee") shall monitor the performance of the investment portfolio. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are

consistent with the investment philosophy, objectives, and guidelines set forth in this policy. The Investment Subcommittee will meet with the investment advisors as necessary, provide reports to the Budget and Audit Committee at least quarterly, make decisions with the investment advisors on changes in investment, and recommend changes in the overall investment strategy.

## **GENERAL**

### Safekeeping

Investment assets may be held in street name or in safekeeping at the commercial or investment bank handling the transaction, on behalf of the WSBA.

### Application

This policy applies to all investment funds, including those of the Client Protection Fund, WSBA sections, and any other state Bar entity.

### Updating of Policy

This policy will be reviewed annually by the Budget and Audit Committee and the Director of Finance.

## **Account Structure**

WSBA maintains its funds in two types of accounts Operational Accounts (Checking and Savings Accounts) and Investment accounts (various). These accounts from time to time will change as required to conduct business or to improve current investment positions. Any account changes must be consistent with this Investment Policy and approved by the Budget and Audit Committee.

### Checking/Savings Accounts

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The Bar currently maintains the following checking accounts:

- Wells Fargo general checking account;
- Wells Fargo Zero-balance payroll account, linked to the general account;
- Wells Fargo Client Protection Fund checking account;

### Investment Accounts

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The WSBA currently maintains the following investment accounts:

- Morgan Stanley money market account
- Merrill Lynch money market account
- UBS money market account
- Wells Fargo money market account
- Wells Fargo, Morgan Stanley, UBS, and Merrill Lynch - various individual investments (commercial paper, CDs, auction rate securities, etc.)
- Morgan Stanley money market account (CPF)
- Wells Fargo money market account (CPF)

## **PETTY CASH**

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The WSBA maintains several petty cash boxes for varying purposes (reimbursing employees for small dollar- amount expenses, providing change to employees collecting cash receipts, etc.). Access should be limited to only those persons authorized to handle petty cash. The WSBA's authorized petty cash boxes are as follows:

## 1. Finance Division Petty Cash

The Finance Division maintains the WSBA's primary petty cash for the purpose of paying for expenses **\$30 and under**. Ideally, the amount of petty cash on-hand is no less than \$50 and no more than \$800.

An employee requesting reimbursement from Finance's petty cash:

- Completes a Petty Cash Form;
- Obtains his/her department director's or their designee's signature on the form as approval; and
- Takes the form to the Senior Bookkeeper (AP) (or another Bookkeeper or the Controller, if the Senior Bookkeeper (AP) is not available) during the designated hours for Petty Cash service; and
- Initials the form upon receipt of the cash.

The Senior Bookkeeper (AP) initials the form, pays the cash, and puts the initialed Petty Cash Form in the petty cash box. The Finance Division's petty cash is kept in a box in a locked cabinet in a fireproof box. The keys to the cabinet are accessible only by the Bookkeepers and the Controller.

The Controller, while being observed by the Finance Division employees, audits the petty cash on a regular basis. Any discrepancies must be reported to the Director of Finance. Petty cash is replenished monthly or as needed by the Senior Bookkeeper (AP) by preparing a Check Request, which is approved by the Controller or Director of Finance.

## 2. Office of Disciplinary Counsel Petty Cash

The Office of Disciplinary Counsel (ODC) has a petty cash box for the purpose of reimbursing ODC employees for expenses **\$50 and under** (e.g., litigation expenses, supplies, court documents, employee travel, misc., etc.). Ideally, the amount of ODC petty cash on hand is no less than \$100 and no more than \$500. An employee requesting reimbursement from ODC's petty cash:

- Completes a Petty Cash Form;
- Obtains the ODC director's or their designee's signature on the form as approval;
- Takes the form to the ODC Department Administrator; and
- Initials the form upon receipt of the cash.

The ODC Department Administrator initials the form, pays the cash, and puts the initialed Petty Cash Form in the petty cash box. ODC's Department Administrator controls the box, keeping it in a locked drawer for safekeeping.

Finance Division employees periodically audit the ODC petty cash box. Any discrepancies must be reported to the Controller or the Director of Finance. Petty cash is replenished as needed by preparing a Check Request, which is approved by the appropriate person in ODC.

## 3. Temporary Change Boxes

A few times each year, other departments draw from the Finance Division's petty cash; generally, in amounts less than \$200. It is used for making change for the sale of small items. For example, CLE may need a temporary change box during a bookstore sale, or Admissions may need to sell small items at the bar exam. The change box and all receipts collected are returned to Finance at the end of the day/session, with copies of each sales transaction to account for receipts collected.

## Procedures for Bank Account Reconciliation

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### Responsibility for Reconciliation and Timing

WSBA's checking accounts are reconciled by an employee who does **not** have the ability to prepare or sign checks (this includes the Controller, bookkeepers, Director of Finance, and check signers). Generally, the Senior Accountant and Budget Analyst is a good candidate. Currently, the Senior Accountant and Budget Analyst is the primary person responsible for reconciling the bank statements.

The hard copy monthly Wells Fargo bank statements are delivered to the person reconciling the bank statements **unopened**. This ensures that there is no tampering with the statements or accounts. Electronic copies of statements are provided for all bank accounts and may be used in lieu of the hardcopy.

Each statement should be reconciled by the 20th working day of the month that the statement is received, with the exception of the year-end closing which prevents the reconciliations for October and November from being performed until late December or early January.

### Reconciliation Report

The reconciliation process involves matching all deposits and payments recorded in WSBA's books to the bank statements. If errors or discrepancies between the bank and WSBA's accounting systems are noted, they should be documented on the reconciliation report. Copies of the completed reconciliation reports are given to the Controller, who is responsible for researching and correcting any errors or adjustments, and the Director of Finance. Any questionable activity, such as a check that has been altered or forged, is documented and the information is presented to the Director of Finance **the same day** that the activity is located.

### Procedure for Outstanding Checks/Unclaimed Property

WSBA will establish and follow unclaimed property procedures in accordance with Washington State laws. During the monthly bank reconciliation process, all outstanding checks will be identified. The Senior Bookkeeper (AP) will identify all checks that are over three months old and verify with the bank that the check has not been cashed, voided, or had a stop payment put on it between the last day of the previous month and the date of the bank reconciliation. The Senior Bookkeeper (AP) will follow up on all remaining checks outstanding over \$75 by sending an initial due diligence letter to the payee. If no response is received within three months of the date of the initial letter, a final due diligence letter will be sent to the payee. If no response is received within three months, WSBA will hold the check in accordance with the Washington State Department of Revenue Unclaimed Property rules, which generally require a three-year abandonment period (see state Department of Revenue rules for reporting periods). After the abandonment period has been completed, the check amount will be included in the annual unclaimed property report (due October 31 of each year) which will be sent to the Washington State Department of Revenue. The original check will be voided in the general ledger and a stop payment will be placed on the check at the bank by the Senior Bookkeeper (AP). A final check will be issued to the Washington State Department of Revenue along with the annual report before the October 31 deadline.

## **Procedure for Accounts Receivable**

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Generally, the Bar requires that customers pre-pay for WSBA products and services. The exceptions where WSBA will invoice include:

- *Bar News* advertising
- Government Agencies (including law libraries, courts, schools, etc.) that require an invoice before payment can be made
- CLE seminar registration when someone appears at a seminar believing the fee was previously sent in and, after research, we determine it was not
- ABA reimbursements for employee travel expenses
- Practice management Assistance (PMA) fees for consultations or diversions
- Audit fees related to diversions
- LAP client fees
- Situations where a customer has not paid the full amount owing for a product or service
- Miscellaneous items as needed

### **Procedure for Invoicing**

The requesting department prepares an Invoice Request Form and forwards it to Finance. Finance prepares the invoices and either mails them or returns them to the appropriate employee, as requested. *Finance is responsible for creating invoices for all WSBA departments, unless an exception is approved by the Director of Finance (e.g., Office of General Counsel, Membership Records label orders). No invoices should be prepared and mailed by non-Finance WSBA employees unless specifically authorized to do so.* Generally, payments received for Accounts Receivable balances will be applied to the oldest invoice first.

### **Procedure for Collection Efforts**

Finance prepares a monthly aged Accounts Receivable (A/R) listing and forwards a copy to each applicable department. Each department is responsible for contacting customers with a past due balance. Finance will send out invoice copies or statements as needed. Reasonable collection efforts consist of phone calls, letters, statements or copies of invoices, and possibly the use of a collection agency with approval from the Director of Finance. In certain circumstances, Finance employees will take responsibility for collecting receivables upon agreement between the Director of Finance and the appropriate director. An example of this is the CLE Bookkeeper who collects receivables related to CLE seminars and the A/R Bookkeeper who collects advertising receivables for *Bar News* (see below).

## **Procedure for Bad Debt/Write-Offs**

### Temporary Write-Off (6 months)

When an invoice reaches 6 months past due, it will be written off as bad debt unless there is a reason not to write it off. Any other invoices that directors wish to keep on the books must be communicated to Finance upon review of the monthly A/R listing; otherwise they will be written off once they reach 6 months past due. The Finance employee debits the associated cost center's Bad Debt Expense account and credits the Allowance for Bad Debt account (which goes against Accounts Receivable). The Accounts Receivable still stays on the WSBA's books as an asset; however, the initial revenue has essentially been eliminated through the recording of a bad debt expense.

### Permanent Write-Off (less than 1 year)

Any invoice determined to be uncollectible before one year will be written off. The department responsible for the invoice will provide Finance with a memo including the following information: account name, invoice number, dollar amount, documentation of collection efforts and the reason it is now uncollectible. This memo is signed by the person requesting the write off, approved by the appropriate department director and forwarded to Finance. Finance then will permanently write off the receivable by crediting Accounts Receivable and debiting Allowance for Bad Debts. This entry has no impact on a cost center's expenses, but takes the asset off of WSBA's books.

### Permanent Write-Off (1 year)

For any Accounts Receivable amount that is not collected within one year, Finance will write off the item. This is done by crediting Accounts Receivable and debiting Allowance for Bad Debts. This entry has no impact on a cost center's expenses, but takes the asset off of WSBA's books. At the point this is done, Finance will notify the appropriate director and employee in writing (memo or email) of the permanent write-off.

### Payments Received After Permanent Write-Off

If payment is received after a receivable has been permanently written off, Finance will debit cash and credit the cost center's Bad Debt Expense account (i.e., it shows as revenue offsetting the expense account).

## **Prepaid Expenses**

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Expenses paid in advance are recorded as prepaid expenses (assets). When the service is used, the funds are transferred to the associated expense account. Some examples of the WSBA's prepaid expenses include:

- Deskbooks. While in production, deskbook expenses are charged to the prepaid expense account. Once published, those expenses are transferred to the appropriate deskbook inventory account.
- CLE Seminar Expenses. During the year, expenses related to seminars are booked as an expense when paid (cash basis accounting). At the end of each fiscal year, expenses related to seminars that have not yet been held are transferred to a Prepaid account for the year-end financial statements (accrual accounting).
- Postage
- Insurance
- Property Taxes
- Venue deposits

- Travel and Training
- Seminars

## **Inventory**

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### **Deskbooks**

CLE Publications publishes Deskbooks, which are reference materials on Washington law about specific legal topics. Supplements of existing deskbooks are also published and sold periodically to update the deskbooks. Once a deskbook has been supplemented, it is current as of the date of publication of the supplement. Inventory of deskbooks is stated at lower of cost or market on the first-in, first-out (FIFO) method.

### **Other CLE Products**

WSBA CLE produces coursebooks from prior seminars available for sale to members. CLE acknowledges that its customers have many sources from which to purchase publications and other CLE products such as coursebooks. Therefore, CLE wants every customer to have a positive outcome when purchasing their product. Annually, the Controller in collaboration with the cost center manager will review existing publications to ensure that only publications with value are still being offered for sale and they are compliant with the obsolete inventory policy.

### **Returns of CLE Products**

If a customer specifically requests (verbally or in writing via by email or letter) a refund and returns the product within 30 days of shipment and is in a re-sellable condition, the customer will be issued a refund by the method paid (check or credit card). Refunds by check will only be made after verification of collection of the initial check deposited by the WSBA (standard waiting period is 2 weeks). The Education Programs Manager must approve any return of production beyond 30 days from the date of purchase.

If a CLE product is sent in error, WSBA pays the postage for the customer to return it by either reimbursing the customer or having UPS pick it up and bill the WSBA directly. If a customer returns a CLE product for any other reason (e.g., duplicate order, changed their mind, and ordered in error), it is the customer's responsibility to pay for the postage.

### **Obsolete CLE Inventory**

The inventory of deskbooks and supplements will be reviewed annually by the Senior Legal Editor and the Controller to determine which publications, if any, are obsolete; these will be written off. The Chief Communications Officer will document in writing that they have performed this review and state their conclusions that all inventory is current or what amount needs to be written off as obsolete. This process must be completed within 30 days following the fiscal year-end (September 30).

### **Accounting for CLE Coursebook Binders**

The CLE department generally purchases binders in bulk annually to take advantage of volume pricing. The number of binders purchased is based on an estimate of the department's needs for the coming year. The binders are produced as needed by the vendor and shipped to the Bar. A running total of the binders purchased (and remaining) is maintained by the CLE Department.

When the binders are purchased, the amount is charged to the binders inventory account. When the binders are received and assembled by the Bar, the amount is debited to the associated seminar and credited to the binder inventory.

## Property, Equipment, and Depreciation

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### Cash vs. Leasing

It has been WSBA's practice to pay cash for furniture and equipment, as opposed to leasing. On occasion, the WSBA will rent furniture or equipment for very short-term use.

### Depreciation

The Bar Association capitalizes furniture and equipment with:

- A purchase price over \$2,500; and
- A useful life of more than 1 year.

The WSBA uses straight-line depreciation for those times.

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets, generally three to ten years. Depreciation expense for fixed assets which benefit all of the WSBA are is charged to indirect expenses. Depreciation for fixed assets which benefit a select few cost centers is charged only to those cost centers (e.g., CLE, Limited Practice Officers, MCLE, Discipline).

### Completing the Physical Inventory

A physical inventory of furniture and equipment (fixed assets) is completed on a periodic basis, ideally annually but no less than every three years. When the physical inventory is completed:

- A report of all fixed assets is generated;
- The furniture/equipment is physically compared to the information on the report; and
- Missing items are noted, researched, and written off, if necessary.

### Sale of Fixed Assets

A form is completed by the WSBA employee supervising the sale of furniture or equipment and submitted, along with the payment, to Finance. The form will include the purchaser's name, address and phone number, the item being purchased, inventory tag number (if any), item price, sales tax and any other pertinent information.

### Write-off/Disposals of Fixed Assets

On an annual basis, the Finance team will review the current listing of fixed assets and determine if there are items that require write-off or disposal. Any changes shall be incorporated into the WSBA's annual personal property tax report filing.



## Computer Software Development

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### Accounting for costs of computer software developed or obtained for internal use

The development of computer software for internal use can be done either by outside vendors, or by WSBA employees. The costs incurred in the development stage are capitalized and depreciated on a straight-line basis over the useful life of the software, in accordance with generally accepted accounting principles.

Internal use software is defined as software that is acquired, internally developed, or modified, solely to meet the WSBA's internal needs; and during the development or modification, no substantive plan exists or is being developed to market the software externally.

If, after the development of internal use software is completed, WSBA decides to market the software, proceeds received from the license of the computer software, net of direct incremental costs of marketing, are applied against the carrying amount of that software.

The development of software follows various stages. Costs incurred in development are capitalized; other costs are expensed, as follows:

Preliminary project stage (costs are expensed):

- Conceptual formulation of alternatives
- Evaluation of alternatives
- Determination of existence of needed technology
- Final selection of alternatives

Application development stage (costs are capitalized):

- Design of chosen path, including software configuration and software interfaces
- Coding
- Installation to hardware
- Testing, including parallel processing phase

Post-implementation/operation stage (costs are expensed):

- Training
- Application maintenance

Further guidance can be found in AICPA Statement of Position 98-1.

### Procedures

WSBA programmers keep track of their time spent on software development using the WSBA time keeping system. Specific categories are established for significant software development projects (minor software development is not tracked due to immateriality.) The Director of Finance makes the determination of whether a new time keeping sub-category is required.

Salaries and benefits of programmers are initially expensed as incurred through the normal accounting procedures used for all employees. In order to capitalize the development costs, the Accountant makes a monthly journal entry to reclassify the software development costs from salary and benefits to a "work in progress" asset account so that the cost may be capitalized and depreciated when complete.

The IT Director notifies the Accountant when a software development project is complete and placed in service and determines what the useful life of the project is. The Accountant then moves the total cost to a fixed asset account and begins depreciating the asset over its useful life.

The IT Director will ask outside vendors to bill their time so that development stage expenses are clearly differentiated from preliminary and post-implementation costs. Development stage costs paid to outside vendors are also capitalized, and amortization begins when the project is placed in service.

The IT Director shall promptly notify the Accountant when software development projects which have been recorded in the "work in progress" account are cancelled. The Accountant will then reverse the amounts to salaries and benefits expense.

## **Chapter 3: Liabilities**

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### **Accounts Payable**

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#### **Trade Accounts Payable**

During the year, WSBA does generally have a running balance in the Accounts Payable account. Expenses are paid on a recurring (weekly or bi-weekly depending on volume) basis as they come in to Finance. At the fiscal year-end, any expenses related to the fiscal year are accrued as Accounts Payable.

### **Procedures**

#### **Check Security**

All checks are issued in sequential numerical order. All checks are accounted for; and checks that are voided are noted for account reconciliation. Blank checks are stored in a locked cabinet. A small supply of checks is stored in a fireproof safe on site to be used in case of disaster or emergency.

#### **Payments – General Guidelines and Procedures**

##### Approval of Check Requests and Expense Reports

Check Requests or invoices must be approved by the Executive Director or his/her designee, subject to review by the Treasurer on request. The Executive Director has delegated signature authority in varying dollar amounts to department directors, who in turn have granted authority to certain employees for limited dollar amounts related to their areas of responsibility. See WSBA's List of Authorized Signers. Once the necessary approvals have been obtained, the Check Request is sent to the Senior Bookkeeper (AP) for payment.

##### Method of Payment for Check Requests and Expense Reports

The WSBA pays its expenses via check or EFT. Exceptions to this include payments made by petty cash or the following payments that are paid directly from the WSBA's checking account to the vendor and do not require advance approval (due to adequate controls in the process):

- Rent made by automatic withdrawals by the landlord;
- WSBA Visa payments made by automatic withdrawals from Wells Fargo;
- Federal tax deposits made by ADP (comes out of WSBA's checking account);
- Payroll checks to employees made by direct deposit (comes out of WSBA's checking account);
- Retirement, Deferred Compensation, and sales tax payments made via ACH (comes out of WSBA's checking account); and
- Postage meter refills made by automatic withdrawals from the USPS.

##### Check Processing Procedures

All invoices, grant payments, and expense reports are entered and submitted through PN3 (Accounts Payable processing system). The information provided in the system includes electronic copies of back-up documentation and general ledger coding. System users are set up in the PN3 system with permissions based on their specific role, including whether or not they can approve invoices, dollar limits for those who can approve, and to whom invoices should be routed for approval after submission. PN3 tracks the items submitted and approval dates. On a weekly basis, the Senior Bookkeeper (AP) reviews the data for accuracy, reasonableness, general ledger coding, and back-up documentation. Once the information is complete, the Senior Bookkeeper (AP) runs a data upload from

PN3 into Navision for all items that have been approved for payment and issues checks from Navision.

Fixed asset, ACH payments, Client Protection Fund payments, and customer refund requests are reprocessed in Navision. For those, the Senior Bookkeeper (AP) stamps the requests with the date received at the A/P desk, reviews the documents for reasonableness and accuracy, and verifies the calculations. Any questions or minor adjustments are given back to the employee submitting the request; other problems or questions should be promptly reported to the Controller or Director of Finance.

The petty cash is available for employees want to receive the reimbursement less than \$30. For all other requests, the following general procedures for check processing are followed:

- Senior Bookkeeper (AP) does review and approval for processing of all invoices and expense reports in the PN3 system by Friday of each week. Fixed asset, inventory invoices and customers refunds are also entered in Navision by Friday of each week.
- Checks are printed on Fridays and are given to the check signer(s) by the following Monday morning for signature.
- Checks are typically mailed no later than Wednesday of the week of signing. (Note: When a holiday falls on a Monday, the checks may not be signed by Tuesday morning, in which case the checks might be mailed/delivered on Thursday).

#### Incorrect Check Requests or Expense Reports

Occasionally, the Senior Bookkeeper (AP) notes errors, inconsistencies, or requests that do not comply with WSBA reimbursement policies. The Senior Bookkeeper (AP) is not authorized to make changes to amounts in PN3. The Senior Bookkeeper (AP) will send invoice notes in PN3 to the requester for any changes. If there is disagreement about a correction, the Controller or Director of Finance will be notified and resolve the issue.

#### Rush Checks

Check Requests and Expense Reports should be approved and processed timely but from time to time it will be necessary to obtain a check sooner than the one-week turn-around time. Checks that need to be processed outside the normal time frames must be approved by the Executive Director or the Deputy Executive Director with sufficient time allowed for the Finance Department to process the invoice and produce the check. Rush checks should be used judiciously and for good reason. Approved rush Check Requests should be given to the Senior Bookkeeper (AP) for processing. If the Senior Bookkeeper (AP) is not available when the request is dropped off at the A/P desk, the person requesting the rush check shall email both the Senior Bookkeeper (AP) and the Controller to let them know that a rush Check Request has been submitted. If the Senior Bookkeeper (AP) is out of the office or busy, the Senior Bookkeeper (AR) or the Controller will process the rush check. Rush checks will be processed in 24 hours but issuance of the check may vary depending on signatory availability.

### **Payments to Vendors**

#### Responsibility for Payment

Each invoice from a vendor is distributed to the WSBA employee associated with the expenditure, who reviews the invoice for accuracy and determines if the associated service/product was received to the satisfaction of WSBA. The employee codes it to the appropriate general ledger account, and submits the invoice through PN3. Subsequently the invoice is then routed to their manager for approval.

#### Duplicate Invoices

Payments should be made based on original invoices, not duplicates or monthly statements. The Senior Bookkeeper (AP) should always verify in the accounting system that payment has not been previously made to the vendor, volunteer, or employee for that invoice/expense. If a duplicate payment is discovered the

Senior Bookkeeper (AP) will reach out to the vendor and offer evidence of payment and cancel the duplicate invoice.

#### Discounts & Timely Payments

WSBA's policy is to take advantage of any discounts available (such as 2% net 10) for prompt payment. WSBA also makes every attempt to avoid penalties and finance charges, such as those assessed if payment is made 30 days after the date of the invoice. Employees are responsible for submitting invoices for payment in a timely fashion. Continued violations of this policy may result in disciplinary action.

#### Problems with Invoices or Vendors

If an employee who originally received a vendor invoice finds that it is **not** correct or if the WSBA is **not** satisfied with the associated service or product, he/she shall attempt to resolve the problem with the vendor in a timely fashion. If the problem is not resolved within 30 days, the employee should consult with the Director of Finance. If an invoice is being held, pending resolution of a problem, the Senior Bookkeeper (AP) must be notified in case he/she is contacted by the vendor. The Senior Bookkeeper (AP) may, in consultation with employees, resolve issues with vendor invoices or statements.

#### Vendors & Vendor Review

Only one vendor should be set up for each company/person. If a company changes its address, the address should be changed for that vendor. If a company is purchased by another company, a new vendor will be set up. For vendors with more than one mailing address, a separate vendor card will be set up for each address. At least annually, the Senior Bookkeeper (AP) shall review the vendor list for duplicate or inactive vendors.

Periodically, vendors regularly used by WSBA should be reviewed to ensure WSBA is getting competitive pricing. Examples include vendors of computer supplies, office supplies, equipment, etc. It is the Bar's policy when seeking vendors to provide a major product or service, WSBA submits Requests for Proposal to several vendors to ensure that the WSBA is receiving competitive bids.

#### **Reimbursement of Expenses for Volunteers and Employees**

See Chapter 6: Expenses.

#### **Accrued Vacation & Comp Time**

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WSBA employees accrue vacation and sick leave on a monthly basis according to the length of their employment. Non-exempt employees may earn comp time for approved hours worked over 40 hours in a work week. Employees track their work time and leave time in an electronic timekeeping system. Accruals of paid leave are generated by the ADP electronic time keeping system. WSBA records as a liability the accrued balances of leave time that will be paid out upon the termination of any employee (currently those categories are vacation and comp time).

Each quarter, the Controller provides the Accountant with a detailed report by person indicating the total amount of vacation and comp time accrued. The Accountant computes the amount of the liability based on each person's actual hourly rate, then makes a journal entry for the difference between the current quarter-end liability balance and the amount on the books in the liability account (to bring the G/L up or down to the current liability amount).

## **Chapter 4: Fund Balance**

The fund balances, or net assets, of the Washington State Bar Association (WSBA) are the difference between assets and liabilities. Fund balances are either unrestricted or restricted. The Board of Governors may designate, and has designated, portions of the WSBA's unrestricted fund balance for specific purposes. Annually during the budgeting process, the Budget & Audit Committee shall review all fund balances, determine if funds allocated to the various reserves should be adjusted taking into account the goals and purposes of each fund, and make any recommendations for adjustments to the Board of Governors.

### **UNRESTRICTED RESERVES**

#### **GENERAL FUND RESERVES**

The General Fund supports the majority of the WSBA's work, including regulatory functions and most services to members and the public. General Fund reserves are funded by the annual operating income of the WSBA. Use of the General Fund reserves is approved by the Board of Governors, usually planned as part of the annual budget, and is reflected in any annual net loss incurred by the WSBA.

It is fiscally prudent to maintain reserves to support operations in the event that an unanticipated loss occurs. Therefore, unless recommended by the Budget & Audit Committee and approved by the Board of Governors, the total value of the General Fund Reserves shall not fall below \$2 million dollars.

- 1. Operating Reserve Fund.** The Operating Reserve Fund is a board-designated fund established to cover unanticipated expenses in the event of an emergency. As of September 2022, the Operating Reserve Fund shall be \$2.0 million. Any use of this fund shall be recommended by the Budget and Audit Committee and approved by the Board of Governors.
- 2. Facilities Reserve Fund**

The Facilities Reserve Fund is a board-designated fund established to support future facilities needs such as an office move or refurbishment of existing office space or preparation for the purchase of operational real estate. It is expected that the fund's value will increase as the WSBA gets closer to lease completion. To determine the level of reserve funds needed for a future move or refurbishment, the Budget and Audit Committee shall seek the guidance of the Facilities Subcommittee of the Budget and Audit Committee to assist in setting the facilities reserve fund balance goal no later than 5 years prior to the end of the WSBA's lease.
- 3. License Fee Stability Fund**

The License Fee Stability Fund is a board-designated fund established to assist with stabilization of license fees over time. The fund may be used to offset revenue shortages during a budget cycle in lieu of raising license fees. Any usage of the fund should be designated in the budget and approved by the Board of Governors. The minimum balance of this fund shall be determined annually. The Executive Director will work with Budget and Audit to prepare a recommendation to the Board of Governors.
- 4. Special Projects and Innovation Fund**

The Special Projects and Innovation Fund is a board-designated fund established to provide funding for the development of new and innovative programs, projects or products that support and advance the mission of the WSBA. The minimum balance of the fund shall be determined annually. The Executive Director will work with Budget and Audit to prepare a recommendation to the Board of Governors.
- 5. Unrestricted General Fund Balance**

This is the cumulative balance of net assets from General Fund operations not otherwise restricted or designated to any other fund.

**CONTINUING LEGAL EDUCATION (CLE) RESERVE FUND**

The CLE Reserve Fund is a board-designated fund that serves as an operating reserve in the event CLE suffers an unanticipated financial loss. The CLE reserve is funded by the annual operating income of the CLE Seminars and Products operations. Reserves may be used to cover any net loss or extraordinary costs or technology upgrades. The CLE Fund shall remain a part of the WSBA assets and, as such, is subject to the superintendence and control of the Board of Governors.

**SECTIONS FUND**

The Sections Fund is a board-designated operating reserve fund for the WSBA sections, consisting of the cumulative balance of net assets of all sections. Separate ledgers will be maintained for each section, making up the total for the Section Fund.

## **RESTRICTED RESERVES**

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### **CLIENT PROTECTION FUND (CPF)**

In 1995, the Washington State Supreme Court and the WSBA created the Client Protection Fund (CPF). The purpose of this restricted fund is to relieve or mitigate a loss sustained by any person due to the dishonesty of, or failure to account for money or property entrusted to, any member of the WSBA in connection with the member's practice of law, or while acting as a fiduciary in a matter related to the member's practice of law. The CPF fund receives a mandatory annual assessment from each active lawyer and LLLT member of the WSBA. The difference between revenues and expenses of this fund each year results in the CPF restricted fundbalance.



## **Chapter 5: Income**

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### **License Fees**

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#### **Setting License Fees**

Mandatory member license fees, paid annually, are the WSBA's largest source of revenue. License fees are set by the Board of Governors and reviewed for reasonableness by the Washington Supreme Court. There is a tiered scale with different rates based upon status, and the member's original admittance date in any Bar. License fees are paid for the calendar year as contrasted to WSBA accounting which is based on Fiscal Year.

#### **Revenue Recognition of License Fees**

License fees are recognized ratably over the applicable calendar year membership period. Accordingly, fees collected during the WSBA's fiscal year that relate to the fourth quarter of the calendar membership period are included as deferred revenue in the financial statements.

#### **Overpayments/Underpayments**

Payments received in excess of the amount owed or are less than the amount owed will be handled in accordance with the overpayment/underpayment procedures.

#### **CPF Assessment**

The CPF assessment is mandatory for all active members. It is voluntary for inactive members; therefore, if the CPF assessment is paid by an inactive member, it is considered a voluntary donation.

#### **Refunds of License Fees and CPF Assessments**

Refund of license fees are controlled by Article III, Section I.4 of the WSBA Bylaws.

#### **Procedure for Deposits/Incoming Receipts**

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#### **General Procedures for Handling of Payments/Income Receipts**

The WSBA Mail Room employee sorts the incoming mail. Two people sort the mail opening those pieces addressed to WSBA or to an employee who routinely receives payments. The Mail Room employee gives all payments received via mail to the Finance Division. There are some payments that might be collected by someone other than Finance employees, including:

- Walk-in payments collected by the front desk;
- Payment information faxed or emailed to an employee;
- Payments taken over the telephone or by email by the Service Center;
- On-site CLE registrations collected at the door;
- On-site non-CLE registrations/fees collected at the door;
- Bar exam on-site sales;

- LAP client counseling payments;
- Office of Disciplinary Counsel payments for recovery of discipline costs; and
- Reimbursements from members of the Board of Governors or other boards/committees that are submitted directly to an employee reconciling the expenses related to a particular event.

Items received from any source other than the mail must be forwarded to Finance employees for inclusion in the counting process the **same or next day**. Payments received on site at a WSBA event will be forwarded to the Finance Division the **first day the employee returns to the office** to ensure timely processing.

Employees should place checks or payment information in the Finance lockbox (located outside the Controller's office) when Finance employees are unavailable to receive them (e.g., after the daily deposit is made or after hours). Finance employees will check the locked box at the end of each workday and secure the payments for processing the next day. **For security reasons, employees should not place payment information in inter-office mail, in Finance employees' in-boxes, or on Finance employees' desks.** During hours that the office is closed all forms will be stored in a locked location.

WSBA maintains three lockboxes for the placement of payments/order/credit card information: (1) in Finance, (2) in the Service Center, and (3) in EOD/CLE. Finance maintains keys to the lockboxes.

Finance will process the forms in Personify and white out or black out the credit card information. In some instances (such as licensing A1 forms, bar exam applications, MCLE submittal forms), the documents are scanned and then passed onto the appropriate department, which is then responsible to store the documents in a secure locked location. In other instances (such as CLE seminar registration and product orders), the documents are scanned; then stored safely in Finance until they are destroyed at fiscal year-end.

#### **Specific Procedures for Handling Payments Received by Non-Finance Employees**

Note: In the procedures set forth below, the term "properly delivered to Finance" means either (a) hand-delivered to an employee in Finance (not via inter-office mail nor placed in an inbox or on someone's desk), or (b) placed into the Finance lockbox (located outside the Controller's office). It is critical that all credit card information be immediately secured.

#### **Procedure for Walk In Payments**

**Receptionist** – When a payment is received at the front desk the information will be put into a secure locked location until an Finance employee picks it up.

**On-site CLE registration, non-CLE registration, product orders and other services forms collected off-site** – Program Coordinators and other CLE employees will keep payments and order forms in a bank deposit bag that will be stored in a secure locked location. Once back at the office, the payment and order form will be promptly and properly delivered Finance.

**Other CLE orders** – Other payments received by CLE (e.g., product orders) shall be placed in the EOD/CLE lockbox. CLE employees will properly deliver the orders to Finance for processing.

**Other** – The form will immediately be properly delivered to Finance.

#### **Procedure for Payment received via Mail**

All forms received by Production that contain credit card information, will be properly delivered to Finance.

If Production passes the forms onto another department besides Finance, then that department must store the forms in a secure locked location until they are properly delivered to Finance. If the forms are copied before being passed onto Finance, then the copies must have only redacted credit card information.

### **Procedure for Payment via Phone**

Payments via phone are not permitted.

WSBA has implemented an electronic credit card (CC) payment system for licensing payments and other regulatory services payments. Due to PCI compliance and the risk of personal information being compromised we are avoiding collecting CC information outside of the prescribed system.

### **Procedure for Redacting credit card information**

Occasionally some CC payments will come in outside of our CC system. In that case it's imperative to protect CC Information so CC information must be redacted by following the process below.

After processing the credit card information, it will be marked out with black marker or white correction tape. If a copy is made of a form prior to the credit card information being processed, then the copies must have credit card information redacted.

### **Procedure for Payment received via Email**

Due to security concerns, receiving payments via email is not recommended. When the Service Center receives credit card payments by email, they shall print the email and put into the Service Center lockbox. A Finance employee will pick up the documents from the lockbox twice a day. The email will be permanently deleted by the end of the day received.

Credit card information received by employees outside of the Service Center will be placed in a secure locked location until properly delivered to Finance. The email will be permanently deleted immediately.

### **Procedure for Payment via Fax**

Payments via fax are not permitted.

### **Deposits**

#### Finance Department Cash/Check Processing Procedures

Payments from the Mail Room are added to payments received that day or the previous day from other sources. The payments are processed by at least two people in the Finance Division (so there is dual **control**) as follows:

- Verifies that each payment matches the amount listed on the associated source document (order or registration form);
- Sorts the payments by bookkeeper;
- Endorses the back of each check using a bank stamp;
- Places the following information on each set of source documents: the date of deposit, check number, and amount;
- Runs adding machine tapes for the payments and the source documents;
- Gives the source documents to the appropriate bookkeepers for processing;and
- Deposits the cash and checks into the bank by 4:00pm.

#### Credit Card Processing Procedures

WSBA accepts Visa, MasterCard, and American Express for the purchase of all fees, products and services.

*Orders Received by Mail, Fax, Email or Phone* – Finance collects all credit card payments each day from the multiple sources listed above. They are sorted at the end of each day and given to the appropriate bookkeepers for processing the following morning. The credit card information is entered into Personify along with the order information. The credit card is processed that night by the credit card company (the authorization and charge to the card occurs in one step). Security procedures for the protection of credit card information are noted above in the section “Specific Procedures for Handling Payments Received by Non-Finance Employees.”

*Orders Received Online* - Customers pay for all online orders via Personify with a credit card. Personify processes the credit card automatically and securely stores the information in compliance with data security processing standards.

### **Procedure for Processing of Source Documents**

The bookkeepers make every attempt to process payments the same day they are received. However, during periods of high volume (licensing season), it may take up to three to five working days to process incoming monies. The bookkeepers use the source documents and payment information to process the receipts in either Personify or Navision, whichever is most appropriate (the majority of payments are recorded in Personify; then imported to Navision at the end of the month; however, certain types of payments are processed directly in Navision).

Once the source documents are processed and balanced to the deposits, they are forwarded to the responsible department along with a copy of the posted journal. The receiving department is responsible for reviewing the documents for accuracy, and ensuring the receipt was posted to the proper account. The source documents and journal copies are kept in an organized manner and accessible should any questions arise and be retained as per the retention schedule. Finance scans the documents after they have processed them.

### **Returned Checks/Declined Credit Cards**

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#### **Procedure for Returned Checks**

Checks may be returned to the WSBA by the bank for non-sufficient funds (NSF), "Account Closed," improper endorsement, or other reasons. Generally, those checks were accepted by the WSBA for payment of fees, products, or services.

As returned checks are received from the bank, Finance credits the cash account and debits Accounts Receivable. If an NSF check has been presented only once, Finance may try re-depositing the check. If the check has been presented twice or has been returned for reasons that would prevent it from being re-deposited, Finance will take further action including phone calls and letters. Outstanding items are reviewed on a monthly basis to determine any further action. Finance will notify the proper employees for further collection efforts.

If the payment was for license fees or status changes, and it is still uncollected, Finance works with the Licensing Lead for further collection efforts. If the payment remains uncollected, the member may owe the penalty amounts or may be suspended for non-payment of dues.

If the payment was for the Bar Exam, Admissions is notified and depending on the timing, the applicant may not be approved to sit for the exam or may not have his/her results released until the funds have been received.

#### **Procedure for Declined Credit Cards**

If a credit card charge is declined or the credit card number is invalid, the order is cancelled in Personify and Finance employees will contact the customer to get a new credit card number or an alternate form of payment. In the event a credit card is declined where the event has happened or the customer has picked up the product, Finance will invoice the customer for the amount owing and send a cover letter with the invoice.

## **Overpayments and Underpayments**

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Occasionally, WSBA receives payments that differ from the amount owed for the product or service. Below is how overpayments and underpayments are handled:

### **Overpayments**

#### \$ .99 or Less

Overpayments of \$.99 or less will be accepted, as is, without any refund efforts. The overpayment amount is credited to the appropriate income account under the cost center for that product or service. Refunds up to \$.99 overpayments will be made only upon the payer's request.

#### \$1.00 or More

For overpayments of \$1.00 or more, the order is processed as usual, with the overpayment amount credited to the appropriated income account under the cost center for that product or service. The amount of the overpayment is automatically refunded to the purchaser by the Finance division. As overpayments are received, the bookkeepers submit the refund paperwork to the Controller for approval.

### **Underpayments**

#### \$4.99 or Less

Underpayments of \$4.99 or less will be accepted, as is, without any other collection efforts. The underpayment amount is charged against the appropriate income account under the cost center for that product or service.

#### \$5.00 or More

For underpayments of \$5.00 or more, the applicable department is made aware of the underpayment and the department employee may request an invoice from Finance for the amount owed. In some instances (e.g., CLE products and seminars), the customer is automatically invoiced by Finance.

### **Procedure for Refund of Income**

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All refunds shall be approved by the department requesting the refund. Approved refund requests are submitted to Finance for processing. A customer refund is handled in the same way in which the payment was received.

#### Credit Card Refunds

For example, a customer who paid by credit card will be refunded by credit card. If the order was initially processed in Personify, it will be refunded through Personify. If the order was processed online (CLE bookstore or MCLE website), it will be refunded directly through Verisign, the online credit card processor.

#### Refunds by Check

If a payment was originally made by check, WSBA will write a check for the refund. Refunds by check will only be made after verification of collection of the initial check deposited by the WSBA (standard waiting period is 2 weeks).

### **Deferred Revenue**

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#### **Deferred Seminar Revenue**

Seminar registration fees are recognized as revenue in the year in which the related seminars are held. Deferred seminar revenue relates to fees collected for seminars to be conducted in subsequent years.

## **Recovery of Discipline Costs under Rules for Enforcement of Lawyer Conduct**

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### **ELC 13.9 Costs and Expenses**

Pursuant to ELC 13.9 *Costs and Expenses*, the WSBA may assess costs and expenses to a lawyer at the conclusion of the disciplinary process. The WSBA Office of Disciplinary Counsel (ODC) seeks costs and expenses at the conclusion of formal cases that result in discipline, or when an Admonition becomes final. In resolving cases by Stipulation [ELC 9.1(b)(4)] ODC generally "adjusts" (with approval of the Disciplinary Board or Hearing Officer) the presumed expenses.

"Costs" are certain out-of-pocket expenses (court reporters, service fees, copying costs, hearing officer expenses, etc.) related to a disciplinary proceeding that results in disciplinary action (admonition, reprimand, suspension, disbarment).

"Expenses" are the reasonable charge for attorney fees and administrative costs, and are set at a presumed level, depending on the degree of review required for a matter to become final.

After assessment of costs and expenses, the Supreme Court may enter a monetary judgment [ELC 13.9(f)].

### **ELC 5.3(h)(2) Investigation of Grievance**

Costs and expenses (including a \$500.00 fee) are also allowed under ELC 5.3(h)(2), when a lawyer fails to cooperate in an investigation and a subpoena is issued, although the investigation may not result in disciplinary action.

### **Treatment of Costs and Expenses**

Amounts due to the WSBA for discipline costs and expenses are not recorded as a receivable on the WSBA's books until actually collected due to the uncertainty of collection (even where judgments are recorded). When checks come in from lawyers related to their costs and expenses, they are processed as income under "Recovery of Discipline Costs."

### **Applicability to Limited Practice Officers and Limited License Legal Technicians**

Recovery of discipline costs described above is also applicable to Limited Practice Officers and Limited Licensed Legal Technicians.

## Chapter 6: Expenses

### I. GENERAL EXPENSE REIMBURSEMENT POLICY

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WSBA depends upon and values the time and talent of its employees and volunteers. As a steward of member funds, WSBA asks for employees and volunteers to be fiscally prudent and follow the policy at all times. **WSBA will reimburse: (1) reasonable and prudent, (2) necessary, and (3) appropriately documented, out-of-pocket expenses incurred in connection with WSBA business or meetings, as set forth herein.**

#### A. Scope

This policy applies to all employees and volunteers while engaged in authorized WSBA work, including, but not limited to: the President, President-elect, and Immediate Past-President; Board of Governors; Board of Governors-elect; board, committee, task force, council, and panel members; section officers, executive committees and members; and invited guests. Any items not included herein deemed necessary to conduct the WSBA's business, or that deviate from these policies due to extenuating circumstances, may be approved by the WSBA Treasurer or the Executive Director in accordance with the WSBA Fiscal Matrix.

#### B. Liability

The financial liability of the WSBA to any board, committee, task force, council, panel or section is limited to the funds budgeted (on a line item basis) for it in the current approved budget of the WSBA. If any volunteer, board, committee, task force, council, panel or section (or any one of its members): (1) incurs a liability that is greater than the funds budgeted or otherwise approved; or (2) incurs a liability in excess or outside of the amounts allowed by this policy, such liability will be presented to the Director of Finance who will evaluate for appropriateness. If appropriate the Director of Finance will route to the Executive Director or Treasurer for approval. In the case the expense is not deemed to be reasonable the liability will be the personal obligation of the individual responsible for incurring or authorizing the liability.

#### C. Policy Exceptions

- WSBA ABA Delegate expenses shall be reimbursed a reasonable amount necessary to attend the ABA House of Delegate annual and midyear meetings only, not to include education and social events connected to the ABA Conference and ancillary meetings. Delegates should seek reimbursement from the ABA for approved expenses and seek reimbursement from the WSBA for those reasonable and necessary expenses not covered by ABA policy. The budget for delegate expenses will be contained as separate and distinct line item in the Executive Director Cost Center
- Certain expenses of WSBA Officers, Board of Governors, and the Executive Director shall be reimbursed in accordance with "IV. Expense Policies: WSBA Officers and Board of Governors" and Section "V. Expense Policies: WSBA Executive Director", *infra*.
- Section executive committees may use their discretion: (a) to use section funds to cover group meal expenses for one guest per section member attendee at section events open to all section members, at executive committee meetings and retreats, and at speaker or award dinners; and (b) to pay or reimburse a speaker or award recipient and guest for travel, meals, and lodging in accordance with WSBA expense policies. Group meals are paid for an entire group on one invoice and are not subject to the per diem amounts for individuals under the reimbursement policy. As with all other expenses, group meals are expected to be reasonable.

#### D. General Guidelines for Reimbursement Requests

1. WSBA will not reimburse expenses that are reimbursed from another source.

2. WSBA will not reimburse expenses incurred by spouses, domestic partners or guests (hereafter collectively referred to as “guest” or “guests”), except as identified in Section I.C above.
3. In accordance with IRS requirements, any person seeking reimbursement from WSBA shall submit a signed, dated WSBA Expense Report, supported by detailed receipts. In the absence of a detailed receipt, WSBA will reimburse up to \$75 for expenses, so long as certification is provided confirming expenses comply with WSBA fiscal policies. If the reimbursement is for meals, no more than the maximum federal per diem rate for the state of Washington (see [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem)) will be reimbursed without a detailed receipt.
4. Barring any unforeseen circumstances, all WSBA Expense Report forms and receipts must be submitted within 60 days of incurring the expense; with the exception that expenses incurred in September must be submitted within 30 days after WSBA’s September 30 fiscal year end (by October 30). Reimbursement requests for expenses incurred in the prior fiscal year submitted after October 30th of the following fiscal year will not be paid unless approved by the Executive Director and Director of Finance. The Executive Director will have discretion to approve any expense report beyond the cutoff date when the same isn’t completed due to unforeseen issues.

#### **E. Travel Expenses**

##### **1. Volunteers:**

WSBA encourages virtual meetings whenever feasible to accomplish board, committee, task force, panel, council and section work. Reimbursement of travel expenses to board, committee, task force, council, panel and section members residing out of state to attend their meetings is limited to the approximate cost of in-state travel (i.e. cost of travel from the nearest WA border to the location of the particular meeting).

##### **2. WSBA Employees:**

Employees must have prior authorization, from their supervisor or inherent in their job description, to incur travel, lodging, and meals expense on the job. All overnight stays at a Board of Governors meeting shall be approved by the Executive Director. For additional terms, see “III. Additional Employee Expense Policies”.

#### **F. Transportation**

WSBA will reimburse transportation costs based on the limits set forth below. WSBA will not reimburse for lodging *en-route except* when special circumstances such as weather, abnormal traffic patterns or personal circumstances occur. Any expense report containing en-route expenses will be approved by the Executive Director.

WSBA encourages employees and volunteers to utilize the least costly method of transportation available under the circumstances. For example, if a ticket to fly coach economy to a particular destination is less expensive than the cost of reimbursing mileage for driving then flying should be the selected mode of transportation.

1. Personal Autos: Mileage will be reimbursed at the IRS Standard Mileage Rate in effect at the time of travel. *Carpooling is encouraged.* Damage to personal autos while being used on WSBA business is not covered because a portion of the mileage reimbursement is intended to defray the insurance cost to the individual. Fines for traffic violations are also not reimbursable.
2. Rental Cars: Rental cars may be used only when economical compared to other modes of local transportation or if local transportation is nonexistent. Rental charges should be net of any discounts and will be limited to the rental cost of compact or standard-size cars. Volunteers are not covered under WSBA insurance policies and must provide their own insurance coverage when renting vehicles.
3. Ground Transportation: WSBA will reimburse ground transportation, parking costs and tolls. WSBA will reimburse longer term airport parking at the lower of actual parking costs or an airport shuttle to/from the traveler’s home. WSBA will reimburse tips for no more than 25% of the cost of the trip, in the case where



25% is less than \$2.00 tips can be adjusted to that amount.

4. **Airfare:** WSBA will only reimburse coach/economy-class airfare, which should be booked sufficiently in advance of travel to obtain the lowest possible fares. WSBA will not reimburse for use of frequent flyer coupons or air miles. Use of private airplanes is permitted; however, reimbursement is limited to an amount not to exceed coach-class airfare on a commercial air carrier, purchased not less than two weeks in advance of travel, for the same or substantially similar route. WSBA will pay a cancelled airfare if WSBA cancels a meeting. Airfare change fees will only be paid for changes in a meeting schedule. *Reimbursement receipts for airline travel must include name of passenger, credit card used for payment, confirmation that flight was paid in full, date of flight, and departure and destination locations. Credit card statements and cancelled checks are not acceptable.*
5. **Other:** Reimbursement for any other method of travel will be reimbursed only in an amount that would have been payable had the most economical method of travel been used.
6. If there is a question about the reasonableness of a travel expense it will be escalated to the appropriate Department Director for a determination of reasonableness.

#### **G. Lodging/Hotel Accommodations**

WSBA will reimburse hotel/motel accommodations up to \$200 per night (\$225 in Seattle) plus taxes. With respect to out of state conferences, WSBA will reimburse hotel accommodations at the advertised conference hotel rate. Generally, if no lodging below the applicable limit is available or convenient in the area of the stay, department directors may approve reimbursements above the applicable per night limit utilizing the reasonable and prudent standard. WSBA will not reimburse for incidental expenses such as entertainment, personal phone calls, etc. *Reimbursement receipts must include name/location of hotel, guest name(s), date(s) of stay, and breakdown of charges for lodging, meals, telephones, and incidentals.*

#### **H. Meal Expenses**

1. WSBA will reimburse breakfast, lunch and dinner meal expenses, including reasonable tips, gratuity, and taxes. WSBA will not pay or reimburse for alcohol purchases (see Section II. Purchase of Alcohol for Bar Functions). The WSBA encourages volunteers and employees to adhere to the IRS per diem guidelines for meal reimbursement which are updated periodically. The most recent per diem rates are available on the IRS website and will be updated annually on the WSBA volunteer and employee expense form. Any reimbursement requests within the maximum per diem limits for the State of Washington will be deemed reasonable. Reimbursement requests above the maximum per diem limits should be reasonable and prudent given the circumstances and context in which the expense was incurred. Requests for reimbursement above the Federal Per Diem Rates will be escalated to the appropriate Department Director for a determination of reasonableness.
2. If a meal is provided as part of a meeting or conference, no reimbursement will be made for substitute meals.
3. If a remote meeting of at least four hours in duration is scheduled through a meal period (i.e. breakfast, lunch, or dinner) then regular reimbursement rates will apply.

#### **I. Expenses Other Than Travel/Transportation, Lodging, and Meals**

1. **Office Expenses:** Despite use of services available through the WSBA office, volunteers may occasionally use their own resources to conduct WSBA business. Where practical, volunteers are expected to absorb, without reimbursement, minor expenditures. However, to the extent that cost records are available to document specific out-of-pocket expenses, such as telephone calls and postage, reimbursement may be made.

Expenses for photocopying and facsimile use will be reimbursed at rates set by the WSBA<sup>2</sup>. No reimbursement

will be made for office services not detailed by this policy (for example, voice mail charges, telephone connections, etc.). No reimbursement will be made for personal costs or professional services without specific advance authorization.

2. Gifts/Awards: WSBA will reimburse costs (up to \$150) for the purchase of gifts, plaques or similar items recognizing an individual's extraordinary volunteer service to the WSBA and/or its component parts. Gifts from volunteers to WSBA employee are prohibited except for *de minimis* or token appreciations (up to \$50). All employee liaisons to boards, committees, task forces, councils, panels or sections should make sure the group is aware of this policy.
3. Miscellaneous: Reimbursement for expenses not otherwise described by this policy may be allowed when reasonable, necessary, appropriately documented, explained, and approved by the Executive Director or WSBA Treasurer in accordance with the Fiscal Matrix.

<sup>2</sup>Photocopying charges will be reimbursed at the actual out-of-pocket expense up to 15 cents a page. For faxes, the WSBA will reimburse the lesser of (a) the actual cost to send the fax; (b) up to 25 cents per page; or (c) up to \$5 per transmission. Appropriate documentation detailing the number of pages, fax recipients, etc. is required. The WSBA will reimburse for the telephone costs associated with long distance fax calls if detailed cost records are available.

## II. PURCHASE OF ALCOHOL FOR BAR FUNCTIONS

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The WSBA prohibits the use of WSBA funds to purchase alcoholic beverages.

- A. WSBA will not pay for or reimburse alcoholic beverages purchased by volunteers or employees as part of a meal. Such purchases shall be segregated from meal expenses and paid for by the individual ordering them.
- B. Alcoholic beverages may be served at WSBA functions, as long as they are: (1) paid for with personal funds (e.g. no host bar), or with non-WSBA funds raised for that purpose; (2) paid directly to the vendor; and (3) served by a licensed bartender.
- C. WSBA funds may be used to pay ancillary costs at events such as the cost of a bartender, corkage fees for donated alcohol, and service/setup fees.

## III. ADDITIONAL EMPLOYEE EXPENSE POLICIES

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### A. Weekend Work

Working on a weekend is treated like any other workday. Meals, daycare, etc. will not be reimbursed. However, in some circumstances, employees may be reimbursed for parking if they are required to work on a weekend (see "Private Auto- Parking" policy below).

### B. Transportation

1. Rental Cars: Car rental requires pre-approval of a department director, and may be used only when economically practical compared to other modes of local transportation or if local transportation is nonexistent. Rental charges should be net of any discounts and will be limited to the rental cost of compact or standard-size cars. It is helpful to rent the car in the name of the WSBA. However, the WSBA's insurance policy contains an endorsement which extends coverage for damage to rental cars even if they are rented in an individual's name as long as they had permission from the WSBA and they are on WSBA-related business (the endorsement is intended to fill in the gaps where someone doesn't or can't rent the car in the WSBA's name). The WSBA will not pay for additional insurance coverage; the renter should decline coverage when renting in the WSBA's name.
2. Car Pooling: Employees are encouraged to car pool when it is feasible as it reduces costs, risk, and can improve coordination amongst employees when traveling together.
3. Private Auto – Parking: Employees who purchase a monthly parking space are eligible for daily parking reimbursement at a prorated rate (1/21 of the monthly parking cost) on days they are required to use their vehicles for business. Employees who normally take public transportation but occasionally need their car for work may be eligible for reimbursement of actual parking costs. This option is expected to be used only occasionally and may apply regardless of whether the employee returns to the WSBA at the end of their work day. In addition, employees whose work assignments temporarily require substantial after-hours and weekend time in the office may request reimbursement for parking, subject to department director approval. Examples of such situations include the following: hearings; bar exam preparation; committee, section, or board meetings, licensing season; or other projects.
4. Taxi Rides: As part of the ORCA program, employees who have an ORCA and use an eligible method of transportation to work may use a taxi to get home if they meet certain emergency criteria. See the Human Resources Department for details. Directors may authorize a WSBA-paid taxi ride home in extenuating

circumstances.

5. "Advances" For Travel or Expenses: The Executive Director, upon a director's recommendation, may approve travel advances. Travel advances must be requested at least 7 workdays prior to the trip to allow for sufficient time to prepare the check.

**C. Meals**

1. With Volunteers: Picking up the tab for lunches with volunteers outside of regular meetings should be done with caution because of consistency, fairness, and appearances. Director approval is required. Any such expenses should be charged to the committee or function budget.

**D. Professional License Fees**

WSBA will reimburse an employee or directly pay for fees associated with professional licenses that the employee legally must have to perform his/her job at the WSBA, or which the Executive Director determines are in the interest of the WSBA for the employee to have. This includes, for example, WSBA licensing fees (but not section membership fees) for attorneys whose positions require a license to practice, the State Board of Accountancy licensing fees for CPAs, and the Department of Health licensing fees for LAP psychotherapists. Such reimbursements/payments are prorated for new employees based on the calendar year and date of beginning work at the WSBA, as follows:

Month	% Reimbursed
January	100%
February	92%
March	83%
April	75%
May	67%
June	58%
July	50%
August	42%
September	33%
October	25%
November	16%
December	8%

**E. Professional Liability Insurance**

WSBA reimburses Lawyers Assistance Program employees for the cost of professional liability coverage for their activities conducted pursuant to their employment with WSBA. An employee who leaves WSBA employment during the insured period must refund to the WSBA that portion of the reimbursement covering any insured period after WSBA employment ends.

**F. Employee Membership Dues**

WSBA may reimburse or pay membership dues for employees to belong to local, state, or national organizations, subject to director approval and budget constraints.

## **G. Employee Cell Phone Expense Reimbursement Policy**

This policy covers the reimbursement policies and procedures for business use of employee-owned cell phones.

The WSBA acknowledges the use of cell phones is required of some employees to fulfill the responsibilities of their position (see WSBA Employee Handbook for eligibility criteria). As a result, the WSBA has defined two ways of providing cell phone service to employees whose position requires the use of cell phones.

1. Issue a WSBA owned cell phone
2. Allow for use of employee's personal phone and provide a reimbursement

### **Providing a WSBA Phone**

The IT department will maintain a record of both the approvals and the phones issued. This is a critical step as these phones will be subject to public records rules. The type of phone to be issued will be determined by IT.

### **Use of Personal Phone for Work**

A person who qualifies for a WSBA issued cell phone but chooses to use their personal cellular phone for WSBA business may be authorized to receive reimbursement in lieu of being issued a WSBA cellular phone.

The reimbursement will be at a rate of \$20 per month for employees who work over 20 hours per week, and \$10 per month for employees who work 20 hours or less per week. Eligible employees will receive a stipend via paycheck unless they opt out of the benefit.

Employees who have positions that do not meet these criteria may request this reimbursement as needed for special assignments or events (ex: Bar Exam, BOG meetings) with Director's pre-approval. These employees will be responsible for submitting an expense reimbursement form in PN3 to receive this benefit.

## **H. Employee Parties and Celebrations**

1. Generally, events in which all employees are invited to participate, or were approved by the Executive Director and the directors in advance, are paid by the WSBA. These include:
  - Refreshments for all-employees meetings;and
  - Executive Director's purchase of treats for the entire employees for a special occasion.
2. Examples of where the WSBA *will not pay* include (any exceptions to this must be approved in advance by the Executive Director):
  - Personal celebrations like showers for weddings or babies;
  - Flowers for personal events, like illness or death in the family;and
  - Going-away luncheons or gifts.

## **I. Employee Development Budget**

Each director is given an annual Employee Development budget, with sole discretion to use Employees Development funds reasonably for team building items such as employee retreats or activities, department meetings, meals or snacks, coffee or lunches with employees, and tokens or small gifts of appreciation for employees.

**IV. EXPENSE POLICIES: WSBA OFFICERS AND BOARD OF GOVERNORS**

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The officers and members of the Board of Governors (including sitting and newly elected officers and Governors) are fiduciaries of WSBA and ambassadors to WSBA boards, committees, task forces, councils, panels and sections; to local and specialty bar associations in Washington State; and to other related groups or officials. It is expected that WSBA officers and governors will incur certain expenses in furtherance of this responsibility, and will comply with the expense policies of the WSBA, with the following exceptions:

**A. Guest Meal Expenses**

Individual meals for a guest of an officer or governor may be reimbursed when no group meal is provided (up to the limits set forth in the "Meal Expenses" section of the General Expense Reimbursement Policy). Separate lodging/rooms and transportation costs will not be reimbursed.

**B. Officer and Governor Attendance at Law-Related Events**

From time to time WSBA officers and governors are invited to attend a ticketed, non-educational event sponsored by an outside organization. Usually, these invitations come from local or specialty Bar Associations in the state of Washington, or a similar national organization having a local meeting, or other law-related organizations. The primary purpose of the event may be to raise funds for the organization, or it may be social or networking occasion.

The Board affirms its role as a statewide organization to reach out to these interest groups, to encourage and support other Bar Associations and law-related organizations, to further the understanding of the activities and purposes of the WSBA, and to foster collegiality among its members and goodwill between the Bar and the public; in a fiscally prudent manner.

To this end, WSBA will annually reimburse expenses incurred for group registration events as follows:

	Statewide Events	Local and Specialty Bar Events	Significant County Bar Events
<b>Officer</b>	yes	up to 8	yes
<b>Governor</b>	yes	up to 6	In Governor's home district

The Executive Director may approve exceptions to these limits. WSBA reserves the right to request reimbursement for cancellations to group registration events.

**C. Officer and Governor Travel to and Attendance at National/Regional Events**

Educational, training, or networking events for officers and/or governors are approved as part of the budget process based on the educational/networking value. Examples include the Bar Leaders Conference, Western States Bar Conference, American Bar Association annual or mid-year meetings, or meetings of the National Council of Bar Presidents.

The following policy has been adopted by the Board of Governors:

1. Officer Conferences:  
The President, President-elect, Past President, and Treasurer may attend three national conferences and the Western States Bar Conference. The President, President-elect, Treasurer, and Past President may also attend the Northwest Bar Leaders meeting.
2. Governor Conferences  
Governors may attend one national or regional conference during their term of service on the Board of Governors

## **V. EXPENSE POLICIES: WSBA EXECUTIVE DIRECTOR**

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The Executive Director is an ambassador of WSBA to WSBA boards, committees, task forces, councils, panels and sections; to local and specialty bar associations in Washington State; and to other related groups or officials. It is expected that the Executive Director will incur certain expenses in the furtherance of this responsibility. The Executive Director shall comply with the expense policies of the WSBA, with the following exceptions:

### **A. Guest Meal Expenses**

Individual meals for a guest will be reimbursed only at Board of Governor functions when no group meal is provided (up to the limits set forth in the "Meal Expenses" section of the General Expense Reimbursement Policy). Separate lodging/rooms and transportation costs will not be reimbursed.

### **B. Attendance at Law-Related Events**

The Executive Director shall be reimbursed for attendance at law-related events when he/she is attending in his/her official capacity.

### **C. Travel**

Reimbursement will be made for travel costs (transportation, lodging, meals and incidentals) to other bar associations when the purpose of the trip is to meet with another bar's Executive Director or elected official(s) for the purpose of furthering WSBA business. This would include local and specialty bar associations in Washington State, and unified or voluntary bar associations in other states. The Executive Director is also reimbursed for attendance fees and travel and lodging expenses to attend work-related educational seminars, such as, but not limited to, American Bar Association, Western States Bar Conference, Bar Leaders Institute, and the National Association of Bar Executives.

### **D. Meals**

WSBA will reimburse meal expenses of the Executive Director and any WSBA or Washington State elected or appointed official(s) when the purpose of the meal is for the Executive Director or WSBA or Washington State elected or appointed official(s) to conduct WSBA business with the official(s). This would also include Washington state local and specialty bar elected or appointed officials.

### **E. Review of Payments to Executive Director**

At least quarterly, the Treasurer shall review the payments made to the Executive Director (including salary, benefits, credit card charges, and reimbursements). The Senior Accountant and Budget Analyst prepares a quarterly report for the Treasurer to review and sign.

## **VI. CLE SPEAKERS/PROGRAM PARTICIPANTS EXPENSES**

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In general, reimbursements to speakers and program participants shall be reimbursed according to the WSBA guidelines. However, with prior approval of the Executive Director, W S B A may approve reimbursements for lodging and meal expenses above the WSBA rates, as supported with appropriate receipts.

## **VII. ACCOMMODATION FUND**

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### **A. Purpose**

The WSBA Accommodation Fund and Procedures are established to support the WSBA Accessibility Policy and ensure reasonable accommodation to members' participation in WSBA services, programs and events. Accommodation for services, programs and events is available to all members with disabilities. Reasonable accommodation includes such accommodation as sign language interpretation, sound enhancement, or other



accommodation requested by members wishing to participate in WSBA services, programs and events.

#### **B. Procedures**

Persons should request accommodation through WSBA employees organizing the event (Organizer). The request should describe the event or series of events and the accommodation requested. Dialogue with the person requesting accommodation may be necessary to assure the most appropriate accommodation. All accommodation requests should be made as far in advance as possible, at least two weeks in advance of the event is strongly recommended to allow the best accommodation possible. The Organizer will review the request and outline the reasonable accommodation available. Reimbursement requests or pay-ahead service requests will be handled by the Organizer to ensure privacy. Should the request be beyond the expertise of the Organizer, even after consultation with Human Resources, outside experts will be consulted.

#### **C. Other**

The Accommodation Fund is intended primarily for use by WSBA members—other resources are available for WSBA employee accommodation and the Accommodation Fund is not intended to cover other overall accessibility accommodation which are budgeted for separately. The Accommodation Fund is not intended to cover facility or general accommodation needs. These matters will be handled by employees working with the facility at which the meeting or event is to be held.

#### **D. Funding**

The amount of funding available for accommodation will be set annually as an estimate of need in the budget process but may be modified by the Budget and Audit Committee if further needs arise to assure accommodation. The Organizer shall work with the Director of Finance to prepare a request for increased funding which will be considered by the Budget and Audit Committee at its next meeting. In time sensitive circumstances the Executive Director can preliminarily approve a request which exceeds the Accommodation Fund, so long as the funds are available within the current fiscal year budget, subject to the Fiscal Responsibility Matrix.

### **VIII. WSBA CREDIT CARDS**

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Each department director and some employees who frequently incur travel expenses (e.g., investigators) are issued individual WSBA corporate credit cards ("card holder") to cover WSBA business expenses only; personal charges are not allowed. An exception is if the charge contains personal expenses beyond the WSBA limit, in which case the card holder shall submit a check to Finance with the credit card bill. All charges on a WSBA credit card must be supported by appropriate detailed receipts.

Card holders may authorize their employees to use their credit card for business expenses. However, the card holders remain responsible for all charges made using their credit card; specifically, that all charges comply with WSBA policies, are made within the delegated budget authority, and are coded to the proper general ledger account.

Each card holder must approve the monthly statement for his/her credit card. The monthly statement, along with detailed receipts and general ledger coding information, shall be submitted to the Senior Bookkeeper (AP) within 10 days of the end of the month.

Employees who support the WSBA's conference rooms and CLE Conference Center may be issued credit cards for the purpose of purchasing office supplies, food service, kitchen supplies, etc. in order to efficiently and cost-effectively manage the conference rooms and provide support to employee meetings. The monthly American Express bill shall be reconciled and coded to the proper general ledger accounts, then given to the Director of Finance for review and approval.

## IX. FUNCTIONAL ACCOUNTING PROCEDURES/ALLOCATION OF INDIRECT EXPENSES

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"Indirect" expenses are expenses that benefit the whole organization; in many ways they are the basic cost of doing business. Examples include salaries, benefits, rent, telephone, insurance, legal advice, auditing services, computer equipment, etc., as well as all-employee meetings, coffee/tea service, etc. GAAP does not require a specific method of allocating expenses to their appropriate function. There are numerous ways to allocate common expenses, but there is no one correct way. However, the method chosen must be meaningful, reasonable, accurate, and consistently applied. Changes in the method of allocating indirect expenses, and what specific expenses are included in indirect expenses, are generally disclosed in the audited financial statements.

The main goal of allocating common expenses is to provide the "true cost" of each program. However, getting a "true cost" is a misnomer, since different allocation methods will produce different results. The organization must choose a reasonable method that makes sense and will produce "accurate enough" information. Thus, it is important to understand that you are never really seeing the true cost of any program; you are seeing as close as we can get based on the allocation method chosen. A good example of this is how the WSBA treats certain support expenses. The WSBA has several departments which support all the cost centers, but for which the costs are not allocated to the indirect pool. No employee time for the Human Resources department or Information Technology department is allocated to other cost centers, although they primarily exist to support all cost centers. Thus, the "true cost" of a program does not include many of the WSBA support functions provided to it. It is helpful to understand this when conducting reviews of programs and cost centers.

WSBA has been using functional accounting since 1992. Direct expenses are recorded 100% to the appropriate cost center. Examples include committee expenses, employee travel, events, etc. The WSBA allocates indirect expenses as follows:

- Salaries – Salaries are directly allocated (through payroll) to the cost centers in which the employees primarily work. For example, some employees are allocated among several cost centers in one department (e.g., Advancement or Regulatory Services Departments). Many employees are allocated to only one cost center, although they perform work for many functional areas (e.g., Finance and Administration Department employees). *The allocation of employees is done through the budget process; employees are allocated throughout the year just as they are budgeted.* Therefore, a person may be budgeted at 25%, but may actually spend more or less of their time performing work for that cost center. However, the person is allocated through payroll at 25% regardless of their actual time spent unless a mid-year change in actual allocation is authorized by the Executive Director as part of the Reforecast process. Actual time is considered in allocating employees for the next budget year.
- Benefits – When incurred, benefits expenses are pooled together and allocated among the cost centers *based on the salary expenses (dollars, not FTEs)* for each cost center. This method proportionately distributes benefits in relationship to the salaries expenses. Thus, the departments with higher-paid employees will also incur a higher share of benefits expense.
- Other Indirect Expenses (insurance, telephone, professional fees, etc.) – The WSBA allocates all other indirect expenses based on the *number of FTE's* in a cost center. For example, if a cost center has 10 out of 138 of WSBA's FTEs, then it will be allocated 7.2% (10/138) of the pool of indirect expenses.

## **Chapter 7: Other Accounting Policies**

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### **Policy on Committee and Board Use of WSBA Funds**

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This Policy restricts committees (standing, ad hoc, special, or other) and boards from donating or contributing WSBA funds to programs or causes not specifically authorized in the approved budget. This restriction on the use of WSBA funds does not apply to sections since general WSBA funds are not used for sections.

#### **Donations/Contributions/Sponsorships to outside entities**

WSBA committees and boards are prohibited from donating, contributing to, or financially sponsoring outside entities or causes with WSBA funds even if the allocated budget has unexpended funds, except with special review by the General Counsel and further authorization from the WSBA Executive Director. This applies to donations to entities such as other bar associations, legal organizations, or outside causes. Requests made to the Executive Director must be made in writing at least 30 days prior to the desired date of the contribution.

#### **Making charitable contributions**

WSBA committees and boards are prohibited from making charitable contributions with WSBA funds.

#### **Contributing to WSBA-Funded Programs**

WSBA committees and boards are prohibited from donating or contributing WSBA funds to other WSBA-funded programs.

#### **Employee Gifts**

Use of WSBA funds, including committee and board budget funds, for gifts to WSBA employees are prohibited except for *de minimis* or token appreciations.

#### **Procedure for Pre-approval of Form Content**

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The Controller must **pre-approve** the **content** of all documents that request payment (such as event registrations, order forms, or applications) that WSBA intends to either mail out or include in the *Bar News*, on the Bar web site, or in newsletters. This type of document must include specific information to ensure the correct application of any payment(s) returned to the Bar. Finance must review the document **before** the document is mailed or published.

In the case of form letters, the template should be given to the Controller for review and approval before any letters are mailed. In the case of order forms, once the order form is designed (but not yet mailed or published), a "draft" copy should be given to the Controller for review and approval.

#### **WSBA Price List and User Fees**

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User fees for Bar products and services are set and revised periodically either during the budgeting process or as deemed appropriate by the department director

## Taxes

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### Local Taxes

WSBA pays personal property taxes to the City of Seattle in accordance with local laws.

### State Taxes

WSBA pays taxes to the State of Washington for:

- Use and sales taxes on the sale of taxable products;
- Department of Labor and Industry (L & I) workman's compensation taxes (the reports are prepared and filed by WSBA); and
- State Unemployment (SUTA) tax, which is paid on an "experience" basis only (the SUTA reports are prepared quarterly by ADP, WSBA's payroll vendor).

WSBA is exempt from State of Washington:

- Business and Occupation (B & O) tax, since WSBA is an instrumentality of the State Supreme Court.

### Federal Taxes

The WSBA does not pay Federal Unemployment (FUTA) tax.

### Letter regarding WSBA Tax Exempt Status

Please contact the Office of General Counsel or the Director of Finance.

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## Grants

WSBA programs may seek grant funding from foundations/organizations to support specific projects/programs.

### Grant application

- With the support of the Executive Director, applications for grants, budget worksheets, grant checklists or work plans will be completed by the WSBA program requesting the grant.
- General Counsel will review grant applications for legal content.
- Accounting information will be reviewed by the Director of Finance before submission.
- The Executive Director will approve in-kind expenses related to a grant.
- The Executive Director or designee must approve the grant request before the application can be submitted to the funding organization.

### Grant Awards

- Grantees will alert the Finance Division as to the amount and approximate date of receipt of grant funds.
- Reports, as required by the grant, will be completed by the grantee with assistance from Finance.
- If unused funds are to be returned to the Grantor at the end of the grant period, the grantee and Controller will balance the dollar amount to be returned. A Check Request will then be prepared by the grantee and, after securing proper approval, forwarded to Finance for processing.

## **Managing Grant Funds**

- If grant amount is over \$20,000 and anticipated to benefit more than one fiscal year, the amount received will be deposited into a liability account and moved monthly as funds are spent. If the grant is anticipated to be used in the current fiscal year, the funds will be deposited into an income account when received.
- The Controller will review grant status with the grant recipient at fiscal year-end to determine and record the amount to be carried forward to the next year. Unexpended grant funds (i.e., for grants that cover more than one fiscal year) will be moved to a liability account at fiscal year-end by the Controller. This net amount would be adjusted for any expenses not charged as direct expense (i.e., salary/benefits, rent/office space) but included in the grant. The Controller will move those funds to the income account in the appropriate cost center as the related grant expenses are incurred.
- Expenses will be charged to an expense account within the same cost center.
- WSBA may charge an administrative fee. The fee amount would be determined by the grant requirements.
- Awarded Grants will be included within the appropriate cost center's income and expense categories in the annual budget process for that particular fiscal year.

## **Public Records Access and Fee Policies**

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WSBA's public records policies and procedures are set forth at <http://www.wsba.org/About-WSBA/Contact-Us/Request-Public-Bar-Records>.

## **Submitting Matters to the Board of Governors for Action**

Pursuant to the WSBA Bylaws, the Board of Governors (BOG) is the governing body of the Bar that determines the general policies of the Bar and approves its budget each year. In January, 2020, the BOG adopted a policy entitled [Board of Governors Policy RE: Requests for Action \(Page 195\)](#). The policy sets forth the preferred process for submitting matters to the Board for action. The portions of that policy relevant to the fiscal policies are provided as follows:

*3. Analysis. When a matter has been requested by a WSBA entity or has been approved for further exploration by a BOG Committee, the Executive Director will ensure that the matter is analyzed, including fiscal impact, stakeholder analysis and input, rule compliance, and implementation implications. A reasonable amount of time should be provided for this analysis taking into account the scope, magnitude, and relative novelty of the request. This information will be shared, as appropriate, to aid in the Board's decision-making.*

## **Requests Requiring Amendment to the WSBA Budget**

Changes to the WSBA Budget should not be approved without a rigorous review of the pros, cons and impacts of said change. As such, any request, proposal, change or suggestion that would require a change to the WSBA budget that arises during a meeting or has not been subject to analysis as described above, should be tabled until the next BOG meeting in order to provide time for that analysis.

The review will be performed by the Treasurer, Director of Finance, HR Director, WSBA President, and the Executive lead for the department affected. The review and potential request will be taken to the Budget and Audit committee for discussion and analysis. The committee's recommendation(s) are intended to be completed and delivered to the BOG for approval in its next meeting.

## **Chapter 8: Summary of Internal Accounting Controls**

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### **Bank Accounts**

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- The Board of Governors approves banking authorities.
- The Bank is notified timely of signature changes.
- The Finance employee who makes the daily deposit is someone other than the employee who processes the receipts.
- The Senior Bookkeeper (AP) or Controller do not have signing authority to any WSBA bank accounts.
- Check signers are independent of check preparation.

### **Bank Reconciliations**

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- Bank statements are delivered to the appropriate independent person unopened or provided via online access
- WSBA employees reconciling the bank accounts are not involved in day-to-day processing of receipts or expenses.
- Bank reconciliations are generally completed by the 20<sup>th</sup> working day of each month.
- Copies of completed bank reconciliations are distributed to the Director of Finance and Controller for review.
- A detailed process is followed for checks outstanding for over 90 days.

### **Investments**

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- Investment guidelines are approved by the Board of Governors.
- WSBA employees authorized to invest are approved by the Board of Governors.
- All investment paperwork is kept in a safe location.
- All investments are under the name of the Washington State Bar Association or the Client Protection Fund.
- Detailed records are kept on each investment (for example, purchase date, maturity date, interest rate, annual percentage yield, how interest will be paid, purchase price, name of institution, etc.).
- Detailed records are kept by someone other than the person who authorized the investment.

### **Cash/Check Handling**

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- Incoming mail is initially opened by two employees (Production employees) with no access to accounting records.
- The cash/check processing is always done by a minimum of two WSBA employees.
- The process results in a daily grand total which is balanced once all receipts are processed.
- WSBA employees do not count/tally a category of receipts they would then process.
- All checks are locked up in a secure location until they are deposited into the bank. Only authorized Finance employees have access.
- Daily receipts are deposited into the bank by the end of each day.
- Cash received at the front desk is recorded on the log sheet.
- Cash received at the front desk is locked up when the office is closed.
- Payments (checks, cash, or credit card info.) and backup from an outside event are collected by WSBA employees at the event and turned into Finance the first day the employees return to the office.

## **Petty Cash**

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- Petty Cash boxes are kept in a secure location – always locked when the office is closed.
- Access to Petty Cash is limited to a small number of employees who do not process receipts.
- Petty Cash boxes are audited regularly by someone without regular access to the box.
- Reimbursements for petty cash expenditures up to \$30 or \$50 are disbursed by a limited small number of employees.
- Petty Cash forms must be completed with documentation and approval before funds can be disbursed.
- Petty Cash will be replenished by completing a Check Request and being processed through the Accounts Payable process.
- IOU's, employee advances, and check cashing are not allowed.
- Petty Cash boxes are kept separate and not mingled with any other cash.

## **Credit Card Information**

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WSBA will take necessary steps to ensure it complies with federal and state laws regarding the protection of credit card information (payment card industry data security processing standards). The following general guidelines shall be followed:

- Where possible and feasible, the preferred method of receiving credit card information is from customers/members online whereby the credit card numbers are never seen by employees. Therefore, WSBA shall attempt to provide as many of its products and services online as is possible.
- Where credit card information is received in the mail on WSBA forms, via email, through a walk-in, or by telephone, the following guidelines apply:
  - Employees shall take care to adequately secure, in a locked location, any credit card information until it is processed by Finance (see specific procedures in Chapter 5). Employees may lock such information in drawers or cabinets or use lockboxes provided in Finance, the Service Center, and EOD/CLE. The fewer people that handle credit card information, the better.
  - After the credit card information is entered into Personify, where the payment is processed, it shall be thoroughly redacted from the form before scanning, sending to other departments, or storage.
  - Original forms containing redacted credit card information that are maintained by departments outside Finance shall be kept in a locked location until they are destroyed.
- Employees do not have access to credit card numbers stored in the Personify database or Cyber source because the numbers are encrypted for security.
- Credit card numbers and payment information is not subject to public disclosure and should never be given to anyone outside of the WSBA.

## **Accounts Receivable**

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- All invoiced items will be processed through the accounting software.
- Any adjustments must be approved by appropriate department director.

## **Cash Disbursements**

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- Checks are pre-numbered and used in sequence.
- Blank check stock is locked up and access is limited.
- Senior Bookkeeper (AP) does not have authority to approve or change expense requests.
- Senior Bookkeeper (AP) audits reimbursement forms (Check Requests, Expense Reports, and Petty Cash Slips) for accuracy and adherence to policy.
- Senior Bookkeeper (AP) ensures each Check Request or Expense Report has been approved by an authorized employee.
- All checks are processed through the accounting software system.
- Blank checks are not signed.
- Checks are always made payable to a person or company - never to cash or bearer.
- Checks presented for signature include backup explaining the reason for the check.
- A copy of the check is attached to the backup and filed in the 'paid' file.
- Voided/spoiled checks are stamped 'void' and maintained in locked cabinet for safekeeping.

## **Check Signature Stamp Policy**

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This Check Signature Stamp Policy is designed to speed up the check signing process while providing adequate internal controls over the signature of checks. This policy is only applicable to the Executive Director; other check signers must personally sign the checks. The Check Request will be initialed by the Executive Director, indicating approval to stamp the checks. The Executive Director will then contact a Finance staff person (who does not have the ability to issue checks), who will pick up the checks, stamp them, and mail them. Any checks that have not been approved will be given to the Senior Bookkeeper (AP) for further review. At no time should the Controller or the A/P Bookkeeper have access to the stamp.

Exception: Any checks over \$10,000.00 require two signatures and will be hand signed by both signers and included for mailing with the regular checks.

## **Miscellaneous**

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- A/P, A/R and General Ledger functions are performed by separate employees.



## **Chapter 9: Client Protection Fund**

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### **Accounting Policy**

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In 1995, the Washington Supreme Court and the WSBA created the Client Protection Fund ("Fund"). The Fund may be used for the purpose of relieving or mitigating a loss sustained by any person due to the dishonesty of, or failure to account for money or property entrusted to, any member of the WSBA in connection with the member's practice of law, or while acting as a fiduciary in a matter related to the member's practice of law. The Fund is governed by Admission to Practice Rule 15.

The Fund is maintained as a trust, separate from other funds of the WSBA. The Fund has its own checking/savings account and investment accounts. The Fund is maintained as a restricted fund on WSBA's books (designated as a separate cost center in the general ledger). The Fund is completely self-supporting – it receives no revenue from the WSBA or other entities. The Fund cannot expend more than it has collected.

### **Revenue Procedures**

#### **Court-Ordered Assessment**

Each active lawyer and LLLT WSBA member, and some other licensees, pay an annual assessment to the Fund; this is the Fund's main source of revenue. Assessment amounts are set by Supreme Court Order, based on recommendations by the WSBA Board of Governors. Assessments are invoiced with each active member's, or licensee's, license fee and are deposited in the WSBA general checking account. During the closing period at each month end, the Accountant makes a journal entry in the general ledger to transfer the assessments received that month from the WSBA general checking account to the CPF checking account. This amount is transferred by the Controller from the WSBA checking account to the CPF checking account.

#### **Investment Revenue**

The Fund's excess cash is invested in accordance with WSBA's Investment Policy. Journal entries for the Fund's investment income are prepared by the Controller and given to the Accountant for posting.

#### **Restitution Revenue**

The Fund attempts to recover its payments from the members on whose behalf gifts are made, and thus receives some restitution payments. These payments are deposited in the Fund's checking account when received, and recorded in the Fund's restitution general ledger revenue account.

#### **Expense Procedures**

The Fund's major expense is gifts made to injured clients. Applicants request a gift by completing and submitting an application form; the Client Protection Board makes gifts and recommends gifts requiring approval to the trustees. Once a gift is approved, the applicant must sign a subrogation agreement. The Client Protection Fund Analyst prepares a Check Request and submits it to the Senior Bookkeeper (AP), who prepares checks payable from the CPF checking account. The Accountant makes the appropriate journal entries on the CPF general ledger. The maximum gift allowed is \$150,000.00. Gifts for more than \$5,000.00 are split into an initial payment and a second payment at the end of the fiscal year. This is one of the controls on the Fund. If necessary, the year-end payments are pro-rated by the Board of Governors to maintain the fund viability.

The Fund also pays its administrative costs, which consist of its share of WSBA salaries, benefits and overhead (indirect) expenses, and expenses of the CPF Committee, which oversees the Fund and approves payments. These expenses are recorded at the end of each month.

The Accountant prepares a preliminary Statement of Activities for the Fund each quarter end to determine the liability to the WSBA general fund for CPF expenses paid that quarter by the WSBA. Once that amount is

determined, the Accountant gives the reimbursement amount to the Controller, who transfers the reimbursement amount from the CPF checking account to the WSBA checking account.

**Procedure for Financial Reports**

Each quarter, the Accountant prepares a Statement of Financial Position and a final Statement of Activities, for the quarter and year-to-date, and a Statement of Changes in Net Assets for the year-to-date. These statements are sent to the Assistant General Counsel assigned to work with the Client Protection Board, who reviews them with the CPF Committee. Annually, these financial reports are included in the annual CPF report to the Board of Governors and the Court

## **Chapter 10: Sections**

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### **Overview of Section Funds**

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WSBA has unrestricted, designated, and restricted fund balances. See Chapter 4, Unrestricted and Restricted Fund Balance Policy. All funds collected by the WSBA on behalf of a Section are subject to the control and fiscal oversight of the Board of Governors. Beginning in fiscal year 1994, the Board directed that the total difference between revenues, and direct and indirect expenses, for all Sections each year be designated as Section funds. Indirect expenses are that portion of the WSBA's employees' time and overhead expenses attributed to support of and work for the Sections (reimbursed through the "per-member" charge). Separate ledgers will be maintained for each Section, making up the total for the Section funds.

It is recommended that a Section's fund balance be consistent with its future needs. Generally, the purposes of a fund balance are to:

- Provide a cushion for an unexpected shortfall in revenue.
- Provide a cushion for an unexpected expense.
- Provide for a specific future event that does not occur annually.
- Provide the ability to take advantage of an unforeseen unique opportunity.

A Section's fund balance should be enough to sustain a consistent level of programming in the event there are severe fluctuations in annual Section membership (six months' worth of direct programming expenses are recommended as a guideline). In addition, a Section may plan for specific stated purposes (e.g., scholarships, special events, conferences, publications, and other member benefits). Sections are discouraged from maintaining fund balances in excess of two years' worth of direct programming expenses and specified purposes.

If a Section finds it has accumulated a larger fund balance than recommended above, Section leadership should devise a plan to spend down the fund balance by budgeting and incurring a loss in one or more subsequent fiscal years. Some suggestions are as follows:

- Reduce member dues.
- Subsidize the cost of full-day seminars by reducing the cost per member (the Section will pay the difference between the standard seminar price and what the Section would like to charge).
- High visibility or national-level speaker for a CLE program.
- Scholarships for law school students.
- Special educational projects (e.g., youth courts, mock trial programs, law school events).
- Improve membership resources (e.g., newsletters, website, law updates, handbooks, publications).
- Annual grant program to help support work of community-based programs providing access to civil legal services.
- Produce or sponsor law-related public information (e.g., Citizens' Rights brochures, sponsor lawforwa.gov website or votingforjudges.org, TVW's "TheDocket").
- Donate to Washington State Bar Foundation.
- Sponsor projects through the Washington State Bar Foundation.

## **Executive Committees' Fiscal Responsibility**

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Each Section is entrusted with funds that are paid by its members as dues and that are the fruits of volunteer efforts (such as the Section's share of revenues from CLE programs and mid-year/annual meetings). Each Section's Executive Committee is charged with the duty of approving Section expenditures. As stewards of the Section's finances, the Committee should be responsible in authorizing expenditures in accordance with WSBA and Section policies.

## **Section Budgets**

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WSBA's and the Sections' fiscal year is October 1 through September 30. Section budgets are approved annually by the Board of Governors as part of the WSBA's annual budget. See Chapter 1, Key Fiscal Policies – Budget Policies and Process.

## **Monthly Financial Reports**

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Monthly financial statements will be sent to each Section chair, chair-elect, treasurer, and/or other executive committee members as requested by the section's executive committee, within a reasonable time after the close of each month with the exception of September due to the close of the fiscal year-end. These summary reports will show the Section's annual budget, actual monthly revenue and expenses, and year-to-date revenue and expenses. A detail report of posted transactions will also be provided. Section chairs, chairs-elect, and treasurers should review their Sections' monthly financial statements for accuracy and comparison to budget, and contact the Section's staff liaison if they have any questions about the amount of an income or expense item, the category in which it is recorded, or any other concerns.

## **Section Revenue**

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### **Member Dues**

Section member dues are collected by the WSBA throughout the year. Each fall, membership renewal forms are sent to all WSBA active members and Section members from the prior fiscal year.

### **Interest Earned on Section Fund Balances**

Annually, each Section may receive interest income on its fund balance. The calculation and journal entry will be made at the close of WSBA's fiscal year, prior to the annual audit of WSBA's financial statements. Each Section's share of interest income will be determined by taking the average interest rate earned by WSBA on its investments that fiscal year (excluding investments of reserve funds) and applying that rate to the average of the final year-end fund balance of each Section in the current and preceding fiscal years.

## **WSBA CLE and Programs Presented in Partnership with Sections *(updated and approved by the Board of Governors on July 27, 2018)***

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### **Programs Co-sponsored with Sections**

The goal of all WSBA CLE programs is to support the mission and strategic goals of the organization. WSBA Sections are an important partner in these efforts. WSBA retains fiscal reserves ("WSBA CLE Fund") to mitigate against changes in the CLE market, sustain and improve important technology required for the delivery of CLE programs, and protect against unexpected revenue shortfalls.

Net seminar and any associated net on-demand product revenue for all WSBA CLE programs developed in partnership with Sections (excluding mini-CLEs) will be split between the WSBA CLE Fund and the partnering Section's cost center. Beginning with seminars delivered in FY19, net revenues will be split 50-50 (%) between the WSBA CLE Fund and the partnering Section's cost center, up to a total net revenue of \$8,000. Net revenue exceeding \$8,000 will be split 65% to WSBA and 35% to the Section. WSBA will absorb any net losses sustained by individual programs.

In calculating net revenue, WSBA will subtract all direct and indirect costs for the development of the live program and on-demand product from the gross revenue of the live program and on-demand product sales. WSBA will keep the Section informed of the program financials in a timely and transparent manner. Following each fiscal year's close, the partnering Section will receive its portion of any net revenue earned in that fiscal year, based on audited financial statements.

Because the CLE market is dynamic, WSBA and the Sections will annually review overall results and may seek to adjust the revenue sharing terms set forth in this policy to ensure that CLE programming and WSBA CLE Fund reserves are sustainable.

### **Mini-CLEs**

WSBA CLE also supports Section CLE programming through a "Mini-CLE" model. Mini-CLEs are seen as exclusively member-benefit programs. They do not exceed 2.0 credit hours in length and registration fees must be \$35 or less. For Mini-CLEs, WSBA staff provides limited assistance at no charge to the Section (e.g., program accreditation, reporting, and attendance tracking). Sections do much more of the preparation and production of seminars than regular CLE programming, and are responsible for working in collaboration with WSBA (e.g., following procedures outlined including timely notice, providing onsite registration personnel).

### **Section Expenses**

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A WSBA Section, by duly authorized act of the governing board or committee of the Section, shall be authorized to expend all money as budgeted without prior approval by the Board of Governors, provided the following conditions have been met:

- The expenditure is consistent with the approved budget and WSBA expense policies;
- The expenditure is within the goals of WSBA as defined by Supreme Court Rule and the Bylaws; and
- The expenditure does not violate the restricted acts of WSBA as defined by Supreme Court Rule, or WSBA or Section Bylaws.

If a Section wishes to spend funds otherwise (in excess of \$500.00 over budgeted amount), Section leadership should prepare a written request outlining the purpose and amount of the proposed expenditure and submit it to the Section's staff liaison who will submit it to the Director of Finance and Director of Advancement for review and approval.

### **Per-Member Charge**

Each Section shall reimburse WSBA for the cost of administering the various Sections through an annual per-member charge. See Chapter 6, Expenses – Functional Accounting/Allocation of Indirect Expenses for details.

### **Expenses in Excess of Annual Budget**

Personal Liability. (WSBA Bylaws as updated and approved by the Board of Governors) Article V (B) 2 of the WSBA Bylaws states: "The financial obligation of the Bar to any Bar entity is limited to the amount budgeted and ceases upon payment of that amount unless the BOG authorizes otherwise."

Article V (B) 3 of the WSBA Bylaws states: "Any liability incurred by any Bar entity, or by its members, in excess of the funds budgeted, will be the personal liability of the person or persons responsible for incurring or authorizing the liability."

Article V (B) 4 of the WSBA Bylaws states: "Any liability incurred by any Bar entity, or by its members, not in accordance with the policies of the BOG or in conflict with any part of these Bylaws, will be the personal liability of the person or persons responsible for incurring or authorizing the liability"

*Expenses Over Budget – Directors of Finance and Advancement Approval*

Once a Section has incurred its budgeted expenses for the year and spent any additional unbudgeted revenue, no further expenses for the Section will be paid unless a spending plan for the remainder of the fiscal year is approved by the Directors of Finance and Advancement. Requests for additional expenses and a spending plan shall be submitted in writing to the Section's staff liaison who will submit it to the Director of Finance and Director of Advancement for review and approval.

*Expenses Over Budget – WSBA Executive Director Approval*

Unbudgeted expenses may not deplete the Section's reserve balance to less than 25% of the preceding fiscal year's expenditures. Approval by the WSBA Executive Director is required for unbudgeted expenses which total 25% or more of the Section's annual expense budget or \$1,000, whichever is greater. Requests for such expenditures shall be submitted in writing and approved prior to incurring an obligation for them. The Section leadership shall complete an Approval of Section Expenses in Excess of Annual Budget Form and submit it to the Section's staff liaison. The Section's staff liaison will inform the Section of the approval (or denial) of their request after review by the WSBA Executive Director.

**Expense Policies for WSBA Sections *(updated and approved by the Board of Governors on July 23, 2016)***

Sections shall comply with the expense policies of the WSBA (see Chapter 6, Expenses).