



## CTAPP Law Firm Self-Assessment

This CTAPP law firm self-assessment helps designated attorneys and their law firms evaluate compliance with the Rules of Professional Conduct and laws related to safeguarding client funds. This firm self-assessment is intended for internal use only and may not identify all compliance issues or replace a CTAPP compliance review. Each section includes questions to assess adherence to relevant rules and identify risks in client trust account recordkeeping. Completing this self-assessment is a best practice for ensuring compliance and protecting entrusted funds. It is offered alongside the State Bar's [12-question attorney self-assessment tool](#).

Completing this self-assessment will also help attorneys and their firms understand the CTAPP compliance review requirements and identify areas for improvement. Enhancing a firm's client trust accounting practices will reduce the likelihood of findings during a [CTAPP compliance review](#) and increase efficiency during the compliance review process.

To complete the assessment:

- Review each question and provide a response in the Yes/No column. A "Yes" indicates that the procedure or safeguard is in place, while a "No" indicates a potential gap that may require corrective action.
- Use the Responsibility column to indicate who is accountable for the activity: Designated Attorney, Non-Designated Attorney, Nonattorney, or Not Assigned.
- Use the Current Procedures column to describe the policies, practices, or controls your firm already has in place for the stated activity.
- Use the Self-Assessment Gap column to identify any weaknesses, missing procedures, or areas for improvement revealed by your answers.
- Review the best practices and resources provided for each question to strengthen your firm's procedures and overall compliance. The resources draw on the California Rules of Professional Conduct, relevant ethics opinions, and practical tools such as templates, reference guides, and educational materials.

Upon completion, the results will identify areas of compliance strength and areas requiring action for stronger compliance. The findings are intended to assist attorneys and their firms to strengthen policies and procedures, mitigate risks, and promote the highest standards of professional integrity and effectiveness.

**Compliance Categories:**

The self-assessment addresses client trust account compliance in the following areas:

**1) Client Trust Bank Accounts**

Funds held for clients and third parties must be maintained in a designated client trust account separate from your personal and firm accounts. The account must be labeled “Trust Account” or have a similar designation. The account shall be maintained in the State of California (unless the client provides written consent to maintain the account in another jurisdiction where there is a substantial relationship between the client or the client’s business and the other jurisdiction).

**2) Client Trust Accounting and Funds Management**

Proper recordkeeping is essential for maintaining trust and compliance. Without it, attorneys risk unintentionally commingling or misusing client funds, which can have serious ethical consequences. A lawyer shall maintain complete records of all funds received from the client. Each client trust account should include the following records:

- an account journal for each client trust bank account;
- a client ledger;
- bank statements with cancelled check copies; and
- monthly three-way reconciliations.

A full accounting of all client trust funds activity also involves ensuring all amounts accounted for are properly documented. This includes ensuring withdrawals from client trust accounts are properly supported by invoices, fee agreements, and other supporting documentation related to the transaction. All documentation that supports client trust activity shall be held for a period of five years from the date of final disbursement of such funds.

**3) Timely Communication**

Clear and transparent communications regarding the amount of funds held at any given time on behalf of a client or third-party fosters trust and accountability between attorney and client. A lawyer shall notify a client no later than 14 days from the receipt of funds or property pertaining to the client. This notification should be documented in writing and retained as part of the client file.

**4) Disbursements**

Timely disbursement of funds is crucial to maintaining compliance with ethical obligations. Delays can inadvertently lead to commingling or misappropriation, highlighting the importance of proactive account management. A lawyer shall distribute undisputed funds received on behalf of the client within 45-days of receipt by the attorney.

**5) Supervision**

Attorneys have a nondelegable duty to supervise the work performed by both employees and contractors to the firm. A lawyer with managerial authority is required to establish policies and procedures designed to, among other areas, account for client funds and property and ensure that inexperienced lawyers and nonlawyer assistants are properly supervised and trained.

### Client Trust Bank Accounts

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures that provide guidance on setting up a client trust account? Do your procedures include setting up client trust accounts at <a href="#">IOLTA-Eligible institutions</a> per the State Bar list? Do your procedures include assessing the type of client trust account (IOLTA vs non-IOLTA) to open?				
Do you keep bank signature cards on file for all client trust accounts?				
Do all client trust account bank statements show 'trust account' (or similar) in the account name?				
Do all client trust account bank statements include copies of canceled check?				

Best Practices:

- Record each transaction as it is made. Delaying the recording of entries could result in missed entries and miscalculations.
- When opening a client trust account, have at least two signatories on file. Reassess the signatories on a regular basis.
- Procedures should be implemented to periodically review IOLTA accounts to determine whether funds should be transferred to a separate, interest-bearing trust account for the benefit of the client.

Resources:

- [IOLTA-Eligible Financial Institutions](#)
- [Rule 1.15\(a\)](#), [Rule 1.15\(d\)\(3\)](#)
- Business and Professions Code section [6211](#) and [6212\(a\)](#)
- [Rule 2.4](#) and [Rule 2.5](#)

**Client Trust Accounting and Funds Management**

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you utilize account journals and client ledgers for each client trust account maintained? Do the utilized account journals and client ledger include the required information stated in <a href="#">Rule 1.15, Standard 1(a) and (b)</a> ?				
Do you have procedures to perform monthly three-way reconciliations, balancing the account journal, client ledgers and bank statements? Do you maintain supporting documentation with your monthly reconciliations, including a client ledger summary and lists of outstanding deposits and disbursements?				
Do you have procedures to ensure that the only law firm funds deposited into the client trust account are of an amount reasonably sufficient to cover bank charges, and that these funds are recorded and maintained separately in a bank charges ledger?				

**Client Trust Accounting and Funds Management**

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures in place to monitor client trust account balances to ensure the balances remain positive? Do your procedures address how to handle any overdrafts and documenting the activity in the account journal and client ledger(s)?				
Do you have procedures in place to calculate the potential interest a client may earn to determine whether you must maintain those client funds in the firm's IOLTA or establish a non-IOLTA trust account on behalf of the client?				
Do you have procedures that require payments received through third-party processors be deposited into the client trust account and that the client trust account journal specify the client for each deposit?				
Do you have procedures in place to correct errors or the reissuance of payments to ensure any corrections and adjustments are documented in the trust accounting records and not deleted or removed?				

### Client Trust Accounting and Funds Management

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures in place to ensure attorney funds are not comingled with client funds maintained in a client trust account? If funds are comingled, do you have procedures in place to document and resolve the issue?				
Do you have a document retention policy that addresses documentation related to client trust accounts? Does the policy include maintaining a written journal specifying the securities or other properties held for the benefit of the client?				

**Best Practices:**

- Record each transaction as it is made. Delaying the recording of entries could result in missed entries and miscalculations.
- When completing monthly three-way reconciliations, prepare and maintain separate schedules of outstanding checks and outstanding deposits. Reconcile these schedules to the account journal and client ledgers.
- For batch payments, the client trust account journal should include a detailed breakdown of each client and amount that corresponds to the batch payment.
- A nominal amount of firm funds may be kept in the client trust account for bank fees. The firm must maintain a bank charges ledger to track and account for all deposits made to cover bank charges and all bank charges assessed and withdrawn from the account by the bank.
- Retain all client trust account records, including deposit slips, canceled checks, client ledgers, bank charges ledgers, client trust account journals, reconciliation forms, and bank statements, for at least five years after the final distribution.
- Clearly document client consent when flat fees are deposited into the operating account instead of the client trust account. For flat fees over \$1,000, maintain a signed agreement that includes all required disclosures.
- Send accountings to clients at regular intervals, such as once per month, even if there are no fees or costs to bill that month.

Client Trust Account Law Firm Self-Assessment  
For Reference Only

Resources:

- [Rule 1.15](#)
- [Rules of the State Bar, rule 2.110 and 2.111](#)
- [Account Journal template \(PDF | Excel\)](#)
- [Client Ledger template \(PDF | Excel\)](#)
- [Bank Charges ledger \(PDF | Excel\)](#)
- [Three-way Reconciliation template \(PDF | Excel\)](#)
- [Client Trust Account Protection Program Training](#)
- [CTAPP Bookkeeping Best Practice](#)
- [Monthly Reconciliation Preparer Instructions](#)

### Timely Communication

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures that detail the process for receiving funds belonging to clients or third parties, including providing written notification to the client or third parties within 14 days of receipt?				
Do you have a process to monitor the timing of client communication regarding receipt of funds and requests for an accounting of client trust account activity?				
Do you have a written process to notify clients of any changes to engagement terms, and to obtain their written approval before applying those updated terms?				

Best Practices:

- Implement policies to ensure that anyone who opens the mail or handles your bookkeeping will notify you when funds have been received and will also calendar a deadline of 14 days for alerting the client or third party to the receipt of funds.
- When providing notification to a client on the receipt of funds, include an updated accounting as to the status and balance of client trust funds.
- When updating engagement terms, such as the fee rates or other compensation, provide the client a written notice that explains the updated terms and the date they will become effective. Obtain the client’s written approval (e.g., signed addendum, email reply) before applying the updated terms, and keep both the notice and the approval in the client file.

Resources:

- [Rule 1.15\(d\)\(1\), \(3\), and \(4\)](#)
- [Rule 1.4\(a\)\(3\) and comment \[1\]](#)
- [Business and Professions Code section 6148](#)

**Disbursements**

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures to confirm disbursement amounts to supporting documentation (e.g., invoice, statement, agreement, final settlement) prior to making the payment?				
Do you have procedures to allow the client to confirm or dispute attorney fees prior to disbursing from the client trust account to the firm's operating account?				
Do you have procedures in place for disbursing funds from the client trust account owed to the client or third-party? Does the policy include disbursing undisputed funds within 45-days of when the funds became undisputed?				
Do you have procedures in place to monitor uncleared checks or potential inactive client funds activity? Do you reach out to payees or clients who have inactivity to discuss the status of the funds in question?				

### Disbursements

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures in place to ensure earned attorneys' fees are withdrawn from the client trust account in a reasonable time? Do you document instances where funds are held for a longer period (more than 60 days)?				
Do you have procedures that require client bills to clearly state the basis for attorneys' fees and costs, including the amount, rate, and method of calculation?				

#### Best Practices:

- Track and maintain events and records sufficiently to determine when a claim to funds in your client trust account becomes fixed and undisputed.
- Distribute funds well before the 45-day deadline to ensure compliance with the rule, and to avoid unforeseen disruptions that could cause a violation of the rule if you wait until the last minute.
- Before disbursing funds from the client trust account to pay your fees, expenses, or costs, send the client an itemized invoice with a copy of the client's ledger attached. Include a cover letter informing the client that you intend to disburse trust funds on a certain date. Do not disburse the funds before that date to allow the client to object to the proposed disbursement.
- Provide clients with a written billing at least every 30 days that clearly shows the basis for fees, costs, and expenses.
- Prior to making a disbursement, review the supporting documentation (e.g., attorney invoices, attorney fee agreements, third-party invoices, third-party statements), including recalculating a sample of line items, to ensure the correct amount is being distributed. An attorney invoice review could include recalculating hourly billing rates and agreeing to fee agreements signed by all parties.
- If any portion of the funds is undisputed, distribute that portion. It is not required to wait for the dispute to be resolved to disburse any undisputed amounts.
- Attorney fees should not remain in client trust accounts for more than two months from when the fees are earned and available. However, in circumstances where good cause exists, a longer withdrawal period may be reasonable and should be documented.

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- Retain all client trust account records, including deposit slips, canceled checks, client ledgers, bank charges ledgers, client trust account journals, reconciliation forms, and bank statements, for at least five years after the final distribution.

Resources:

- [Rule 1.15\(c\)\(2\)](#)
- [Rule 1.15 \(d\)\(3\)](#)
- [Rule 1.16\(e\)\(2\)](#)
- [Business and Professions Code section 6147](#)
- [Business and Professions Code section 6148](#)

**Supervision**

Assessment Question	Y/N	Responsibility	Current Procedures	Self-Assessment (Non-compliance) Gap
Do you have procedures that require the designated attorney, or another responsible attorney, to review ongoing recordkeeping, including monthly reconciliations, on a regular basis?				
Does the firm have written policies and procedures in place to identify the firm's practice management related to its client trust accounting practices?				
Do you have procedures in place that address the safeguarding of client funds and property and provide for the supervision of non-designated attorneys or nonattorneys handling client trust account responsibilities?				
Do you have procedures that detail the roles and responsibilities of all individuals involved in processing, accounting, and reviewing client trust funds? Has there been consideration of risk with one person performing both handling of funds and reporting of funds?				
Does staff training include fraud prevention measures such as procedures to confirm wire transfers?				

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Best Practices:

- Defined roles and responsibilities should be established for the following roles: day-to-day bookkeeping, monthly reconciliations, monitoring outstanding disbursements, billing and fee arrangement verification, client trust account supervision, bank deposits, and check writing.
- Ensure separation between individuals who handle the client trust account transactions and those who conduct reconciliations to reduce the risk of mismanagement or error.
- Provide comprehensive training to non-attorney staff on the rules governing client trust account handling, including the need to preserve client funds and avoid commingling.
- Conduct periodic spot audits of ledgers, reconciliations, and bank statements by someone not involved in daily processing.

Resources:

- [Rule 5.1](#)
- [Rule 5.3](#)
- [Monthly Reconciliation Supervisory Review](#)
- [Client Trust Account Protection Program Training](#)
- [Client Trust Accounts, Part 2 - Internal and external threats](#)