California Law Firm Trust Accounting Compliance Checklist

Is Your Client Trust Account Ready for a State Bar Audit?

Use this checklist to evaluate whether your firm's trust accounting practices align with California State Bar requirements. If you answer **"No"** to any of these questions, your firm may have compliance gaps that should be addressed.

Client Trust Records

☐ A separate client trust ledger is maintained for every client.

☐ Each client ledger reflects all deposits, disbursements, and current balance.

☐ No client trust ledger has a negative balance.

☐ Client funds are never used to pay another client's obligations.

☐ Client balances equal the firm's total trust liability.

Bank Records

☐ Monthly bank statements are retained.

☐ Cancelled checks and deposited item images are retained.

☐ Deposit records identify each client and matter.

☐ Every trust transaction can be traced to a specific client.

Monthly Three-Way Reconciliation

☐ Monthly bank reconciliations are completed.

☐ Client trust ledgers are reconciled monthly.

☐ A three-way reconciliation is prepared every month.

☐ The following balances agree:

- Bank Statement Balance
- Adjusted Book Balance
- Total Client Trust Liability

Trust Disbursements

☐ Every disbursement is supported by proper documentation.

☐ Settlement disbursements are documented and approved.

☐ Attorney fees are transferred only after they are earned.

☐ Medical liens are documented and resolved appropriately.

☐ Outstanding checks are monitored and investigated.

Internal Controls

☐ Trust account activity is reviewed regularly.

☐ Supporting documentation is maintained for every transaction.

☐ Outstanding balances are investigated promptly.

☐ Trust shortages are immediately investigated and corrected.

☐ Staff responsible for trust accounting understand California trust accounting requirements.

Compliance Documentation

☐ Settlement statements are retained.

☐ Deposit backup is retained.

☐ Copies of all trust checks are maintained.

☐ Electronic payment documentation is retained.

☐ Monthly reconciliation reports are archived.

Common Risk Areas

Check any that apply:

☐ Missing client trust ledgers

☐ Unidentified trust deposits

☐ Checks that cannot be linked to specific clients

☐ Negative client balances

☐ Outstanding checks over 90 days old

☐ Missing monthly reconciliations

☐ Commingling of operating and client funds

☐ Client balances that cannot be verified

☐ Inactive client funds remaining in trust

☐ Unreconciled trust account differences

Quick Self-Assessment

20–28 boxes checked: Your trust accounting procedures appear well maintained.

12–19 boxes checked: Your firm may have compliance weaknesses that should be reviewed.

Fewer than 12 boxes checked: Your trust accounting records may require immediate attention to reduce compliance risk.

Need Help?

Koma Consulting Group PC specializes in:

- Trust Account Reconstruction
- Monthly Three-Way Trust Reconciliations
- California Trust Accounting Compliance
- CTAPP Compliance Support
- State Bar Audit Preparation
- Trust Account Cleanup Projects
- Law Firm Accounting & Financial Operations

Schedule a confidential consultation to assess your firm's trust accounting compliance and identify potential risks before they become costly problems.