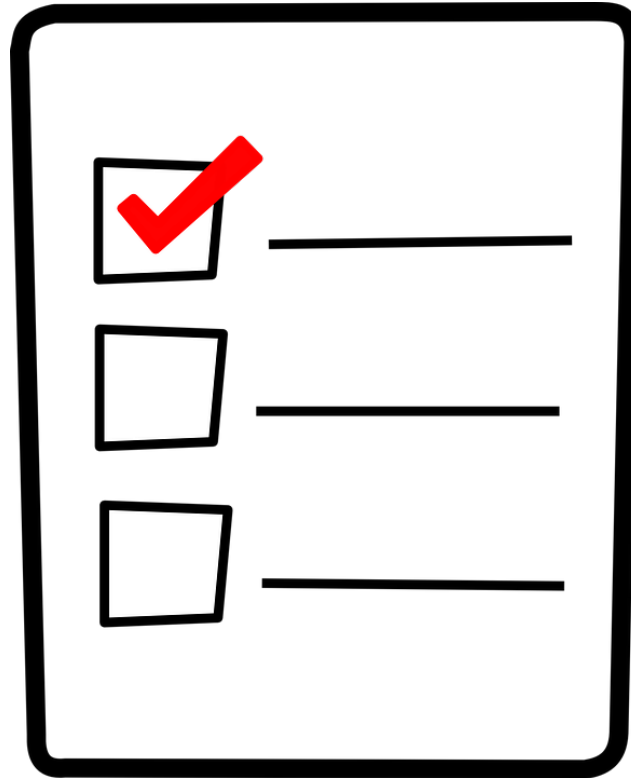


A Basic Guide to Trust Fund Accounting & Management Reporting

Presented by: **Diane L. Camacho, CLM**
and Plain Language Media
December 7, 2022

Agenda

- ▶ IOLTA
 - ▶ CTAPP
- ▶ Reporting
- ▶ Checks & Balances



Client Trust Account Protection Program

▶ The Rules

- ▶ See Handout – Handbook on Client Trust Accounting for California Attorneys

▶ The Certification Changes

- ▶ Beginning 2023 through My State Bar Profile
- ▶ Firms with multiple attorneys paying dues online can report the banking information for all attorneys.
- ▶ Each attorney will be required to complete the CTAPP Self Assessment (see handout).



Attorney Who Don't Directly Work Trust With Funds – subordinate attorneys

12. The self-assessment asks about tasks that I do not personally perform (e.g., conducting a monthly reconciliation) but I believe other persons in my firm are responsible for those tasks. How do I complete those items in the self-assessment?

A subordinate lawyer may consult a supervisory lawyer to confirm that duties that are not personally performed are being properly discharged by others in the firm. For example, a subordinate lawyer may ask the attorney who manages the firm's client trust accounts whether monthly reconciliations are performed on the client trust accounts. Absent information to the contrary, the subordinate lawyer may reasonably rely on that guidance in completing the self-assessment.

Who is NOT required to complete CTAPP reporting requirements

9. Who is NOT required to complete the CTAPP reporting requirements?

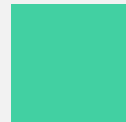
The CTAPP rules exempt certain licensees from the CTAPP reporting, including:

- Lawyers who were **not on active status** at any point during the reporting period; and
- Lawyers who are **not entitled to practice law** at the time of the reporting deadline for any reason other than voluntary inactive enrollment (e.g., due to disciplinary or regulatory action).

IOLTA – Interest on Lawyers’ Trust Accounts



California’s Rules of Professional Conduct
With Changes



Safekeeping Funds and Property of Clients
and Other Persons



Whose Money Is It?



How Will The Money Be Used?

IOLTA - More

Fee Agreements



Comingling



Opening & Closing



Recordkeeping

IOLTA – Record Keeping Firm

Month	May 2020				
Client/Matter Name	Previous Month Balance	Activity	Activity Date	Current Balance	Notes
Bernstein - Divorce	\$1,500.00	-\$1,095.00	4/10/20		Paid Inv. #32098
		\$500.00	4/30/20	\$905.00	Replenish
McAuliffe - Employment	\$750.00	-\$750.00	4/10/20	\$0.00	Paid Inv. #32067
Connon - Trust	\$2,250.00	-\$450.00	4/10/20		Paid Inv. #32054
		\$450.00	4/27/20	\$2,250.00	Replenish
Todd - Real Estate	\$400.00	-\$400.00	4/10/20	\$0.00	Partial Payment Inv. #32072
Month End Balance				\$3,155.00	

IOLTA – Record Keeping Client

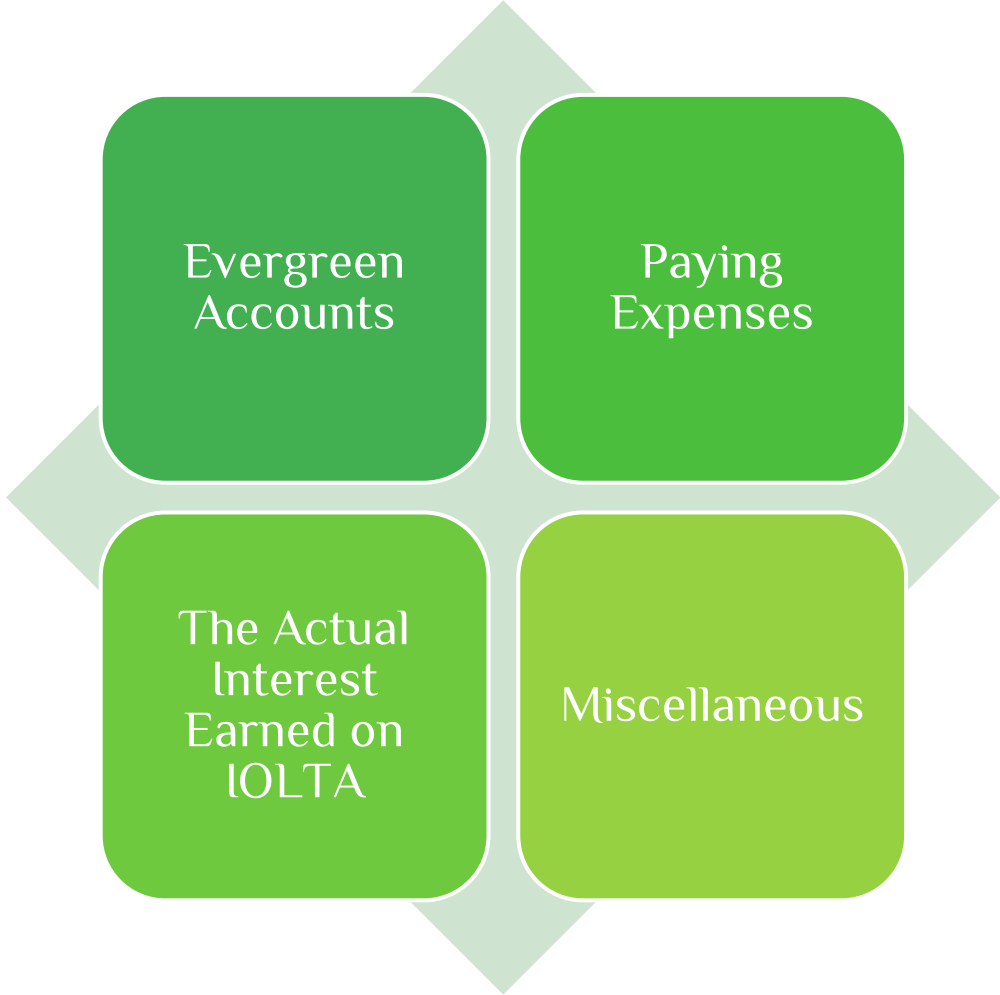
Trust Ledger Report (11/07/2020)

DLC Consulting Services, LLC

IOLTA TRUST ACCOUNT - FIRST REPUBLIC

Date	Source/Recipient	Reference	Matter	Funds Out	Funds In	Balance
12/31/2018	Opening Balance					\$0.00
01/01/2019	Client	LawPay	00057-DLC Consulting Services, LLC		\$10,000.00	\$10,000.00
	Trust Deposit					
12/16/2019	Client Retainer	1245	00075-DLC Consulting Services, LLC		\$5,000.00	\$15,000.00
	Retainer Deposit into Trust					
10/05/2020	Transferred to: Business Account for invoice #276		00057-DLC Consulting Services, LLC	\$4,400.00		\$10,510.00
	Payment for invoice #276					
10/26/2020	Transferred to: Business Account for invoice #268		00075-DLC Consulting Services, LLC	\$1,000.00		\$9,510.00
	Payment for invoice #268					
11/04/2020	Transferred to: Business Account for invoice #277		00057-DLC Consulting Services, LLC	\$300.00		\$9,210.00
	Payment for invoice #277					
			Closing Balance:	\$5,790.00	\$15,000.00	\$9,210.00
			Client Total:	\$5,790.00	\$15,000.00	\$9,210.00

IOLTA – Some More



IOLTA 5 Most Common Mistakes

- ▶ Borrowing
- ▶ Comingling
- ▶ Fees
- ▶ Reconciliation
- ▶ Recordkeeping



Law Firm Business Reports



Financial



Management

Balance Sheet
As of November 30, 2022

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
[REDACTED] Checking	0.00
[REDACTED] First Republic Checking	18,884.90
[REDACTED] IOLTA - First Republic Bank	57,832.25
	<i>IOLTA Balance in Assets matches Deposits/Retainers from Clients in Liabilities</i>
Total Bank Accounts	\$76,717.15
Other Current Assets	
1240 Client Advanced Costs	17,706.54
	<i>Client Advanced Costs should be in Assets</i>
1350 Prepaid State Taxes	40,867.00
Total Other Current Assets	\$58,573.54
Total Current Assets	\$135,290.69
Fixed Assets	\$41,305.76
TOTAL ASSETS	\$176,596.45
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
1009 Amex	9,954.42
Total Credit Cards	\$9,954.42
Other Current Liabilities	
2300 Deposits/Retainers from Clients	57,832.25
	<i>Deposits/Retainers in Liabilities matches IOLTA Bank Balance in Assets</i>
Total Other Current Liabilities	\$57,832.25
Total Current Liabilities	\$67,786.67
Total Liabilities	\$67,786.67
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
TOTAL LIABILITIES AND EQUITY	\$176,596.45

Collection Realization by Client

Client	Practice Area	Billable Time	Billable Hours	Billable Expenses	Discounted Time	Billed Time	Write Off	Collected Time	Collected Expense
Client 1	Labor & Employment	\$ 2,451.00	15	\$ -	\$ 774.00	\$ 1,677.00	\$ 516.00	\$ 1,161.00	\$ -
Client 2	Labor & Employment	\$ 1,937.00	8.55	\$ -	\$ 373.75	\$ 1,563.25	\$ 313.25	\$ 1,250.00	\$ -
Client 3	Labor & Employment	\$ 2,171.25	15.4	\$ 8.00	\$ -	\$ 2,171.25	\$ -	\$ 2,171.25	\$ 1,177.76
Client 4	Litigation	\$ 1,237.50	5.5	\$ -	\$ -	\$ 1,237.50	\$ -	\$ 1,237.50	\$ -
Client 5	Litigation	\$ 1,053.50	4.9	\$ -	\$ -	\$ 1,053.50	\$ -	\$ 1,053.50	\$ -
Client 6	Litigation	\$ 430.00	2.3	\$ -	\$ 157.50	\$ 272.50	\$ 47.50	\$ 225.00	\$ -
Client 7	Litigation	\$ 360.00	1.6	\$ -	\$ -	\$ 360.00	\$ -	\$ 360.00	\$ -
Client 8	Litigation	\$ 1,040.50	4.5	\$ -	\$ -	\$ 1,040.50	\$ -	\$ 1,040.50	\$ -
Client 9	Litigation	\$ 9,794.25	45.4	\$ -	\$ 784.75	\$ 9,009.50	\$ 59.50	\$ 8,950.00	\$ -
Totals		\$ 20,475.00	103.15	\$ 8.00	\$ 2,090.00	\$ 18,385.00	\$ 936.25	\$ 17,448.75	\$ 1,177.76

Discounting (write down/off) \$2,090.00 or 10.3%

Collection Ratio is 94.9%. Based on what was billed not what was worked.

Billable	\$	20,475.00
Discount	\$	(2,090.00)
Write Off	\$	(936.25)
	\$	17,448.75
Realization Ratio		85%

Firms should expect to collect 90% or more of the billable hours worked.

Weekly Cashflow Report
January 12, 2022

Operating Account Balance	\$ 523,970.62
Savings Account Balance	<u>\$ 300,000.00</u>
	\$ 823,970.62
Weekly AP	
Payroll	\$ 98,453.08
Rent	\$ 35,870.34
Health Insurance	\$ 6,863.00
Other AP	<u>\$ 12,689.00</u>
Total AP	\$ 153,875.42
Expected Income	
Brown Settlement	<u>\$ 54,200.00</u>
Expected Balance as of 1/17	\$ 724,295.20

Report – Cash Position

Checks & Balances

- ▶ Separation of Duties
- ▶ Cash In
- ▶ Cash Out
- ▶ Reconciling



QUESTIONS?

