



# The State Bar of California

## Monthly Reconciliation Supervisory Review

Attorneys have a duty to supervise the work performed by both employees and contractors to the firm, per [rule 5.3 of the Rules of Professional Conduct](#). Even if someone else is performing your day-to-day trust account recordkeeping, you have a **nondelegable** ethical duty to safekeep your clients' funds. Reviewing your monthly trust account reconciliation is an essential practice to properly oversee your trust accounts. The following guidance will assist you in your supervisory duties related to client trust account monthly reconciliation.

### STEP 1 – Gather required documents for review

For each trust account, review the prepared monthly reconciliation form along with the following support documents: (1) trust account journal; (2) individual ledgers; (3) bank statement with check copies; (4) client ledger summary (list of clients and their balances); (5) list of outstanding deposits; and (6) list of outstanding disbursements.

### STEP 2 – Considerations when reviewing the documents

Consider the following questions when reviewing the monthly reconciliation form, and supporting trust accounting documents. Inquire further if needed.

#### Reconciliation form

- Do the adjusted balances of the account journal, the individual ledgers, and the bank statement agree?
- Are any exceptions, explanations, or corrective actions noted in the reconciliation form? Address as appropriate.

#### Account journal

- Are there any transactions or amounts that seem unusual?
- Are there any transactions you expected to see, but don't?

#### Individual ledgers

- Are there any client names or accounts you don't recognize?
- Is there a client or account you expected to see, but don't?
- Are there any transactions that seem unusual or unexpected?
- Is the balance of any firm funds held in the account to pay for nonchargeable bank fees greater than what is needed? If so, transfer excess funds to your firm's operating account.

#### Bank statement with check copies

- Do the beginning and ending balances seem reasonable?
- Are there any transactions you don't understand or recognize?
- Did the preparer provide check copies to support bank transactions for your review?

**STEP 3 – Confirm reconciliation balances**

Confirm that balance totals of the account journal, client ledger summary, bank statement ending balance, total outstanding deposits, and total outstanding disbursements are properly reflected on the monthly reconciliation form. Consider the reasonableness of the balances.

**STEP 4 – Review outstanding disbursements**

If there are any disbursements that are outstanding (recorded in the account journal and client ledger but have yet to clear the bank) and have been so for more than two months, make sure someone follows up with the client or service provider to ensure they received the disbursement and encourage them to deposit it. If the client or service provider did not receive the disbursement, stop payment on the first one and reissue payment.

**STEP 5 – Review outstanding deposits**

If any items remain on the outstanding deposits list (received by the firm but have yet to be deposited into the trust account), make sure someone at the firm follows up and communicates why a check or other money instrument has not been deposited into the trust account for more than 30 days. Be sure the deposit is made as soon as possible.

**STEP 6 – Independently check amounts**

Independently gather one or two source documents to spot check amounts on the prepared reconciliation form or one of the trust accounting support documents on at least a quarterly basis. For example, access your online trust account records and download the monthly bank statement. Compare the ending balance on the bank statement to the records provided to you for review. As another example, pick one of two check copies provided with your bank statement to confirm the amounts are accurately recorded in the client's ledger.

**STEP 7 – Sample client files**

Regularly sample client files to ensure all documents related to trust account activity, including copies of deposits and disbursements, are saved to their files.