State Bar of Texas

Internal Audit Services
An Internal Audit of:

Texas Bar Continuing Legal Education
Program Administrative Processes

Report #20-002
February 17, 2020

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.
February 17, 2020

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

Dear Mr. Foerster and Audit & Finance Committee Members:

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

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

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

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

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

Sincerely,

Ira Wayne McConnell, CPA  
Partner
Executive Summary

TBCLE Program Administrative Processes

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

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

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

**Audit Focus**
This review focused on the following key mission-critical areas:
- TBCLE seminar planning and execution.
- TBCLE quality control monitoring.
- TBCLE budgeting and pricing.
- TBCLE cash handling.
- TBCLE material production and printing.
- TBCLE program procurement processes.

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

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

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

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

**Number of Findings by Risk Rating**

<table>
<thead>
<tr>
<th>Risk Rating</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>
INTRODUCTION

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

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

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

OBJECTIVE

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

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

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

SCOPE

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

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

---

**CONCLUSION AND INTERNAL CONTROL RATING**

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

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

---

**INTERNAL CONTROL RATING**

<table>
<thead>
<tr>
<th>RATING</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsatisfactory</td>
<td>Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.</td>
</tr>
<tr>
<td>Major Improvement Needed</td>
<td>Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.</td>
</tr>
<tr>
<td>Some Improvement Needed</td>
<td>A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.</td>
</tr>
<tr>
<td>Generally Effective</td>
<td>Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. Some improvement opportunities were noted.</td>
</tr>
<tr>
<td>Best Practices</td>
<td>Observations indicate best practice opportunities identified during the course of the review that may add value to the function/department/organization. Best practices do not require management comments and do not require internal follow-up to validate implementation status.</td>
</tr>
</tbody>
</table>

---

**FIGURE 1 Internal control rating description**

---

*The Texas Bar Continuing Legal Education is Texas’ leading CLE sponsor for the legal professional’s minimum continuing legal education (MCLE) compliance. TBCLE has maintained a sizeable portion of the CLE market share by offering a variety of courses to cover all legal practice areas at reasonable costs and convenient locations. Additional convenience is provided by offering courses online, on-demand from any location.*
OBSERVATION AND RISK RATING SUMMARY

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

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

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

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

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

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

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

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

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

1 Business Objective - CLE Seminar Planning

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>To establish processes that ensure ongoing high-quality CLE for attorneys and continuous monitoring of the evolving continuing legal education needs of Texas attorneys.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Risk</td>
<td>✫ Presence of other CLE providers that compete on the basis of cost, convenience or relevant topics and content.</td>
</tr>
<tr>
<td></td>
<td>✫ Ensuring courses are strategically selected.</td>
</tr>
<tr>
<td></td>
<td>✫ Maintaining adequate attendance at continuing legal education events.</td>
</tr>
<tr>
<td></td>
<td>✫ CLE courses to ensure efficient use of SBOT resources, including financial.</td>
</tr>
<tr>
<td></td>
<td>✫ Maintaining SBOT’s positive reputation as a professional membership organization and CLE sponsor through the high quality of courses offered.</td>
</tr>
<tr>
<td>Management Controls</td>
<td>✫ TBCLE organizes a planning committee which consists of a diverse group of attorneys for each course developed.</td>
</tr>
</tbody>
</table>
1 BUSINESS OBJECTIVE - CLE Seminar Planning

- TBCLE solicits input from Sections, the CLE Committee, the SBOT Professional Development Sub-Committee, and staff attorneys who monitor the market for evolving topics to consider including in the TBCLE portfolio.

Control Tests
- Reviewed course planning documents.
- Attended a planning committee meeting.
- Conducted interviews and walk-throughs.

Control Assessment
Internal controls are effective.

Recommended Actions
None

Management Action Plan
None Required

2 BUSINESS OBJECTIVE - CLE Seminar Budgeting

Business Objective
Processes are established and implemented to ensure budgets are prepared for each CLE event and monitored to ensure that the costs remain within budget.

Business Risk
- Ensuring CLE seminars are profitable.
- Identifying “loss leaders” and evaluating the respective seminar’s viability or continued need.
- Tracking expenses to ensure that the respective course remains within the budget.
- Ensuring that scholarships are provided to legal professionals and law students according to policies, which could result in the financial loss.
- Ensuring that expenses are reported, reviewed, and reconciled timely.

Management Controls
- TBCLE’s Business Development and Finance Manager creates budgets for each course based on comparable program history.
- The Customized CLE Manager is the first reviewer of CLE expenses and expense reimbursements.
- CLE Business Development and Finance Manager is the second reviewer and approver for CLE expenses and expense reimbursements.
- An after-action report is generated after each seminar’s execution to evaluate actual costs incurred.

Control Tests
- Conducted interviews and process walk-throughs.
- Analyzed applicable documentation.
- Performed audit testing.
- Reviewed CLE budget to actual spreadsheet.

Control Assessment
Internal controls are effective. The budget process does consider the number of complimentary registrations by looking at the actuals for each course, counting the paying registrants to project revenue, and all registrants (including complimentary) to project expenses. TBCLE notates how many complimentary registrants attend each course.
### 2 BUSINESS OBJECTIVE - CLE Seminar Budgeting

<table>
<thead>
<tr>
<th>Recommended Actions</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Action Plan</td>
<td>None Required</td>
</tr>
</tbody>
</table>

### 3 BUSINESS OBJECTIVE – Registration Fees

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>To establish internal controls and processes that ensure CLE attendees are charged the correct registration fee amounts.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Risk</td>
<td>Ensuring TBCLE registration fees are applied accurately during registration.</td>
</tr>
<tr>
<td></td>
<td>Ensuring discounts are applied during registration in accordance with the course brochure.</td>
</tr>
<tr>
<td></td>
<td>Ensuring appropriate pricing for program registrants.</td>
</tr>
<tr>
<td></td>
<td>Lack of standardization in course pricing.</td>
</tr>
<tr>
<td></td>
<td>Ensuring that when TBCLE staff enroll CLE attendees manually, that costs are not overridden, resulting in financial loss to the organization.</td>
</tr>
<tr>
<td>Management Controls</td>
<td>TBCLE’s registration database allows registrants to specify the discounts they are eligible for while registering online.</td>
</tr>
<tr>
<td></td>
<td>The discounts available for CLE courses are programmed into the database and reflect the discounts listed in the course brochure.</td>
</tr>
<tr>
<td></td>
<td>TBCLE’s registration coordinators manually register individuals seeking group/firm discounts.</td>
</tr>
<tr>
<td>Control Tests</td>
<td>Conducted interviews and process walk-throughs.</td>
</tr>
<tr>
<td></td>
<td>Analyzed applicable documentation.</td>
</tr>
<tr>
<td></td>
<td>Performed audit testing.</td>
</tr>
<tr>
<td>Control Assessment</td>
<td>Internal controls are effective.</td>
</tr>
<tr>
<td>Recommended Actions</td>
<td>None</td>
</tr>
<tr>
<td>Management Action Plan</td>
<td>None Required</td>
</tr>
</tbody>
</table>

### 4 BUSINESS OBJECTIVE – Financial Segregation of Duties

<table>
<thead>
<tr>
<th>Business Objective</th>
<th>To establish internal controls and processes that ensure segregation of duties are in place over revenue collection, revenue recording and disbursements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Risk</td>
<td>Ensuring adequate segregation of duties exist between TBCLE staff receiving cash and those enrolling participants into courses.</td>
</tr>
<tr>
<td></td>
<td>Ensuring cash received is appropriately receipted and documented on mail log or deposited.</td>
</tr>
</tbody>
</table>
### 4 BUSINESS OBJECTIVE – Financial Segregation of Duties

<table>
<thead>
<tr>
<th>Objective</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring adequate segregation of duties exists for TBCLE financial processes related receipts and disbursements.</td>
<td></td>
</tr>
<tr>
<td>Ensuring CLE revenue received and disbursed are accurately recorded in the organization’s financial systems.</td>
<td></td>
</tr>
<tr>
<td>Ensuring CLE revenue received is accurately reported on the organization’s financial statements.</td>
<td></td>
</tr>
<tr>
<td>Ensuring procedures exist to facilitate TBCLE’s disbursements processes.</td>
<td></td>
</tr>
<tr>
<td>Ensuring procedures exist to facilitate TBCLE’s revenue collection processes.</td>
<td></td>
</tr>
</tbody>
</table>

#### Management Controls

- TBCLE course registrants have the ability to register themselves online without interacting with TBCLE staff.
- Revenues received by lockbox are posted to registrant’s accounts by the registration coordinators based on the registration received.
- SBOT Accounting and Finance Department reviews all revenue entries entered by program staff prior to posting transactions into their financial system.
- Disbursements are authorized by the TBCLE’s Business Development & Finance Manager and/or Professional Development Division Director and supporting documentation is forwarded to SBOT Accounting and Finance Department for processing.

#### Control Tests

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

#### Control Assessment

- Internal controls are effective.

#### Recommended Actions

- None

#### Management Action Plan

- None Required

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

#### Business Objective

To establish internal controls and processes that ensure best value pricing and terms for CLE event locations and expenses.

#### Business Risk

- Ensuring TBCLE obtains the best prices and terms for event facilities and associated expenses.

#### Management Controls

- TBCLE’s Meeting planners draft specifications needed to accommodate the course needs.
- TBCLE’s staff request Lodging and Meeting Space RFPs (request for pricing) for events that meet desired facility and accommodations standards from known / familiar hotels.
- TBCLE works with the event vendors to schedule future programs to avoid paying for committed rooms not used.
## 5 BUSINESS OBJECTIVE - *Procurement: Event Location Contracting*

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

**Control Assessment**
Internal controls are generally effective but need some improvement.
- TBCLE does not ensure that Lodging and Meeting Space RFPs are distributed to all vendors who meet the criteria for TBCLE event standards.

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

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

## 6 BUSINESS OBJECTIVE - *Inventory Management*

**Business Objective**
To establish internal controls and processes that ensure CLE materials are printed, produced or acquired in quantities that minimize out-of-stock occurrences while also reducing inventory obsolescence.

To ensure adequate controls are in place over inventory management and that CLE inventory is maintained at an appropriate level to avoid excessive or shortage of inventory.

**Business Risk**
- The TBCLE program may have excess training materials if they do not confirm the number of attendees prior to printing materials. CLE prints materials prior to the cutoff date for enrollment.
- Ensuring accurate CLE inventory.
- Ensuring inventory is not subject to misappropriation.

**Management Controls**
- TBCLE uses a local vendor for production, fulfillment and storage of CLE program related materials.
- TBCLE meeting planners place production and fulfillment requests with the vendor directly.
- TBCLE has access to run reports related to course material inventory.

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

**Control Assessment**
Internal controls are generally effective but need some improvement.
- TBCLE did not have processes in place to perform physical inventory counts.
- TBCLE inventory costs were not quantified.
### 6 BUSINESS OBJECTIVE - Inventory Management

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

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

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

### 8 BUSINESS OBJECTIVE - CLE Speaker Identification

| Business Objective  
| To establish processes that ensure CLE event speakers are qualified for the topic they are presenting.  
| Business Risk  
| Strategically select CLE event speakers to ensure quality course outcomes.  
| Ensuring CLE event speakers are qualified for the topic they are presenting. |
## 8 BUSINESS OBJECTIVE - CLE Speaker Identification

**Management Controls**
- Potential speakers are identified by TCBLE’s Planning Committee during planning sessions.
- Speakers are required to submit articles at least six weeks prior to CLE courses.
- TBCLE frequently utilizes new CLE speakers for webcast courses to measure effectiveness prior to allowing new CLE speakers to present at live courses.
- TBCLE reviews and maintains speaker evaluations to ensure speaker effectiveness.

**Control Tests**
- Conducted interviews and process walkthroughs.
- Analyzed applicable documentation.
- Performed audit testing.

**Control Assessment**
Internal controls are effective.

**Recommended Actions**
None

**Management Action Plan**
None Required

## 9 BUSINESS OBJECTIVE - Performance Measures

**Business Objective**
To establish processes that ensure compliance with applicable policies and meet performance goals set in the strategic plan.

**Business Risk**
- Ensuring TBCLE staff are aware of applicable policies.
- Ensuring TBCLE scholarships are provided to legal professionals and law students according to policies.

**Management Controls**
- TBCLE has configured their system to provide multiple, in depth reports to track performance measures reflected in the strategic plan.

**Control Tests**
- Conducted interviews and process walkthroughs.
- Analyzed applicable documentation.
- Performed audit testing.

**Control Assessment**
Internal controls are effective.

**Recommended Actions**
None

**Management Action Plan**
None Required
DETAILED OPPORTUNITIES AND RECOMMENDATIONS

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

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

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

Audit Conclusion #1

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

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

Audit Recommendation #1

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

Management Response Recommendation #1

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

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

Business Objective #2: Inventory Management

Are processes in place to ensure CLE materials are printed, produced or acquired in quantities that minimize out-of-stock occurrences while also reducing inventory obsolescence?
Are processes in place to ensure CLE inventory is maintained at an appropriate level to avoid excessive or shortage of inventory?
Audit Conclusion #2

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

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

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

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

![Figure 2A Comparison of Product Orders to Inventory Shipped June 1, 2017 through October 10, 2019](source: Compiled from product orders and inventory reports provided by SBOT November 2019.)

Audit Recommendation #2

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

Management Response Recommendation #2

No response is necessary as management took immediate action to improve the inventory management process and controls.
Business Objective #3: Procurement: Event Location Contracting

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

Audit Conclusion #3

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

Audit Recommendation #3

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

Management Response Recommendation #3

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