

Educating Lawyers on **Trust Account Management**

From Audits to Trust Accounts School (and then some)

Presenters:

Trinity Braun-Arana
Director of Client Security
Iowa Office of Professional Regulation

Sandy Garrett
Chief Disciplinary Counsel
Board of Professional Responsibility
of the Supreme Court of Tennessee



Overview

I. Introduction - The Educational Landscape

II. The Tennessee Method

Written Resources

CLE & Outreach

CTA School - logistics, attendance, costs, salient topical points

III. The Iowa Method

Written Resources

CLE & Outreach

In-person training at audits

In-person & Correspondence Audits

Running an Audit Program on a Shoestring Budget

Under Construction

Online CTA School as Part of the OPR Academy

IV. Interesting Rules & Approaches in Other Jurisdictions

TOPICS COVERED

1. Trust Accounts—General Principles
2. Preventing Overdrafts
3. Preventing Misappropriation of Funds
4. Unidentified Trust Account Funds
5. Common Comingling Errors
6. Remote Work and Use of Digital Technologies
7. Clients Experiencing “Settlement Remorse”
8. Trust Account Scams
9. Accepting Client Fees and Expenses by Credit Card and Digital Payment Platforms
10. Attorney Fees

I. TRUST ACCOUNTS— GENERAL PRINCIPLES

WHAT IS A TRUST ACCOUNT?

A trust account is a bank account maintained incident to a lawyer's law practice in which the lawyer holds funds received in a fiduciary capacity on behalf of or belonging to a client or third party.

WHEN DOES A LAWYER NEED A TRUST ACCOUNT?

A lawyer must maintain a trust account when the lawyer receives funds in a fiduciary capacity in the context of their law practice.

The lawyer must have access to the trust account before receiving the funds. See RPC 1.15(a)-(c).

Lawyers who do not receive funds belonging to or on behalf of clients or third parties are not required to establish a trust account.

WHAT FUNDS NEED TO BE DEPOSITED INTO A TRUST ACCOUNT?

- 1. Attorney fees that have not yet been earned.
 - 2. Pre-paid discretionary expenses and costs.
 - 3. Any other funds received from clients or third parties to be held on behalf of the client or third party.
-
- RPC 1.15(c).

A LAWYER'S OBLIGATION TO SAFEGUARD PROPERTY OR FUNDS

- An attorney's ethical obligation regarding trust accounts falls within an attorney's broader fiduciary obligation over property or funds of clients and third parties.
- RPC 1.15, Comment [1]: "A lawyer should hold property of others with the care required of a professional fiduciary."

PROHIBITION OF COMINGLING FUNDS

- Trust accounts are also required to prevent an attorney from comingling client funds or funds of third persons with personal funds.
- “A lawyer shall hold property and funds of clients or third persons that are in the lawyer’s possession in connection with a representation separate from the lawyer’s own property and funds.” RPC 1.15(a).

DOES EACH LAWYER IN A FIRM NEED A SEPARATE TRUST ACCOUNT?

No. Lawyers in a firm may use a single firm trust account as long as adequate records of the funds of each client are maintained.

Multiple firm trust accounts are permissible. However, for good control, oversight, and accountability, firm accounts are preferable to individual accounts.

DUTY TO PROMPTLY TRANSMIT FUNDS

- Upon receiving funds or other property in which a client or third party has an interest, a lawyer shall promptly notify the client or third person, and unless agreed upon with the client, deliver to the client or third party the funds that the client is entitled to receive.
- RPC 1.15(d)

WHAT IF FUNDS OR PROPERTY ARE DISPUTED?

If a lawyer is in possession of property or funds in which two or more persons (one of which may be the lawyer) have an interest, the property shall be kept separate until the dispute is resolved. Any undisputed portion shall be immediately released.

RPC 1.15(e)

INTERPLEADER MAY BE REQUIRED

- If a dispute regarding the ownership of funds is not informally resolved, there may be a need for the lawyer to interplead the funds.

DUTIES TO THIRD PARTIES

- Third parties, such as a client's creditors, may have just claims against trust account funds. A lawyer may have a duty under applicable law to protect such third-party claims against wrongful interference by the client and accordingly may refuse to surrender funds to the client.
- RPC 1.15, Comment [11].

HYPOTHETICAL

- A lawyer agrees to represent a client in pursuing a personal injury claim. The case is settled for policy limits. What are the lawyer's obligations following settlement with regard to the funds received and disbursement?
- Let's assume that after settlement is reached, a dispute arises between the lawyer and the client over the applicable portion of the client's settlement proceeds, as the client did not understand how subrogation claims would be deducted. What are the lawyer's obligations under RPC 1.15?

TYPES OF LAWYER TRUST ACCOUNTS

INDIVIDUAL TRUST ACCOUNTS FOR SPECIFIC CLIENTS

- Required when funds will be maintained for a significant length of time and/or are of such a significant value to warrant individual investment of the funds.

INTEREST ON LAWYERS' TRUST ACCOUNTS ("IOLTA")

- Required when the client funds are (1) nominal in amount; and/or (2) are only going to be held for a brief period.

REQUIREMENTS FOR BOTH TYPES OF TRUST ACCOUNTS

- All trust accounts must be maintained in a financial institution, deposits of which are insured by the Federal Deposit Insurance Corporation (“FDIC”) and/or National Credit Union Association (“NCUA”), having a deposit accepting office in the state where the lawyer’s office is situated.

RPC 1.15(b).

APPROVAL OF FINANCIAL INSTITUTIONS

- Attorney trust accounts shall be maintained only in financial institutions approved by the Board of Professional Responsibility.
- TENN. SUP. CT. R. 9, § 35.1.
- A list of approved financial institutions is maintained on the Board's website at
- <https://www.tbpr.org/for-legal-professionals>.

OVERDRAFT NOTIFICATION PROGRAM

- The financial institution where the trust account is held must participate in the overdraft notification program governed by TENN. SUP. CT. R. 9, § 35.1.
- Any financial institution holding an attorney trust account shall send notice to the BPR whenever any properly payable instrument is presented against a trust account containing insufficient funds, irrespective of whether the instrument is honored.
- TENN. SUP. CT. R. 9, § 35.1(b).

CONSENT BY ATTORNEYS TO OVERDRAFT NOTIFICATION

- Every attorney practicing in Tennessee shall be conclusively deemed to have designated the Board as their agent for the purpose of disclosure of financial records by financial institutions relating to their trust accounts, including overdraft notification reporting.
- TENN. SUP. CT. R. 9, § 35.1(e).

OVERDRAFT NOTIFICATION MAY LEAD TO BOARD INVESTIGATION

- If an overdraft notice is generated and forwarded to the Board, the circumstances resulting in the overdraft will be reviewed, and an investigative file may be opened pursuant to TENN. SUP. CT. R. 9, § 15.1.

ACCOUNTS MUST BE CLEARLY IDENTIFIED AS “TRUST” OR “ESCROW” ACCOUNTS

- The account name of any trust account must clearly identify the account as a “trust” or “escrow” account.
- The attorney must take all steps necessary to inform the depository institution of the purpose and identity of the account(s).
- TENN. SUP. CT. R. 9, § 35.1(a)(1).

PERSONAL FUNDS MAY ONLY BE DEPOSITED FOR FINANCIAL INSTITUTION SERVICE CHARGES

- A lawyer may deposit the lawyer's own funds in a trust account only to pay financial institution service charges or fees on that account. The lawyer should confirm the amount of such charges with the financial institution to avoid depositing excess charges. RPC 1.15(b).
- A lawyer may not deposit personal funds into their trust account for any other purpose, including maintaining an amount of funds to avoid an overdraft.

RECORDKEEPING REQUIREMENT

- Complete records of trust account funds shall be kept by the lawyer and preserved for a period of five (5) years after termination of the representation.
- RPC 1.15(b).

INDIVIDUAL TRUST ACCOUNTS

An individual trust account should be established if the funds at issue are of an amount or are expected to remain in the account for such a duration that the funds would likely earn an amount of income for the benefit of the client to warrant creation of a separate trust account.

For individual trust accounts, interest earned shall belong to the clients or third persons whose funds are deposited, and the lawyer has no right to such interest.

RPC 1.15(b)(1).

Most attorneys who handle funds of clients or third parties will only be required to establish an IOLTA account, rather than individual trust accounts.

INTEREST ON LAWYERS' TRUST ACCOUNT ("IOLTA")



An IOLTA account is a “pooled trust account.” A lawyer shall deposit all funds of clients and third persons that are nominal in amount or expected to be held for a short period of time such that the funds cannot earn income for the benefit of the client to warrant creation of a separate trust account.



IOLTA accounts governed by RPC 1.15(b)(2) and Tenn. Sup. Ct. R. 43.

HOW TO DETERMINE IF FUNDS SHOULD BE DEPOSITED INTO AN IOLTA ACCOUNT

- The factors a lawyer should consider in this analysis include the following:
 1. The amount of funds to be deposited.
 2. The expected duration of the deposit.
 3. The cost of establishing and administering a non-IOLTA account for the benefit of the client.

RPC 1.15, Comment [5].

- A lawyer's decision whether or not to establish an individual trust account is a discretionary one, and no disciplinary action shall arise due to a lawyer's good faith determination on this issue.
- RPC 1.15(b)(3); RPC 1.15, Comment [6].

THE TENNESSEE BAR FOUNDATION

- The Tennessee Bar Foundation acts as the organizational administrator of the IOLTA program. TENN. SUP. CT. R. 43, § I.
- The Tennessee Bar Foundation is responsible for determining whether a financial institution is an eligible financial institution which meets the requirements of the IOLTA program. TENN. SUP. CT. R. 43, § I.

A list of the eligible financial institutions is maintained by the Tennessee Bar Foundation on its website: www.tnbarfoundation.org.

ATTORNEY IOLTA REPORTING REQUIREMENTS

- Unless exempt (exemptions are itemized at TENN. SUP. CT. R. 43, § 14), an attorney admitted to practice in Tennessee shall certify IOLTA compliance in their annual registration statement. TENN. SUP. CT. R. 43, § 14.
- The certification must include disclosure of the financial institution(s) where any IOLTA funds are held.

- The information contained in the attorney's IOLTA reporting shall remain confidential other than as to the Tennessee Supreme Court or the Board of Professional Responsibility. TENN. SUP. CT. R. 43, § 17.

ADMINISTRATIVE SUSPENSION MAY ARISE THROUGH NONCOMPLIANCE WITH IOLTA REPORTING

- Attorneys may be administratively suspended for noncompliance with their IOLTA reporting requirement. TENN. SUP. CT. R. 43, § 15.

USE OF INTEREST GENERATED THROUGH IOLTA ACCOUNTS

The interest generated through an IOLTA account is distributed by the Tennessee Bar Foundation for the following purposes:

1. To provide legal assistance to the poor
2. To provide student loans, grants, and/or scholarships to deserving law students
3. To improve the administration of justice.

TENN. SUP. CT. R. 43, §13.

2. PREVENTING OVERDRAFTS

Negligent bookkeeping errors that result in overdraft or insufficient funds notices can most effectively be prevented through the creation and maintenance of reasonable internal controls.

RPC 1.15 REQUIRES EFFECTIVE TRUST ACCOUNT MANAGEMENT PRACTICES

- In accordance with their fiduciary duty over the property and funds of clients and third parties, attorneys are required to create and maintain effective trust account management practices.
- Attorneys may be subject to discipline for violation of RPC 1.15 and other disciplinary rules arising out of negligent bookkeeping errors and the failure to create and maintain effective trust account management practices.

MANAGERIAL OVERSIGHT

- Maintaining good trust account management practices is not only required by RPC 1.15 but also falls within a lawyer's overall managerial responsibilities.
- Lawyers with managerial authority over their law practice, regardless of the size of the practice, are required to create and maintain protocols to provide reasonable assurance that the lawyer and their staff will comply with the Rules of Professional Conduct.
- RPC 5.1

- Neither the Rules of Professional Conduct nor Rule 43 of the Tennessee Supreme Court Rules create any specific mandates regarding the details of your trust account management system (e.g. use of a written ledger or online software).

LAWYERS MUST UNDERSTAND THE TRUST ACCOUNT MANAGEMENT SYSTEM ADOPTED

- Whatever account management system is chosen, the lawyer must understand how the system works, how records will be maintained, train and supervise staff, and review trust account records regularly.

SPECIFIC SUGGESTIONS FOR INTERNAL CONTROLS

1. Diversification of financial functions.
2. Regular reconciliation of accounts.
3. Direct reviewing online bank statements or unopened bank statements received by mail.
4. Good case management and communication protocols.
5. Vetting (including criminal background checking) and ongoing training/supervision of employees.

TENNESSEE FORMAL ETHICS OPINION 89-F-121

Tennessee Formal Ethics Opinion 89-F-121 contains a summary of best practices for trust account management.

Many of the specific suggestions in Formal Ethics Opinion 89-F-121 reflect a pre-internet world where written ledgers were the primary means of account management. However, this formal ethics opinion remains an excellent resource for overall trust account management guidelines regardless of whether the attorney uses a conventional or software-based system.

FAMILIARITY WITH FINANCIAL INSTITUTION'S POLICIES

- Lawyers should take particular care to review the trust account bank's procedures and practices, including the imposition of charges, the circumstances when a hold will be placed on a check, etc.

INSURANCE

- The ultimate risk control mechanism is insurance. Despite all prudent audit control steps a firm may take, it is still possible for theft to occur.

DISCIPLINARY ACTION IMPOSED FOR TRUST ACCOUNT VIOLATIONS

- Occasional inadvertent errors that do not result in harm to clients or third parties will typically not result in disciplinary action. However, repeated overdrafts, even if arising out of inadvertent errors, may be construed to breach an attorney's fiduciary duty defined at RPC 1.15, and/or RPC 5.1.

3. PREVENTING **MISAPPROPRIATION OF** **FUNDS**

HYPOTHETICAL

- Attorney employs Legal Assistant. Attorney uses a conventional check and ledger trust account management system. Attorney reviews the monthly mailed bank statements from the financial institution where the trust account is maintained. Unbeknownst to Attorney, the Legal Assistant forges the bank statements and to conceal frequent withdrawals by the Legal Assistant on the trust account.
- Has Attorney violated any ethical rules? What steps could have been taken by Attorney to prevent the misappropriation? What steps must Attorney take now?

MISAPPROPRIATION OF FUNDS BY STAFF

- Intentional misappropriation of trust account funds by other lawyers or support staff in your office, absent your involvement or knowledge, may result in discipline for violation of RPC 1.15 and RPC 5.1/5.3, where the conduct resulted from inadequate internal controls and/or a failure to take proper remedial action once aware of the conduct.

HYPOTHETICAL

- Attorney is a solo practitioner who employs three support staff. There is a slowdown in Attorney's practice and as a result, Attorney does not have the money to pay for the office lease, support staff salaries, and other ongoing expenses. Attorney withdraws funds from the firm's trust account, expecting to return the funds once business picks back up.
- What ethical rules has Attorney violated? What protocols could have mitigated the possibility of this action being taken?

THE CARDINAL RULE FOR PREVENTING MISAPPROPRIATION

Diversification of financial functions. Misappropriation frequently arises where an attorney or support staff person experiences personal financial duress and/or manifests addictive propensities, and where the attorney or support staff person is the only individual with regular access to or review of the firm's trust account.

Having more than one person regularly reviewing trust account records can help prevent or mitigate misappropriation of funds.

LAWYER'S OWN INTENTIONAL MISAPPROPRIATION

- A lawyer's own intentional misappropriation of trust account funds may be grounds for temporary suspension and the filing of formal disciplinary charges.
- Likely Rules of Professional Conduct implicated include RPC 1.15, 8.4(b), and 8.4(c).

4. UNIDENTIFIED TRUST **ACCOUNT FUNDS**

HYPOTHETICAL

- Attorney, a solo practitioner, decides to retire. Attorney completes a reconciliation of their trust account funds and discovers that there are \$5,000 funds which cannot be identified.
- What is the attorney's proper course of action?

- A lawyer who learns of unidentified funds in an IOLTA account must make periodic efforts to identify and return the funds.
- If, after 12 months, the lawyer is unable to locate the owner of the funds, the lawyer must remit the funds to the Tennessee Lawyers' Fund for Client Protection.
- RPC 1.15(f)

LAWYERS' FUND FOR CLIENT PROTECTION

- The Lawyers' Fund for Client Protection is a Tennessee Supreme Court agency that monitors and disburses funds to individuals financially harmed by an attorney's dishonest conduct.
- The Lawyers' Fund for Client Protection is governed by TENN. SUP. CT. R. 25. Additional information about the Lawyers' Fund for Client Protection is available at <https://tlfcp.tn.gov/>.

HYPOTHETICAL

- Attorney represents a client in pursuing a civil claim which results in a favorable settlement. After receipt of the settlement funds from opposing counsel, the funds are deposited into trust. Attorney contacts the client, but the client doesn't respond.
- What is the attorney's proper course of action?

UNIFORM DISPOSITION OF UNCLAIMED PROPERTY ACT

- RPC 1.15(f) does not apply where the owner is identified but cannot be located. Under this circumstance, the lawyer, after exhausting efforts to facilitate return of the funds, must proceed pursuant to Tennessee law governing abandoned property. See TENN. CODE ANN. § 66-29-101, et seq. (Uniform Disposition of Unclaimed Property Act).
- RPC 1.15, Comment [14].

5. COMINGLING ERRORS

COMINGLING OF FUNDS IS PROHIBITED

- A lawyer shall hold property and funds of clients or third persons that are in the lawyer's possession in connection with a representation separate from the lawyer's own property and funds.
- RPC 1.15(a).

MAKING PERSONAL TRANSACTIONS OUT OF YOUR TRUST ACCOUNT

- Attorney obtains a favorable settlement for a client in connection with a civil claim. Attorney deposits the settlement funds into trust following receipt and releases the client's portion of the proceeds. Attorney is in arrears on a personal mortgage obligation.
- May attorney send a payment directly from the trust account to the mortgage company?

- Even in the circumstance where an attorney's trust account temporarily contains fees earned by the attorney, the funds may not be withdrawn to pay personal expenses.
- RPC 1.15, Comment [15]. See also Board of Professional Responsibility v. Allison, 284 S.W.3d 316, 324-325 (Tenn. 2009).

HOLDING A “CUSHION” OF PERSONAL/OPERATING FUNDS

- Attorney is reasonably concerned about avoiding overdrafts. May Attorney hold \$1,000 of Attorney's operating funds in the Attorney's trust account to mitigate the effects of bookkeeping errors?

- For both individual trust accounts and IOLTA accounts, a lawyer may deposit the lawyer's own funds solely for the purpose of paying a financial institution's service charges or fees, and only in an amount reasonably necessary for that purpose.
- RPC 1.15(b).
- Attorneys are likewise required for ensuring that such financial institution service charges are paid by the attorney and not assessed to the client. RPC 1.15, Comment [4].

PRACTICE SUGGESTION

Be sure to confirm with your financial institution the applicable charges that will be assessed against the account and establish an office protocol to ensure prompt deposit of sufficient funds to cover these charges.

6. REMOTE WORK AND USE OF DIGITAL TECHNOLOGIES

DUTY TO PREVENT UNAUTHORIZED DISCLOSURE OF INFORMATION

An attorney is required to take reasonable steps to prevent the inadvertent or unauthorized disclosure or unauthorized access to information relating to the representation of the client.

RPC 1.6(d).

THIS INCLUDES TRUST ACCOUNT RECORDS

- The attorney's general duty to protect confidential information includes trust account records, as such records constitute information relating to the representation of the client.
- Trust account records can thereby only be disclosed through the client's informed consent, where impliedly authorized, or where permitted by RPC 1.6(b) or required by RPC 1.6(c).

THE DUTY OF CONFIDENTIALITY APPLIES TO FORMER CLIENTS

- The attorney's duty to protect confidential information continues after the attorney-client relationship has ended. On this basis, any trust account information relating to former clients maintained conventionally or digitally must be protected.
- RPC 1.6, Comment [20].

THE CREATION AND MAINTENANCE OF APPROPRIATE SAFEGUARDS

- RPC 1.6(d) requires attorneys to create and maintain appropriate safeguards to prevent the disclosure of confidential information.
- This task is part of an attorney's overall duty to create and maintain appropriate office protocols to ensure compliance with the Rules of Professional Conduct.
- RPC 5.1.

The appropriate protocols are going to depend upon the size of the attorney's firm, the nature of the attorney's practice, and whether the attorney uses a conventional or digital trust account management system.

See RPC 1.6, Comment [18] and [19].

REMOTE WORK AND MOBILE BANKING

- The Rules of Professional Conduct do not prohibit or proscribe remote work, the use of bookkeeping software or mobile banking.
- Whatever bookkeeping system or tools are used, the attorney's fiduciary duty defined at RPC 1.15, Comment [1] and duty to maintain confidentiality defined at RPC 1.6(d) are applicable.

HYPOTHETICAL

- Attorney, the Managing Partner of a firm, decides to move the firm to a remote work model where attorneys and support staff will work from home 3 days a week.
- What are some specific issues and concerns that the Managing Partner should consider regarding remote trust account management practices, and how should these concerns best be addressed, in order to comply with RPC 1.15 and RPC 5.1?

7. CLIENTS EXPERIENCING **“SETTLEMENT REMORSE”**

HYPOTHETICAL

Attorney settles Client's civil claims after the filing of suit. Defense counsel forwards a settlement check to Attorney after execution of releases and the settlement check is deposited into Attorney's trust account. Client changes their mind about the settlement and refuses to accept their portion of the funds.

What steps should Attorney take?

THE SETTLEMENT FUNDS MUST REMAIN IN TRUST

- Attorney must keep the entire settlement funds in trust until the issue with the client is resolved. If there is a dispute between you and the client about the amount of fees that need to be returned to the client, the disputed portion of the fee needs to remain in your trust account pending the resolution of the fee dispute.
- RPC 1.15(e).

COMPLYING WITH THE CLIENT'S DECISION REGARDING SETTLEMENT

- Attorney cannot compel Client's decision on the issue. An attorney must comply with a client's decision regarding settlement of a matter. RPC 1.2(a).
- However, Attorney's communication obligations defined at RPC 1.4(a) require Attorney to advise Client of the implications of Client's decision (e.g., the triggering of a motion to enforce the settlement).

COMMUNICATION WITH THIRD-PARTIES

- Attorney must also notify any third-parties with an interest in the funds that the funds are being held in trust.
- RPC 1.15(d).

MAINTAINING CONFIDENTIALITY

- During the consultation period with the Client, Attorney should refrain from disclosing to defense counsel or any third-parties that Client has refused to accept the settlement, as this information relates to the representation pursuant to RPC 1.6(a) and does not fall within any exception to disclosure.

WHAT IF ATTORNEY IS DISCHARGED OR WITHDRAWS?

- Client persists in rejection of the settlement agreement. If Attorney is discharged by Client or chooses to seek permissive withdrawal (which would be compliant with RPC 1.16(b)), the funds must remain in trust pending the resolution of the issue.
- If Client retains successor counsel while the dispute is pending, the funds may be transferred to successor counsel's trust account. Attorney may assert their statutory attorney fee lien against any subsequent recovery by Client in the civil proceeding.

DEFENSE OF A MOTION TO ENFORCE THE SETTLEMENT

- If Attorney remains counsel for Client and defense counsel files a motion to enforce the settlement, Attorney is required to raise any available defenses to the motion, as Attorney remains under a duty to provide zealous advocacy for Client.
- However, if no nonfrivolous defenses exist under applicable law, Attorney must seek leave to withdraw, as defending would potentially violate RPC 3.1 (assertion of frivolous legal claims).

AN INTERPLEADER ACTION MAY ULTIMATELY BE REQUIRED

- If the issue remains unresolved and defense counsel does not affirmatively file a motion to enforce the settlement, Attorney will ultimately be required to file an interpleader action to resolve the issue. The settlement funds cannot indefinitely remain in trust, as this would violate both RPC 1.15 and RPC 1.3 (diligence).
- RPC 1.15, Comment [12].

8. TRUST ACCOUNT SCAMS

COMMON SCENARIO I

Client contacts Attorney by email seeking legal representation in a breach of contract matter. Client alleges that they are owed \$100,000 on the contract. Attorney agrees to handle the matter on a contingency fee basis, and a fee agreement is signed. All communications with Client are by email or phone.

- Days after the execution of the fee agreement, Attorney receives a check from the alleged breaching party for the full \$100,000. Client advises that they need their portion of the funds immediately. Attorney deposits the \$100,000 check into the firms' trust account and after the bank provides provisional credit, disburses Client's share.

- Weeks later, Attorney receives notice from the bank that the check was fraudulent. The \$100,000 is withdrawn from Attorney's account, resulting in an overdraft which impacts other client funds.

COMMON SCENARIO 2

Attorney agrees to represent Client in a transactional matter. An agreement is reached with the opposing party. Attorney provides the Client with the wiring instructions for transmittal of funds into Attorney's trust account. A date is scheduled for Client to sign the documents in connection with the agreement.

- Hours before the Client is scheduled to sign the documents, the Client receives an email purporting to be from Attorney with different wiring instructions. Client wires the funds prior to meeting with Attorney. The email turns out to be fraudulent and the funds are lost.

WERE ANY ETHICAL RULES VIOLATED?

No legal authority yet in Tennessee. However, North Carolina State Bar Formal Opinion 2021-2 concluded that several ethical rules are implicated for these types of scams, including RPC 1.1 (competence), RPC 1.3 (diligence), RPC 1.15 (duty to safeguard funds), and RPC 5.1 (managerial responsibilities).

HOW TO PREVENT SCAM I

1. Speak with your financial institution regarding their policies on provisional credit.
2. When you have reason to be suspicious of whether a check is valid, physically present the check at your financial institution for review.
3. Independently verify the identity of new clients.
4. Look carefully at the date of the check—often the check will be dated prior to attorney's first contact with the prospective client.
5. Consult with your financial institution or an outside professional re fraud prevention.

HOW TO PREVENT SCAM 2

1. Confirm correct email/phone/fax contact information at the commencement of the representation with clients and that communications will not be sent from any other contact information.
2. Request that clients immediately call to verify if they receive communications from any email/phone/fax other than the contact information originally provided.
3. Advise new clients of the proliferation of email scams.

9. ACCEPTING PAYMENT BY CREDIT CARD AND DIGITAL PAYMENT PLATFORMS

ETHICAL ISSUES WITH ACCEPTING PAYMENTS WITH CREDIT CARDS AND DIGITAL PAYMENT PLATFORMS

The acceptance of payments using credit cards or payment platforms raises several ethical issues:

1. Confidentiality
2. Chargebacks
3. Comingling of funds

TENNESSEE FORMAL ETHICS OPINION 2023-F-170

- On August 7, 2023, the Board published Tennessee Formal Ethics Opinion 2023-F-170 to address the issue of attorneys accepting payments by credit card or through digital payment platforms.
- Formal Ethics Opinion 2023-F-170 vacated Formal Ethics Opinions 82-F-28 and 82-F-28(a).

- Formal Ethics Opinions 82-F-28 and 82-F-28(a) generally approved the use of credit cards for acceptance of fees and other payments but imposed a number of technical requirements.
- As these formal ethics opinions were published in a pre-internet world, the issue of digital payment platforms was not addressed.

- Formal Ethics Opinion 2023-F-170 generally provides that a lawyer may accept payments by credit cards or payment processing services, including for unearned fees, as long as the lawyer complies with applicable ethical rules and the guidelines established in the opinion.
- Formal Ethics Opinion 2023-F-170 removed the technical requirements imposed by the 1982 opinions.

CONFIDENTIALITY CONCERNS

- Accepting payment by credit card and digital payment platforms implicates an attorney's confidentiality duties.
- Attorneys are required to prevent the inadvertent or unauthorized disclosure of information relating to the representation of a client. RPC 1.6(d).
- However, information relating to the representation of a client may be disclosed through a client's informed confidentiality waiver. RPC 1.6(a)(1)

- Lawyers should advise clients that certain information will be revealed to the credit card company or digital payment platform.
- Lawyers should additionally be aware of the privacy risks of digital payment processing services.

BEING AWARE OF PRIVACY SETTINGS

- Formal Ethics Opinion 2023-F-170 recommends that lawyers be aware of a digital payment platforms privacy settings and any available adjustments to privacy settings.
- The opinion includes proposed language for inclusion in a client's engagement agreement on this issue.

ASSESSMENT OF PROCESSING FEES

- Attorneys may pass any processing fees onto the client.
- The only limitation is that the overall fee charged to the client must meet the objective reasonableness standard based upon the factors codified at RPC 1.5(a).

CHARGEBACKS

- Any unearned advance fees or payments to be held for clients or third parties must be placed in a trust account and may not be comingled with the attorney's own funds. RPC 1.15.
- A problem that this creates regarding credit card payments and some digital payment forms is the risk of a "chargeback." A chargeback is the return of a credit card payment in response to a cardholder's dispute of a charge. If a chargeback occurs on an IOLTA account, funds belonging to other clients and third-parties may be withdrawn to satisfy the chargeback.

A lawyer may not keep a reserve of funds in an IOLTA account to cover potential chargebacks, as a lawyer may only deposit funds for the sole purpose of paying financial institution service charges and fees.

RPC 1.15(b)

OPTIONS OTHER THAN USE OF IOLTA ACCOUNT

Attorneys who choose to accept credit card payments from clients will avoid the problems associated with processing fees and chargebacks through having payments deposited into an operating account or personal account.

However, such fees would need to be earned upon receipt, so a fee agreement would need to be signed by the client providing that the credit card payments are nonrefundable.

ESTABLISH INDIVIDUAL TRUST ACCOUNTS

Establishing individual trust accounts will obviate the chargeback issue. However, establishing individual trust accounts may not be logistically feasible or cost effective for high volume law practices.

CREATE A “SUSPENSION” TRUST ACCOUNT

- Formal Ethics Opinion 2023-F-170 provides that if an attorney accepts unearned fees or other payments that must be deposited into a trust account through credit card or a digital payment platform that contractually provides chargeback rights, the attorney must create a “suspension” trust account. Credit card funds would be directed to the suspension trust account, and then immediately transferred to the attorney’s principal trust account.
- The benefit of the “suspension” account is to prevent funds of other clients and third-parties to be impacted by a chargeback.

ISSUE OF CLIENT FUNDS BEING HELD BY THE PAYMENT PLATFORM

- An additional issue relating to the use of payment platforms is where the platform at issue employs a model where client funds are held by the platform rather than released to the attorney's trust account.
- This would violate the requirement that client funds be maintained in a trust account by an eligible financial institution approved by the Board, and for IOLTA accounts, by the Tennessee Bar Foundation. RPC 1.15(b).

PAYMENT PLATFORMS SPECIFICALLY TARGETED TO LAW FIRMS

There are payment platforms that have been created specifically for use by law firms and have intentionally created their platform in light of the concerns addressed above regarding confidentiality and comingling.

The Board does not endorse specific platforms or services, but attorneys who wish to accept digital payments are encouraged to research the suitability of these platforms.

OTHER SUGGESTIONS FOR USE OF PAYMENT PLATFORMS

1. Make inquiry and analysis of whether a platform will be suitable for maintaining confidentiality of client information.
2. Obtain prior informed consent from clients prior to accepting funds through any platform.
3. Determine if unearned fees or third-party funds will be “held” in a platform account in a manner that would violate RPC 1.15(b).
4. Confirm whether any processing or other transaction fees will be assessed—if these will be assessed against or charged to clients, confirm this in the initial fee agreement.

10. ATTORNEY FEES

WHEN TO DEPOSIT FEES INTO YOUR TRUST ACCOUNT

- An attorney is required to hold the funds of clients and third parties in a trust account. On this basis, only unearned fees may be deposited into a trust account. RPC 1.15(a); RPC 1.15, Comment [2].
- Once fees are earned, the funds must be promptly withdrawn from the trust account, and timely notice of the withdrawal of funds should be provided to the client. RPC 1.15, Comment [10].

NONREFUNDABLE FEES

- A nonrefundable fee is one that is paid in advance and earned by the lawyer when paid. RPC 1.5(f); RPC 1.5, Comment [4a].

A nonrefundable fee shall be agreed to in writing, signed by the client, and the fee agreement must expressly state that the fee is nonrefundable. RPC 1.5(f).

Nonrefundable fees must not be deposited into a trust account, since they are earned upon receipt and are the property of the attorney.

While a nonrefundable fee is earned upon receipt, the fee must be objectively reasonable, based upon the factors codified at RPC 1.5(a). RPC 1.5, Comment [4a].

RETAINER FEES

- A retainer is a sum of money which is prepaid by the client to provide security to the attorney for payment of their fee. The attorney bills against the retainer at a rate which must be disclosed to the client. RPC 1.5(b).
- If you charge a refundable retainer, the retainer must be deposited into your trust account, to be withdrawn only as fees are earned.

HYPOTHETICAL

- Attorney accepts a \$5,000 retainer, to be billed against at \$250 per hour, to represent Client in pursuing a boundary line dispute. Two weeks after undertaking the representation, Client discharges Attorney.
- How much of the retainer, if any, must be refunded to the Client?

PRE-PAID COURT COSTS AND CASE EXPENSES

- Pre-paid court costs and case expenses received from a client must be deposited into your trust account, to remain until used in connection with the representation or if unused, promptly returned to the client when the representation is concluded.
- RPC 1.15(c).

CONTINGENCY FEES

- Contingency fee agreements must be in writing signed by the client and must specify the percentage of the client's settlement/judgment that the attorney will receive, and further specify any pre-paid case expenses for which the attorney will be reimbursed.
- RPC 1.5(c).

When a case taken on a contingency fee settles or the client receives a favorable money judgment, the lawyer is required to prepare a settlement sheet for the client, itemizing how the settlement funds/judgment will be allocated.

RPC 1.5(c).

- Following the transmittal of the settlement sheet to the client, funds should be promptly disbursed to the client and to any third parties, unless the amount is disputed.
- RPC 1.5(c).

- Attorneys who handle contingency fee generating cases should take particular care to notify clients prior to settlement about subrogation claims and how this will impact recovery.
- See RPC 1.2(a); RPC 1.4.

- Attorneys who settle a contingent fee case with the understanding that subrogation claims will be subsequently negotiated are required to proceed with such negotiation diligently.
- RPC 1.3.

DUTIES FOLLOWING WITHDRAWAL OR DISCHARGE

- At the conclusion of the representation, whether through the completion of the work agreed upon, termination by the client, or the attorney's withdrawal, unearned fees, prepaid costs, and case expenses must be returned promptly to the client.
- RPC 1.16(d).

RETENTION OF WORK PRODUCT DUE TO UNPAID FEE

- After discharge or withdrawal, the lawyer may retain work product prepared by the lawyer for the client, but for which the lawyer has not been compensated, as security for a fee only if doing so will not have a materially adverse impact on the client. RPC 1.16, Comment [9].

TENNESSEE ATTORNEY'S TRUST ACCOUNT **HANDBOOK**

- An additional resource for trust account management is the Tennessee Trust Account Handbook, available for PDF download on the Board of Professional Responsibility's website at <https://www.tbpr.org/news-publications>.

INFORMAL ETHICS INQUIRIES

The Board's Ethics Counsel, Laura Chastain, is available to provide informal ethics opinions to attorneys with questions about their own ethical obligations.

Questions may be submitted directly through the Board's website portal at: <http://www.tbpr.org/for-legal-professionals/informal-ethics-inquiries>.

CHAPTER 39

CLIENT SECURITY COMMISSION

Rule 39.1	Client Security Commission
Rule 39.2	Principal executive officer
Rule 39.3	Clients' Security Trust Fund of the Bar of Iowa
Rule 39.4	Audit; banking; budget
Rule 39.5	Annual disciplinary fee
Rule 39.6	Fund assessments
Rule 39.7	Exemption; retirement
Rule 39.8	Enforcement
Rule 39.9	Claims
Rule 39.10	Investigations; audits
Rule 39.11	Annual questionnaire
Rule 39.12	Investigations; audits; annual questionnaire; enforcement
Rule 39.13	Attorneys acting as fiduciaries
Rule 39.14	Reinstatement from exemption or suspension
Rule 39.15	Denial of reinstatement for failure to comply with certain obligations
Rule 39.16	Attorneys practicing in Iowa under the multijurisdictional practice rule
Rule 39.17	Collection of court costs and other fees
Rule 39.18	Requirement for death or disability designation and authorization

respect may be exercised only by the affirmative vote of at least four commissioners. In making such determinations, the commission may consider among other appropriate factors, the following:

- a. The amounts available and likely to become available to the fund for the payment of claims and the size and number of claims which are likely to be presented.
- b. The total amount of reimbursable losses in previous years for which total reimbursement has not been made, if any, and the total assets of the fund.
- c. The amount of the claimant's loss as compared to the amount of losses sustained by other eligible claimants.
- d. The degree of hardship suffered by the claimant as a result of the loss.
- e. The degree of negligence, if any, of the claimant which may have contributed to the loss.
- f. The total amount of losses caused by defalcations of any one attorney or associated group of attorneys.

39.9(3) By regulation approved by the supreme court, the commission must fix the maximum amount that any one claimant may recover from the fund and the aggregate maximum amount that may be recovered because of the dishonest conduct of any one attorney.

39.9(4) No claimant or any other person or organization has any right in the fund as third-party beneficiary or otherwise. Reimbursement by claim on the fund is a matter of grace and not of right.

39.9(5) The commission may require as a condition to payment that the claimant execute an assignment of claimant's right against the defaulting lawyer.

39.9(6) No claimant need be represented by counsel before the commission. No attorney representing a claimant will receive a fee for services from the fund. Any agreement for compensation between a claimant and any attorney retained for prosecution of the claim is subject to the approval of the commission.

39.9(7) The commission may request individual lawyers, bar associations, and other organizations of lawyers to assist the commission in the investigation of claims.

39.9(8) The payment or denial of any claim filed under the provisions of this rule is inadmissible as evidence in any disciplinary or contempt proceeding.

[Court Order December 5, 1973; April 22, 1974; October 16, 1974; April 9, 1975; April 10, 1975; August 29, 1975; October 28, 1976; November 21, 1977; January 15, 1979; June 20, 1980; April 21, 1982; November 13, 1984; April 25, 1985; February 16, 1990, effective March 15, 1990; December 15, 1994, effective January 3, 1995; March 6, 1995; January 24, 2000; November 9, 2001, effective February 15, 2002; February 20, 2012; December 10, 2012; December 13, 2017, effective January 1, 2018]

Rule 39.10 Investigations; audits.

39.10(1) Each member of the bar of Iowa, in filing the statement required by rule 39.8(1), must authorize the executive director to investigate, audit, and verify all funds, securities, and other property held in trust by the member, and all related accounts, safe deposit boxes, and any other forms of maintaining trust property as required by Iowa Rule of Professional Conduct 32:1.15 and chapter 45 of the Iowa Court Rules, together with deposit slips, canceled checks, and all other records pertaining to transactions concerning such property.

39.10(2) Each member of the bar of Iowa must comply promptly with any request by the executive director to execute and deliver to the director a written authorization, directed to any bank or depository, for the director to audit and inspect such accounts, safe deposit boxes, securities, and other forms of maintaining trust property by the member in such bank or other depository.

39.10(3) Each member of the bar of Iowa must do all of the following:

- a. Cooperate fully with the executive director in any investigation, audit, or verification of any funds, securities, or property held in trust by that lawyer.
- b. Answer all questions posed by the executive director that relate to any investigation, audit, or verification, unless claiming the privilege against self-incrimination.
- c. Retain complete records of all trust fund transactions for a period of not less than six years following completion of the matter to which they relate, in accordance with Iowa Rule of Professional Conduct 32:1.15 and Iowa Court Rule 45.2(3).

39.10(4) The commission with the approval of the supreme court may retain, compensate from the fund, and furnish as staff for the executive director, such public or certified accountants, investigators, or attorneys as may be deemed necessary to carry out the duties and functions imposed upon the executive director. When acting under the executive director's supervision and direction, such staff personnel have all the powers granted to the executive director by this chapter.

39.10(5) When the investigation, audit, or verification provisions of this chapter disclose, in the opinion of the executive director, a violation of the Iowa Rules of Professional Conduct, or when the member of the bar of Iowa affected by the investigation, audit, or verification has refused to comply with the provisions of this chapter, the director must promptly report such circumstances to the commission. A copy of such report must be furnished to the member affected.

39.10(6) Client trust funds and property held by an Iowa licensed attorney whose law office is situated in another state are not subject to investigation, audit, or verification except to the extent such funds and property are related to matters affecting Iowa clients. State or federal funds or property subject to state or federal auditing procedures and in control of an Iowa licensed attorney employed full- or part-time by a state or the United States are not subject to investigation, audit, or verification under the provisions of this chapter.

39.10(7) The costs of performing a trust account audit must be assessed to the attorney or attorneys who are signatories on the account if the audit reveals the account was not in substantial compliance with Iowa Rule of Professional Conduct 32:1.15 or chapter 45 of the Iowa Court Rules, and one or more of the following circumstances caused performance of the audit:

a. A claim for reimbursement was filed under the provisions of rule 39.9 based on the alleged conduct of the attorney or attorneys who are signatories on the account.

b. A notice of insufficient funds to honor an instrument drawn on the account was reported to the commission under the provisions of Iowa Court Rule 45.4(4)(c).

c. A complaint alleging an attorney signatory on the account committed a disciplinary infraction was filed with the attorney disciplinary board under the provisions of Iowa Court Rule 35.1.

d. An attorney signatory on the account was suspended from practice under the provisions of chapter 34 of the Iowa Court Rules.

e. An attorney signatory on the account failed to timely file the statement and questionnaire required by rule 39.8.

f. An attorney signatory on the account was served a 15-day notice under rule 39.8(2) based on failure to cooperate with investigation and audit of the account as required by rule 39.10.

g. A trustee was appointed under the provisions of Iowa Court Rule 34.17 or 34.18 for an attorney signatory on the account.

h. An attorney signatory on the account was issued a certificate of noncompliance pursuant to Iowa Court Rule 34.20(1), 34.21(1), or 34.22(1).

i. The Client Security Commission specifically directed the audit.

39.10(8) Costs assessed under rule 39.10(7) are due upon assessment by the commission. Costs assessed under this rule must be paid as a condition of reinstatement, and may be collected by the commission as part of the annual statement and assessment required by rule 39.8 if not previously paid.

[Court Order November 9, 2001, effective February 15, 2002; April 20, 2005, effective July 1, 2005; December 5, 2007; November 20, 2015, effective January 1, 2016; December 10, 2012; December 13, 2017, effective January 1, 2018; September 14, 2021, effective October 1, 2021; July 11, 2023]

Rule 39.11 Annual questionnaire.

39.11(1) The executive director, under the supervision of the supreme court and the commission, will prepare a questionnaire to be annually submitted to and completed by each member of the bar of Iowa, except those who have been issued a certificate of exemption pursuant to rule 39.7. The questionnaire may be, but is not required to be, incorporated as a part of the annual statement provided in rule 39.8(1). This purpose of this questionnaire is to elicit information to determine whether the member is complying with the Iowa Court Rules, including but not restricted to, Iowa Rule of Professional Conduct 32:1.15 and chapter 45 of the rules. The commission may prescribe an electronic format for the questionnaire and annual statement and require submission of the questionnaire and annual statement in that form.

39.11(2) A failure to complete and return a questionnaire will be addressed as provided in rule 39.12.

[Court Order November 9, 2001, effective February 15, 2002; April 20, 2005, effective July 1, 2005; December 5, 2007; June 5, 2008, effective July 1, 2008; December 10, 2012; December 13, 2017, effective January 1, 2018; September 14, 2021, effective October 1, 2021]

Rule 39.12 Investigations; audits; annual questionnaire; enforcement.

39.12(1) *Failure of bar members to cooperate.*

Case File Assembly

1.0 – Signed Reports & Attachments

- 1.1 Signed Report with Schedule A
- 1.2 Issued Report with Schedule A

2.0 – (OPTIONAL) Summary Analysis

3A.0 **GREEN COVER SHEET- “Trust Account at _____ Bank ending in -xxxx”**

Keep adding for each additional trust account, with a green cover sheet on each.

Use typewriter function to add bank name and acct # to each green cover sheet.

Second trust account would become 3B.0, 3rd trust account 3C.0 and so on.

Can do this section whichever way the info comes in. If by month, please arrange chronologically.

3A.1 Triple Reconciliation Prepared by Auditor

3A.1.1 - Follow-up information received from Attorney, used to support Auditor’s Triple Recon conclusions. (How stale client balances, outstanding checks cleared up).

3A.1.2 – Auditor’s worksheets and work file if any.

3A.2 (OPTIONAL) Trust Account Analysis

- #### 3A.3 Supporting Docs Received from Attorney by Auditor, used to Prepare Triple Recon
- (include: Bank Statements, Copies of Check and Deposit Images,
Check Register, Client Ledger/List, Reconciliations Prepared by Attorney)

4.0 **BLUE COVER SHEET- “Correspondence”**

Chronological.

4.1 Initial CS Req. for Info

4.2 and beyond - next in time communication sent to or received from attorney (or staff)

5A.0 **YELLOW COVER SHEET- “Fiduciary Matters”**

Keep adding for each additional fiduciary matter, with a yellow cover sheet on each.

Can use typewriter function to add client name to each yellow cover sheet.

Second fiduciary matter would become 5B.0, 3rd fiduciary matter 5C.0 and so on.

5A.1 Fiduciary Analysis by Auditor

5A.2 Fiduciary Information Form Prepared by Attorney

5A.3 Supporting Docs Received from Attorney

(include: Appointment letter, Bond information, Bank statements or other financial investment statements, Annual reports, Inventory list)

6.0 **WHITE COVER SHEET- “Firm Info and Audit Time Sheet”**

6.1 Letterhead

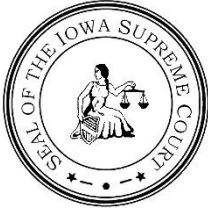
6.2 Attorney Information Form(s)

6.3 Trust Account Information Form(s)

6.4 Case History (Time)

TEMPLATE AUDIT

COVER LETTERS



Office of Professional Regulation

OF THE SUPREME COURT OF IOWA

Judicial Branch Building ♦ 1111 East Court Avenue ♦ Des Moines, IA 50319

515-348-4670 ♦ www.iowacourts.gov/opr/

July 24, 2025

Via email to

RE: IOLTA Trust Audit

Dear Mr./Ms. ,

Your name has been selected for a routine trust account audit. According to our records, you do not have an open trust account at the moment. So that we may verify handling of client funds and that a trust account is not needed, **please email the following to us at client.security@iowacourts.gov by August 7th:**

1. A brief explanation of why a trust account is not needed.
2. An Attorney Information Worksheet (blank form attached).
3. A Fiduciary Matter Worksheet (blank form attached) for each fiduciary matter handled. *If no fiduciary matters are handled, place your initials in the box in the top right-hand corner.*

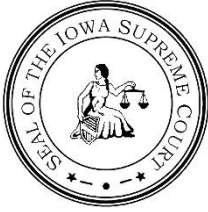
Thank you in advance for your cooperation. Should you have any questions, you are welcome to contact us.

Sincerely,

Trinity M. Braun-Arana
Director of Client Security

Attachments:

Attorney Information Worksheet
Fiduciary Matter Worksheet



Office of Professional Regulation

OF THE SUPREME COURT OF IOWA

Judicial Branch Building ♦ 1111 East Court Avenue ♦ Des Moines, IA 50319

515-348-4670 ♦ www.iowacourts.gov/opr/

July 24, 2025

Via email to [email](#)

Attorney
Attn: Trust Account Manager
Address

RE: IOLTA Trust Audit

Dear Atty,

Your firm has been selected for a routine trust account audit. To use our - and your - resources most efficiently, we are now conducting routine audits by correspondence rather than in person. **The following information for your firm's trust account(s) is requested by August 7th:**

1. Copies of the trust account bank statements for the months of April through June 2025, including the deposit slip images and check images for each month. All pages provided by your banking institution should be included (e.g. pages that are intentionally left blank, contain only disclosures, etc.).
2. A copy of the receipt and disbursement journal – also known as the check register or general ledger - for the months of April through June 2025. This should be a chronological record of all deposits to and withdrawals from the trust account. It must reflect a running balance and specifically identify the date, source, and description of each item deposited, as well as the date, payee, and purpose of each disbursement.

If QuickBooks has been used, provide the General Ledger report for the period of April 1-June 30, 2025, including the splits detail (see attached QB instructions and exemplar reports).

3. A copy of the Client List, by client and balance, as of the end of each month – for the months of April through June 2025. For the month of June 2025, list the date of the last activity for each of the clients.

If QuickBooks has been used, provide the a) Balance Sheet report for each month and b) a copy of the Aging Report that lists the balances as of June 30, 2024, and June 30, 2025.

4. For the months of April through June 2025, a copy of each month's triple reconciliation of the receipt and disbursement journal balance to the bank statement balance, and client trust account balances to the receipt and disbursement journal balance. These reconciliations will list the outstanding checks and outstanding deposits as of the end of each month.

A template triple reconciliation form is attached. You are not required to use the template form but are welcome to do so.

If QuickBooks has been used, provide the a) Reconciliation Summary and b) Reconciliation Detail.

5. An Attorney Information Worksheet (blank form attached) **for each attorney in the firm.** Please make copies as needed for each attorney to fill out.
6. A Trust Account Information Worksheet (blank form attached), to be completed by the person responsible for maintaining the trust books and records.
7. A Fiduciary Matter Worksheet (blank form attached) for each fiduciary matter handled. *If no fiduciary matters are handled, place your initials in the box in the top right-hand corner.*
8. A copy of the firm's letterhead.
9. A copy of the firm's attorney fee agreement.

* * *

We now use electronic file sharing for trust account audits. The online program that we are using is ShareFile. Electronic submission through ShareFile will protect information better than unencrypted email; streamline the audit process for auditors and attorneys; and reduce printing and postage costs.

So that our ShareFile account is ready to receive the firm's files, ***kindly take a moment today to email the name and email address of the individual responsible for uploading materials to: client.security@iowacourts.gov***

Please Note:

Over the last couple of years of audits, we have been seeing an increase in stale outstanding checks and inactive client sub-account balances. Rule 32:1.15(d) requires prompt return of funds in trust at the end of a matter. Our rule of thumb for prompt return is no more than six months for stale outstanding checks, and no more than one year for inactive client balances. Inactive balances may include earned fees, which should be removed timely to avoid commingling of firm and client monies.

As you prepare for the audit, we would encourage you to review your processes and records to ensure that issued checks have been cashed, client sub-accounts are current, and earned fees have been removed. If there are stale funds in the account, you may find the attached "Avoiding & Resolving Stale Funds" document helpful. The auditor will ask for documentation of the resolution.

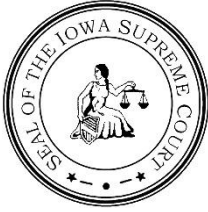
Thank you in advance for your cooperation. Should you have any questions, you are most welcome to contact us by email at client.security@iowacourts.gov.

Sincerely,

Trinity M. Braun-Arana
Director of Client Security
Office of Professional Regulation

Attachments:

Template Triple Reconciliation Form
Attorney Information Worksheet
Trust Account Information Worksheet
Fiduciary Matter Worksheet
ShareFile User Guide for Attorneys
Instructions & Exemplar QuickBooks Reports
Avoiding & Resolving Stale Funds



Office of Professional Regulation

OF THE SUPREME COURT OF IOWA

Judicial Branch Building ♦ 1111 East Court Avenue ♦ Des Moines, IA 50319

515-348-4670 ♦ www.iowacourts.gov/opr/

August 21, 2025

Via email to [email](#)

Attorney

Attn: Trust Account Manager

Address

RE: IOLTA Trust Audit

Dear Madam or Sir,

Your firm has been selected for a routine trust account audit. To use our - and your - resources most efficiently, we are now conducting routine audits by correspondence rather than in person. **The following information for your firm's trust account(s) is requested by September 4th:**

1. Copies of the trust account bank statements for the months of May through July 2025, including the deposit slip images and check images for each month. All pages provided by your banking institution should be included (e.g. pages that are intentionally left blank, contain only disclosures, etc.).
2. A copy of the receipt and disbursement journal – also known as the check register or general ledger - for the months of May through July 2025. This should be a chronological record of all deposits to and withdrawals from the trust account. It must reflect a running balance and specifically identify the date, source, and description of each item deposited, as well as the date, payee, and purpose of each disbursement.

If QuickBooks has been used, provide the General Ledger report for the period of May 1-July 31, 2025, including the splits detail (see attached QB instructions and exemplar reports).

3. A copy of the Client List, by client and balance, as of the end of each month – for the months of May through July 2025. For the month of July 2025, list the date of the last activity for each of the clients.

If QuickBooks has been used, provide the a) Balance Sheet report for each month and b) a copy of the Aging Report that lists the balances as of July 31, 2024, and July 31, 2025.

4. For the months of May through July 2025, a copy of each month's triple reconciliation of the receipt and disbursement journal balance to the bank statement balance, and client trust account balances to the receipt and disbursement journal balance. These reconciliations will list the outstanding checks and outstanding deposits as of the end of each month.

A template triple reconciliation form is attached. You are not required to use the template form but are welcome to do so.

If QuickBooks has been used, provide the a) Reconciliation Summary and b) Reconciliation Detail.

5. An Attorney Information Worksheet (blank form attached) ***for each attorney in the firm.*** Please make copies as needed for each attorney to fill out.
6. A Trust Account Information Worksheet (blank form attached), to be completed by the person responsible for maintaining the trust books and records.
7. A Fiduciary Matter Worksheet (blank form attached) for each fiduciary matter handled. *If no fiduciary matters are handled, place your initials in the box in the top right-hand corner.*
8. A copy of the firm's letterhead.

* * *

We now use electronic file sharing for trust account audits. The online program that we are using is ShareFile. Electronic submission through ShareFile will protect information better than unencrypted email; streamline the audit process for auditors and attorneys; and reduce printing and postage costs.

So that our ShareFile account is ready to receive the firm's files, ***kindly take a moment today to email the name and email address of the individual responsible for uploading materials to: client.security@iowacourts.gov***

Please Note:

Over the last couple of years of audits, we have been seeing an increase in stale outstanding checks and inactive client sub-account balances. Rule 32:1.15(d) requires prompt return of funds in trust at the end of a matter. Our rule of thumb for prompt return is no more than six months for stale outstanding checks, and no more than one year for inactive client balances. Inactive balances may include earned fees, which should be removed timely to avoid commingling of firm and client monies.

As you prepare for the audit, we would encourage you to review your processes and records to ensure that issued checks have been cashed, client sub-accounts are current, and earned fees have been removed. If there are stale funds in the account, you may find the attached "Avoiding & Resolving Stale Funds" document helpful. The auditor will ask for documentation of the resolution.

Thank you in advance for your cooperation. Should you have any questions, you are most welcome to contact us by email at client.security@iowacourts.gov.

Sincerely,

Trinity M. Braun-Arana
Director of Client Security
Office of Professional Regulation

Attachments:

Template Triple Reconciliation Form
Attorney Information Worksheet
Trust Account Information Worksheet
Fiduciary Matter Worksheet
ShareFile User Guide for Attorneys
Instructions & Exemplar QuickBooks Reports
Avoiding & Resolving Stale Funds



Office of Professional Regulation

OF THE SUPREME COURT OF IOWA

Judicial Branch Building ♦ 1111 East Court Avenue ♦ Des Moines, IA 50319

515-348-4670 ♦ www.iowacourts.gov/opr/

August 21, 2025

Via email to [email](#)

Attorney
Attn: Trust Account Manager
Address

RE: IOLTA Trust Audit

Dear Madam or Sir,

Your firm has been selected for a rule 39.10¹ trust account audit. To use our- and your- resources most efficiently, we are now conducting routine audits by correspondence rather than in person. **The following information for your firm's trust account(s) is requested by September 4th:**

1. Copies of the trust account bank statements for the months of May through July 2025, including the deposit slip images and check images for each month. All pages provided by your banking institution should be included (e.g. pages that are intentionally left blank, contain only disclosures, etc.).
2. A copy of the receipt and disbursement journal – also known as the check register or general ledger - for the months of May through July 2025. This should be a chronological record of all deposits to and withdrawals from the trust account. It must reflect a running balance and specifically identify the date, source, and description of each item deposited, as well as the date, payee, and purpose of each disbursement.

If QuickBooks has been used, provide the General Ledger report for the period of May 1-July 31, 2025, including the splits detail (see attached QB instructions and exemplar reports).

¹ Attached you will find a Rule 39.10 Audit Notice pertaining to the firm's trust account. The basis for the notice is specified on the document. When a 39.10 Notice is issued, it is our standard practice to commence a trust account audit. Audit is commenced regardless of whether the basis for the notice has been resolved. If the basis noted is an ethics complaint and you have questions about that complaint, please contact the Attorney Disciplinary Board directly at (515)348-4680.

3. A copy of the Client List, by client and balance, as of the end of each month – for the months of May through July 2025. For the month of July 2025, list the date of the last activity for each of the clients.

If QuickBooks has been used, provide a) The Balance Sheet report for each month; and b) A copy of the Aging Report that lists the balances as of July 31, 2024, and July 31, 2025.

4. For the months of May through July 2025, a copy of each month's triple reconciliation of the receipt and disbursement journal balance to the bank statement balance, and client trust account balances to the receipt and disbursement journal balance. These reconciliations will list the outstanding checks and outstanding deposits as of the end of each month.

A template triple reconciliation form is attached. You are not required to use the template form but are welcome to do so.

If QuickBooks has been used, provide the a) Reconciliation Summary and b) Reconciliation Detail.

5. An Attorney Information Worksheet (blank form attached) **for each attorney in the firm.** Please make copies as needed for each attorney to fill out.
6. A Trust Account Information Worksheet (blank form attached), to be completed by the person responsible for maintaining the trust books and records.
7. A Fiduciary Matter Worksheet (blank form attached) for each fiduciary matter handled. *If no fiduciary matters are handled, place your initials in the box in the top right-hand corner.*
8. A copy of the firm's letterhead.

* * *

We now use electronic file sharing for trust account audits. The online program that we are using is ShareFile. Electronic submission through ShareFile will protect information better than unencrypted email; streamline the audit process for auditors and attorneys; and reduce printing and postage costs.

So that our ShareFile account is ready to receive the firm's files, ***kindly take a moment today to email the name and email address of the individual responsible for uploading materials to: client.security@iowacourts.gov***

Please Note:

Over the last couple of years of audits, we have been seeing an increase in stale outstanding checks and inactive client sub-account balances. Rule 32:1.15(d) requires prompt return of funds in trust at the end of a matter. Our rule of thumb for prompt return is no more than six months for stale outstanding checks, and no more than one year for inactive client balances. Inactive balances may include earned fees, which should be removed timely to avoid commingling of firm and client monies.

As you prepare for the audit, we would encourage you to review your processes and records to ensure that issued checks have been cashed, client sub-accounts are current, and earned fees have been removed. If there are stale funds in the account, you may find the attached "Avoiding & Resolving Stale Funds" document helpful. The auditor will ask for documentation of the resolution.

Thank you in advance for your cooperation. Should you have any questions, you are most welcome to contact us by email at client.security@iowacourts.gov.

Sincerely,

Trinity M. Braun-Arana
Director of Client Security
Office of Professional Regulation

Attachments:

Rule 39.10 Audit Notice
Template Triple Reconciliation Form
Attorney Information Worksheet
Trust Account Information Worksheet
Fiduciary Matter Worksheet
ShareFile User Guide for Attorneys
Instructions & Exemplar QuickBooks Reports
Avoiding & Resolving Stale Funds

**ATTACHMENTS TO
COVER LETTER**

TRIPLE RECONCILIATION FOR BANK STATEMENT ENDING : _____

1. BANK STATEMENT RECONCILIATION					Amounts
Ending Bank Balance Per Statement:					\$
<i>Plus</i> Outstanding Deposits:	Payor	Date	Amount		
			\$		
			\$		
			\$		
			\$		
Total:					\$
Subtotal:					\$
<i>Less</i> Outstanding Checks:	Payee	Date	Check #	Amount	
				\$	
				\$	
				\$	
				\$	
Total:					(\$)
Reconciled Balance:					\$

2. RECEIPT AND DISBURSEMENT JOURNAL RECONCILIATION		Amounts
(* information in this section comes from the general ledger, a/k/a the check register, not from the bank statement)		
Journal Balance as of: _____ (Prior Month's Bank Statement End Date)		\$
<i>Plus</i> Total Receipts This Month:		\$
Subtotal:		\$
<i>Less</i> Total Disbursements This Month:		(\$)
Reconciled Balance:		\$

3. CLIENT SUB-ACCOUNT BALANCE RECONCILIATION				Amounts
Itemization:	Name of Trust Sub-Account	Date of Last Transaction	Sub-Acct Balance	
			\$	
			\$	
			\$	
			\$	
			\$	
			\$	
			\$	
			\$	
			\$	
Total of Client Sub-Acct Balances:				\$
<i>Plus</i> IOLTA Interest Still in the Trust Account:				\$
Reconciled Balance:				\$

[All Reconciled Balances Should Be Equal]

Prepared By (initial): _____
Date Prepared: _____

Reviewed By (initial): _____
Date Reviewed: _____

TRIPLE RECONCILIATION FOR BANK STATEMENT ENDING : December 31, 2023

** This section reflects what cannot be seen on the bank statement, i.e. what is in process but has not yet cleared **

1. BANK STATEMENT RECONCILIATION					Amounts
Ending Bank Balance Per Statement: Use the ENDING balance on the statement ref'd above				\$	833.39
Plus Outstanding Deposits: Only list items outstanding as of the bank statement's end date	Payor	Date	Amount		
			\$		
	NONE		\$		
			\$		
			\$		
Total:				\$	0.00
Subtotal:				\$	833.39
Less Outstanding Checks: Only list items outstanding as of the bank statement's end date	Payee	Date	Check #	Amount	
				\$	
	NONE			\$	
				\$	
				\$	
Total:				(\$	0.00)
Reconciled Balance:				\$	833.39

** This section reflects the current month's activity **

2. RECEIPT AND DISBURSEMENT JOURNAL RECONCILIATION		Amounts
(* information in this section comes from the general ledger, a/k/a the check register, not from the bank statement)		
Journal Balance as of: <u>November 30, 2023</u> (Prior Month's Statement End Date)		\$ 935.63
Plus Total Receipts This Month: (all money "in", e.g. checks, cash, electronic credits, IOLTA int.,etc.)		\$.58
Subtotal:		\$ 936.21
Less Total Disbursements This Month: (all money "out", e.g. checks, electronic debits, IOLTA int.,etc.)		(\$ 102.82)
Reconciled Balance:		\$ 833.39

"general ledger"
=
"check register"
=
"receipt and disbursement journal"

** This section reflects client names and balances for funds that are held as of the bank statement's end date **

3. CLIENT SUB-ACCOUNT BALANCE RECONCILIATION				Amounts
Itemization:	Name of Trust Sub-Account	Date of Last Transaction	Sub-Acct Balance	
	Client FT LLC	8/3/2022	\$ 500.00	
	Client RR	7/28/2022	\$ 109.47	
	ABC Law Firm	1/1/2024	\$ 223.92	
			\$	
			\$	
			\$	
			\$	
			\$	
Total of Client Sub-Acct Balances:			\$	833.39
Plus IOLTA Interest Still in the Trust Account:			\$	
Reconciled Balance:			\$	833.39

This sub-account holds nominal firm funds and can include undistributed IOLTA interest - if interest is included here, do not list below

[All Reconciled Balances Should Be Equal]

Prepared By (initial): _____
Date Prepared: _____

Reviewed By (initial): _____
Date Reviewed: _____

- Triple Reconciliation FAQs -

Q: I get quarterly bank statements, can I do the reconciliations quarterly? what date do I use for the reconciliation?

A: The rules require that you triple reconcile monthly. You'll need to access the records online to get the records you need for the reconciliation (don't forget to print out the check and deposit slip copies while you're there). Most attorneys find it easiest to use the last day of each month as the reconciliation date.

Q: I can't get the three parts of the reconciliation to balance, where should I start?

A: The most common culprits behind failure to balance – in this order – are:

1. Using different dates for the three prongs of the reconciliation.
It's difficult to triple reconcile with corrective plus and minus entries. Using the close date of the bank statement as the calculation date for all three sections of the form (or the last day of the month if only receiving statements quarterly) is a good way to resolve this.
2. Bookkeeping errors in the sub-ledgers and/or general ledger.
Mistakes happen, it's not uncommon to find transposition errors or entries that didn't make it onto one of the ledgers.
If you have only been doing a double reconciliation between the bank statement and the general ledger a/k/a check register, these bookkeeping errors may go back many months. You might try completing triple reconciliations for a couple of months back, to determine if the overage or underage is consistent. If it's just one error, the amount will be easier to find. Worst case scenario there are multiple errors and you will need to triple reconcile for each month back to the point where the account was balanced to the penny.
3. Having firm funds in the trust account but not maintaining a firm sub-ledger. If an attorney has any of their own money in the trust account, then it must be tracked on a ledger. That ledger balance is then reported each month in section 3 of the form.
4. Not taking the IOLTA interest into account. Sometimes the interest on the account doesn't show on the bank statement, or doesn't process out of the account quickly. This interest can be tracked in the firm sub-ledger, or in a separate interest ledger, or on the line on the form titled "*Plus IOLTA Interest Still in the Trust Account*".

Q: I noticed a negative sub-account ledger...

A: There should never be a negative sub-account ledger in the trust account (at best it represents loss of accountability, at worst misappropriation of client funds). It is critically important to resolve any negative sub-account during the monthly reconciliation process.

IOWA CLIENT SECURITY COMMISSION

ATTORNEY INFORMATION

Attorney Name _____

[The below questions do not include family matters. Include an addendum if necessary.]

1. Are you an executor or co-executor at the present time? YES ☐ NO ☐

If yes, list the name of each decedent. _____

2. Are you a trustee or co-trustee at the present time? YES ☐ NO ☐

If yes, list the name of each trust. _____

3. Are you serving as an attorney-in-fact under a Power of Attorney at the present time?

YES ☐ NO ☐

If yes, what types of entities (corporate, individual, etc.) are you in charge of and what duties do you perform for each? Do you handle any funds? _____

4. Are you a conservator or co-conservator at the present time? YES ☐ NO ☐

If yes, list the name of each person for whom you are serving as conservator.

5. Are you a guardian or co-guardian at the present time? YES ☐ NO ☐

If yes, list the name of each person for whom you are serving as guardian.

6. Are you holding any client property such as cash, stock certificates, guns, jewelry or other personal property? (Excluding wills, abstracts or funds that are in the trust account for the client) YES ☐ NO ☐

If yes, explain in detail what is held and for which client. _____

7. Have you ever borrowed, directly or indirectly, from a client, at any time, other than a bank, credit union or savings and loan? YES ☐ NO ☐

If yes, provide client name, date & amount. _____

8. Are you delinquent on any probate matters at the present time? YES ☐ NO ☐

If yes, provide estate name. _____

9. Are any complaints currently pending against you before the Attorney Disciplinary Board, the Client Security Commission or the Grievance Commission? YES ☐ NO ☐

If yes, explain the nature of the complaint. _____

10. Are you aware of anything unusual in your law practice? YES ☐ NO ☐

E.g. loss of funds, theft of funds, unusual withdrawals, negative client balances or differences between the reconciliations in the trust account. If yes, explain in detail.

11. Has your successor attorney designation changed since the last Client Security report?

YES ☐ NO ☐

If yes, who is the current successor attorney, firm or entity? _____

Date: _____

Signature of Attorney

Printed Name

IOWA CLIENT SECURITY COMMISSION
TRUST ACCOUNT INFORMATION

Name of person providing this information and position _____

1. Name of bank & account number for trust account(s) used by the firm. Please list all.

2. Does the law firm have any non-IOLTA trust accounts in a client's name? YES ☐ NO ☐

a. If so, for whom? _____

b. Name of bank _____

c. Account number _____

3. Are the records required by Chapter 45.2(3) preserved for minimum of 6 years? YES ☐ NO ☐

4. Are Venmo, Paypal, CashApp or cryptocurrency used in connection with client funds?

YES ☐ NO ☐

5. Are credit cards accepted? YES ☐ NO ☐

If yes, what vendor(s) do you use? How are they handled? Is the client credited with the full retainer, are the credit card fees paid by the firm, are the credit card amounts deposited directly into the trust account? Please explain : _____

6. Are flat fee retainers accepted? YES ☐ NO ☐

If yes, are they deposited directly into the trust account and only withdrawn after a) the fee has been earned and b) notice has been provided to the client? YES ☐ NO ☐

7. How are the records for the trust account maintained?

a. Manually YES ☐ NO ☐

What records are manually kept? _____

b. Electronically YES ☐ NO ☐

What type of software is used? _____

8. Is a separate ledger detail maintained for each client? YES ☐ NO ☐

9. Are memos, or a memo ledger, maintained for electronic transactions? YES ☐ NO ☐

If no, please explain: _____

10. Who does the bookkeeping for the trust account? Please list all, including name and position.

11. How many attorneys use the trust account? Please list all.

12. Who has signature authority for the trust account? Please list all.

13. Has the trust account been overdrawn since the last audit? YES ☐ NO ☐
If yes, provide 1) date, 2) payee, 3) amount, and 4) reason: _____

14. Is the trust account bank statement reconciled with the receipt & disbursement journal (also known as the check register) each month? YES ☐ NO ☐

15. Is the receipt & disbursement journal reconciled with the total of the client balances each month? YES ☐ NO ☐

16. Is written notice and accounting provided to the clients at the time or before funds are taken out of the trust account? YES ☐ NO ☐
a. If yes, how is notification made? _____
b. If no, why not? _____

17. Does the firm have any of their own money in the trust account? (money that is not a client's) YES ☐ If yes how much? _____ NO ☐

18. Do you maintain a separate ledger for nominal firm funds in the trust account? YES ☐ NO ☐

19. What is the firm's procedure for monitoring & resolving old outstanding checks and inactive client balances? _____

20. In general, what type of law is practiced by the firm? _____

21. What type of law is practiced such that funds pass through the trust account? _____

22. Are you aware of anything unusual in the law practice? YES ☐ NO ☐
E.g. loss of funds, theft of funds, unusual withdrawals, negative client balances or differences between the reconciliations in the trust account. Please explain in detail. _____

Date: _____ Signature of person providing information: _____

I have reviewed the above information and certify that it is accurate to the best of my knowledge.

Date: _____ Signature of attorney: _____

Print Name: _____

IOWA CLIENT SECURITY COMMISSION
TRUST ACCOUNT INFORMATION

Name of person providing this information and position _____

1. Name of bank & account number for trust account(s) used by the firm. Please list all.

2. Does the law firm have any non-IOLTA trust accounts in a client's name? YES ☐ NO ☐

a. If so, for whom? _____

b. Name of bank _____

c. Account number _____

3. Are the records required by Chapter 45.2(3) preserved for minimum of 6 years? YES ☐ NO ☐

4. Are Venmo, Paypal, CashApp or cryptocurrency used in connection with client funds?

YES ☐ NO ☐

5. Are credit cards accepted? YES ☐ NO ☐

If yes, what vendor(s) do you use? How are they handled? Is the client credited with the full retainer, are the credit card fees paid by the firm, are the credit card amounts deposited directly into the trust account? Please explain : _____

6. Are flat fee retainers accepted? YES ☐ NO ☐

If yes, are they deposited directly into the trust account and only withdrawn after a) the fee has been earned and b) notice has been provided to the client? YES ☐ NO ☐

7. How are the records for the trust account maintained?

a. Manually YES ☐ NO ☐

What records are manually kept? _____

b. Electronically YES ☐ NO ☐

What type of software is used? _____

8. Is a separate ledger detail maintained for each client? YES ☐ NO ☐

9. Are memos, or a memo ledger, maintained for electronic transactions? YES ☐ NO ☐

If no, please explain: _____

10. Who does the bookkeeping for the trust account? Please list all, including name and position.

11. How many attorneys use the trust account? Please list all.

12. Who has signature authority for the trust account? Please list all.

13. Has the trust account been overdrawn since the last audit? YES ☐ NO ☐
If yes, provide 1) date, 2) payee, 3) amount, and 4) reason: _____

14. Is the trust account bank statement reconciled with the receipt & disbursement journal (also known as the check register) each month? YES ☐ NO ☐

15. Is the receipt & disbursement journal reconciled with the total of the client balances each month? YES ☐ NO ☐

16. Is written notice and accounting provided to the clients at the time or before funds are taken out of the trust account? YES ☐ NO ☐
a. If yes, how is notification made? _____
b. If no, why not? _____

17. Does the firm have any of their own money in the trust account? (money that is not a client's) YES ☐ If yes how much? _____ NO ☐

18. Do you maintain a separate ledger detail for nominal firm funds in the trust account? YES ☐ NO ☐

19. In general, what type of law is practiced by the firm? _____

20. What type of law is practiced such that funds pass through the trust account? _____

21. Are you aware of anything unusual in the law practice? YES ☐ NO ☐
E.g. loss of funds, theft of funds, unusual withdrawals, negative client balances or differences between the reconciliations in the trust account. Please explain in detail. _____

Date: _____ Signature of person providing information: _____

I have reviewed the above information and certify that it is accurate to the best of my knowledge.

Date: _____ Signature of attorney: _____

Print Name: _____

IOWA CLIENT SECURITY COMMISSION

FIDUCIARY MATTER INFORMATION

☐ Check here and initial if this form is not applicable
--

Please fill out a separate form for each fiduciary matter. Attach addendum if necessary.

* * *

Type of Fiduciary: ☐ Conservator ☐ Guardian ☐ Trustee ☐ Executor ☐ Receiver

Name of Matter: _____ Probate No.: _____

County: _____

Name of Attorney Responsible for Matter: _____

Date of Appointment: _____

Bond information regarding this matter:

Amount: \$ _____

Bonding Company and Bond No.: _____

Bond term, premium, and date paid: _____

* If this is a court-supervised matter but there is no bond, what exception to Rule 39.13 applies?

Bank account relevant to the matter:

Name of Account: _____

Name of Bank: _____

Balance as of ____ / ____ / ____ = \$ _____
(date)

Have taxes been filed? ☐ Yes ☐ No ☐ N/A

If yes, are taxes up-to-date? ☐ Yes ☐ No

If no, please provide a brief explanation: _____

For each matter, check the box and attach copies of all that apply:

- ☐ Court appointment order;
- ☐ Bond;
- ☐ Most recent Annual Report;
- ☐ Court order approving fees; and
- ☐ Most recent monthly statement of investments.

Date: _____

Signature of Attorney: _____

Client Security Commission ShareFile User Guide for Attorneys

About this Guide

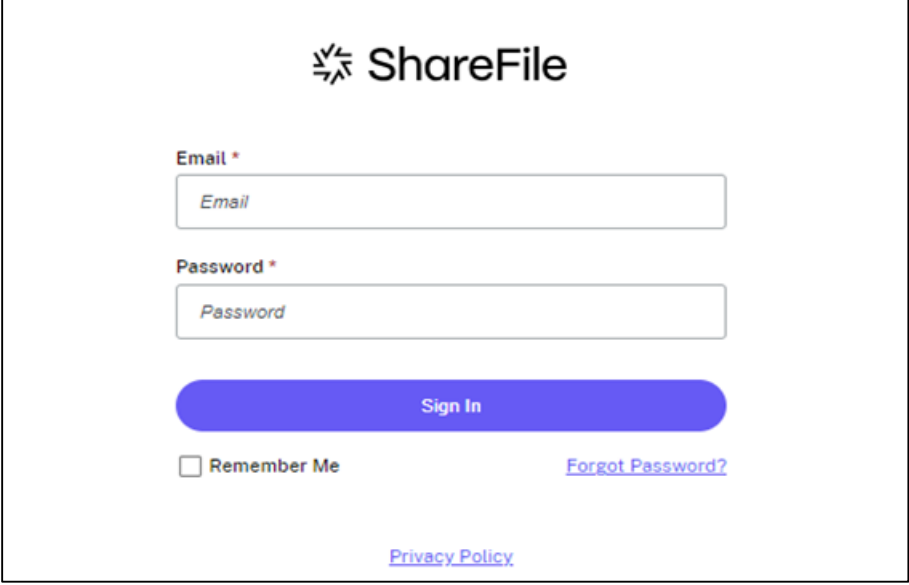
The information in this guide is provided to assist attorneys with electronic submission of trust account audit information. The Iowa Court Rules that apply to the Client Security Commission and its commission matters are not changed by this guide. Likewise attorneys remain subject to all applicable court rules, statutes, or other sources of law.

This guide will be updated periodically. We welcome your feedback at client.security@iowacourts.gov.

ShareFile Location and Access

“Citrix ShareFile” is the secure online file sharing system the Client Security Commission will use for electronic submission and distribution of audit materials.

The Client Security Commission ShareFile account is located at the following web address: <https://iowaclientsecuritycommission.sharefile.com/>

A screenshot of the ShareFile login page. At the top center is the ShareFile logo, which consists of a stylized star icon followed by the text "ShareFile". Below the logo are two input fields: "Email *" and "Password *". The "Email *" field contains the placeholder text "Email" and the "Password *" field contains the placeholder text "Password". Below these fields is a blue rounded rectangular button with the text "Sign In". Under the "Sign In" button, there is a checkbox labeled "Remember Me" and a blue hyperlink labeled "Forgot Password?". At the bottom center of the form is a blue hyperlink labeled "Privacy Policy".

There is a useful Getting Started Guide on Citrix’s website at: <https://support.citrix.com/article/CTX208232>

Deadlines

For a document to be deemed timely received, it must be uploaded to your folder by 11:59 p.m. on the due date. Any documents uploaded after 11:59 p.m. will be considered received on the following day.

Contact Information

In order to use the ShareFile system, you must maintain a working email address. You are responsible for updating your contact information with our office. If your email address changes, please let us know immediately at client.security@iowacourts.gov.

Also, in order to ensure that only the proper attorney has access to the audit folder, please update our office immediately if you or an attorney in the firm changes employment.

Audit Initiation

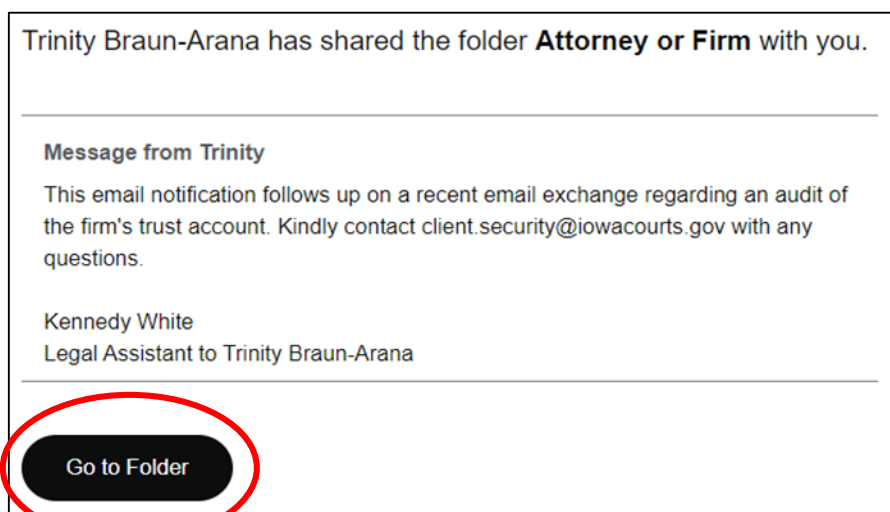
When an attorney or firm is selected for audit, we send an email to let the firm know what information is requested as well as the due date for that information. We then create an audit folder in ShareFile for the firm.

Please notify our office of the name and email address for the person(s) responsible for uploading materials to ShareFile so that they can be added to our account and upload the requested materials.

After we add the identified person(s) to our ShareFile account, they will receive a notification via email from ShareFile.

This is what the notification looks like. 

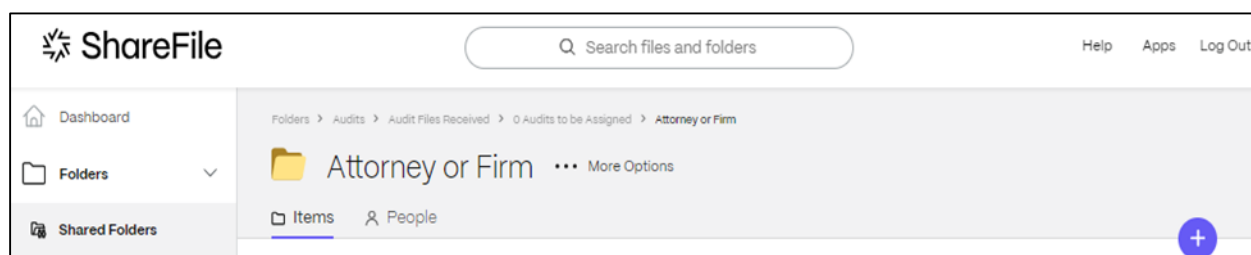
Click on Go to Folder to access ShareFile.



Logging In

The first time you log in, you will be prompted to create a password. Be sure to keep your password in a safe place to avoid unauthorized access to the confidential information in the audit file. You are responsible for anything filed with your username and password. If you believe your account has been compromised, notify us immediately at client.security@iowacourts.gov.

Once logged in, you will be taken to your audit folder. You will not be able to see or access any audit files other than your own. This an example of what you will see when you log in:

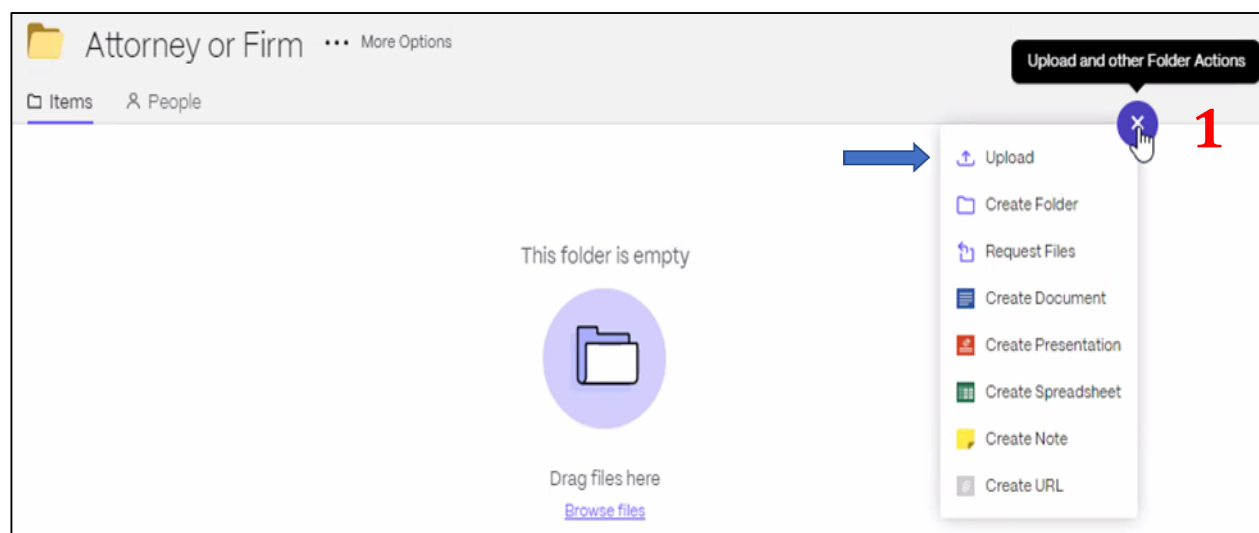


Uploading Documents

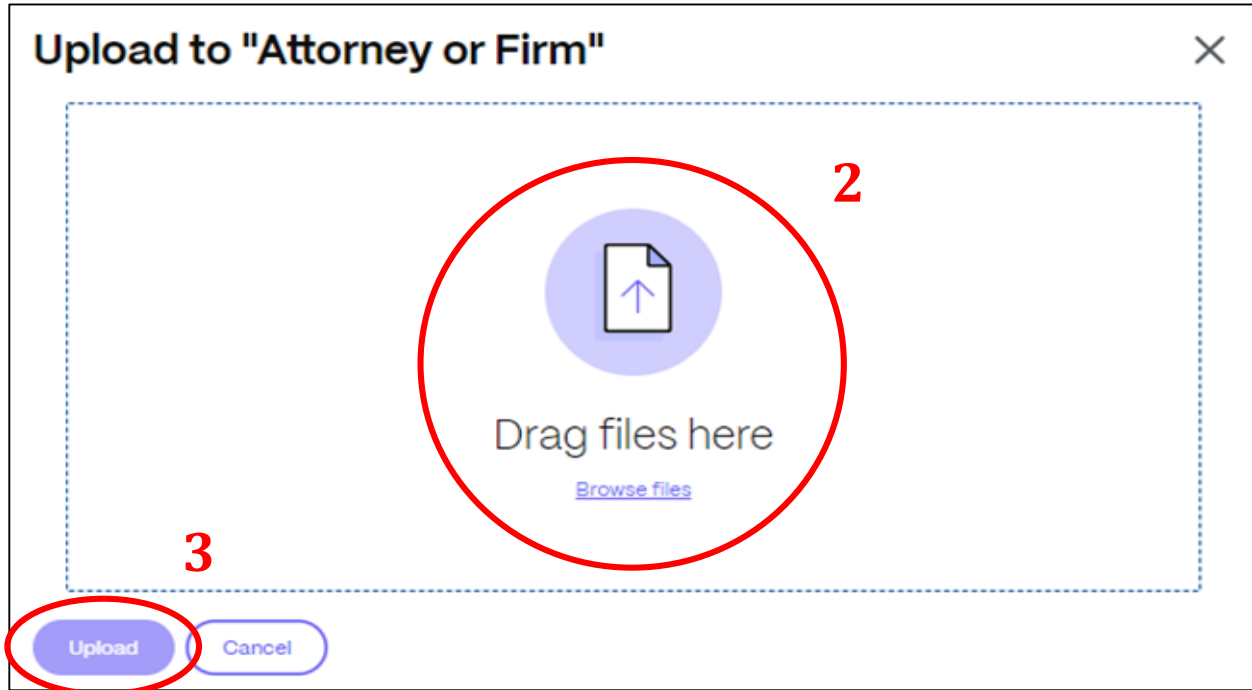
All documents uploaded to ShareFile should be in .pdf format.

Here is how you will upload documents to your firm's audit folder:

1. Hover over the purple circle with the plus sign on the right-hand side of the screen (it will turn into an "X" as shown below) and select "Upload."



2. Once you click on “Upload”, you will be taken to the page below.
3. Either browse to find the desired file(s) or drag your file(s) where indicated. Select “Upload” in the lower left corner.



4. You will know that you have completed your submission once you can see your files in the folder.

There is not a “save” button in ShareFile as it automatically sends an email to us to let us know that materials have arrived.

Auditor Review of Submitted Materials

Our staff will review the materials for completeness. If something is missing, you’ll receive an email from us or the assigned auditor requesting additional information.

If there are additional documents needed while the audit is in process, the auditor will generally email you and ask you to upload the requested documents to ShareFile. On rare occasion the auditor may request that you send the materials directly to them by regular mail or email. In that case the auditor will be responsible for uploading the information to ShareFile.

At the close of the audit, you will receive an audit report to sign and upload to ShareFile. As soon as we receive that signed report from you, we will remove the firm's audit folder from ShareFile.

Questions?

Please feel free to contact us at client.security@iowacourts.gov if you encounter any difficulties or have any questions about submitting information with ShareFile. We are here to help!

Reconcile an account in QuickBooks Desktop

SOLVED by QuickBooks•101•Updated October 20, 2023

Learn how to reconcile your accounts so they match your bank and credit card statements.

Just like balancing your checkbook, you need to review your accounts in QuickBooks to make sure they match your real-life bank and credit card statements. This process is called reconciling.

It's recommended to reconcile your checking, savings, and credit card accounts every month. Once you get your bank statements, compare the list of transactions with what you entered into QuickBooks. If everything matches, you know your accounts are balanced and accurate.

To watch more how-to videos, visit our [video section](#).

Step 1: Review your opening balance

Before you start with reconciliation, make sure to [back up your company file](#).

If you're reconciling an account for the first time, [review the opening balance](#).

Step 2: Prepare for the reconciliation

Make sure you enter all transactions for the bank statement period you plan to reconcile. If there are transactions that haven't cleared your bank yet and aren't on your statement, wait to enter them.

Step 3: Start your reconciliation

Once you get your bank statement, you can start reconciling.

If you're reconciling multiple months, start with your oldest bank statement. Reconcile each month separately, one statement at a time.

Important: If you're reconciling a Merchant or Payments account and QuickBooks Desktop sees that you aren't signed in, you'll see a sign-in window. This ensures your account is successfully linked to a valid company ID.

1. Go to the **Banking** menu, then select **Reconcile**.
2. In the **Account** field, select the bank or credit card account you want to reconcile.
3. The **Statement Date** is automatically filled in. Usually, it's 30 or 31 days after the statement date of the previous reconciliation. Change it as needed to match your bank statement.
4. QuickBooks also automatically enters the **Beginning Balance**. It uses the ending balance from your last reconciliation to get this number.
5. Enter the **Ending Balance** based on your bank statement.
6. Enter the **Service Charge** and **Interest Earned** based on your bank statement. Don't enter charges you've already entered in QuickBooks.
7. Review the fields. If the info is correct, select **Continue** or **OK**.

If your beginning balance doesn't match your statement, don't worry. There are a few tools that can help you.

- If numbers don't match, select **Locate Discrepancies**. This gives you reports you can use to find discrepancies and other reconciliation issues.
- If you still have issues, here's how to [fix your opening balance](#) and [beginning balance](#).
- If you need to start over from scratch, you can select **Undo Last Reconciliation**.

Note: When you undo a previous reconciliation, your beginning balance reverts to the beginning balance of your previous reconciliation. All cleared transactions on the reconciliation become uncleared.

Step 4: Compare your bank statement and QuickBooks

To reconcile, simply compare the list of transactions on your bank statement with what's in QuickBooks.

Make sure you have the right dates and transactions. When you're done reviewing your statement, you'll know everything made it into QuickBooks.

Before you begin - Here are a few things you can do to make your reconciliation easier.

- If you only want to see transactions for the statement period you're working on, select **Hide transactions after the statement's end date**.
- If you're reconciling a credit card account, the sections are **Charges** and **Cash Advances** (purchases) and **Payments** and **Credits** (payments to the credit card company). Focus on one section at a time.
- If you're [reconciling an account for online banking](#), select **Matched**. Then, enter the **Statement Ending Date** from your bank statement. This automatically selects transactions QuickBooks downloaded and matched.

Note: A matched transaction in the register has a lightning bolt next to it. A checkmark replaces the lightning bolt after you reconcile it.

- If you want to sort the list, select the **header** or **title** of a column.
- If there are more transactions in QuickBooks than there are on your bank statement, resort the list.

Match your transactions

1. When you're ready, start with the first transaction on your bank statement.
2. Find the same one in the **Reconciliation** window in QuickBooks.
3. Compare the two transactions. If the transactions match, select and put a checkmark in the checkmark column. This reconciles the transaction.
4. Compare each transaction on your statement with what's in QuickBooks. As you clear or add transactions to the reconciliation, the **Cleared Balance** amount decreases. The amount increases if you clear or add deposits and other credit amounts.

If a transaction doesn't appear on your statement, don't mark it as reconciled.

Here are some quick ways to check if things are matching:

- If you want to see the total number and amount of transactions you've added to the reconciliation, look for the **Items you've marked cleared** section. Many banks provide the same summary of transactions on bank statements. Compare the total number of transactions to see if anything is missing.
 - If you need to edit or get more info about a specific transaction, select the transaction, then **Go To** or double-click.
 - If you need to take a step back and make a change to the info you entered in **Step 3: Start your Reconciliation**, select **Modify**. The service charges, interest, and ending balance info are shown in the section next to it.
5. When you reach the end, the difference between your bank statement and QuickBooks should be \$0.00. If it is, select **Reconcile now**.

[What to do if balances don't match at the end](#)

Next Steps: Review the reconciliation

After you reconcile, you can select **Display** to view the Reconciliation report or **Print** to print it. Your work is done.

If you need to review a reconciliation report later on:

1. Go to the **Reports** menu, then select **Reports Center**.
2. Search and open a Previous Reconciliation report.
3. Select the account you reconciled, then either **Detail**, **Summary**, or **Both**.

Run a Balance Sheet report in QuickBooks Online

SOLVED by QuickBooks•394•Updated 1 month ago

A Balance Sheet report gives you a financial snapshot of your company as of a specific date. It calculates how much your business is worth (your business's equity) by subtracting all the money your company owes (liabilities) from everything it owns (assets):

Assets - Liabilities = Equity

Note: The total for equity includes your company's net income for the fiscal year to date.

Run a Balance Sheet report

1. Go to **Reports** ([Take me there](#)).
2. Select **Balance Sheet**.

Tip: To see a higher-level summary, run the **Balance Sheet Summary** report instead.

Differences between a Balance Sheet report and other reports

You may notice that your Balance Sheet report doesn't match your other reports even after making sure that all the filters are the same. There are a few reasons why this occurs, such as:

- Your Balance Sheet report is a cumulative report that carries a beginning balance.
- In other reports, the date range you set only applies to **net income** and the specific account you select within the report. (Example: If you have US \$50 of sales tax in March and US \$60 in April, the Balance Sheet will show US \$110 for the **sales tax liability** account.)
- If the date range for the report is April, it will still show the cumulative total of US \$110. However, if you select US \$110, its transaction detail report shows a beginning balance of US \$50 and then US \$60 transaction for April.
- In addition, the **Sales by Product/Service** report is limited to the date range you set. If you set the report date for April, then it will truly reflect only April and show the US \$60 only.

Compare your Balance Sheet report and A/R Aging Summary or A/R Aging Detail reports

When comparing your Balance Sheet report (Last Year/Accrual) and your Accounts receivable aging summary or Accounts receivable aging detail reports, there are some things you should know, such as:

- When you compare these two reports, you must specify the correct **Aging method** on the Accounts receivable aging report.
- If you're running the Balance Sheet report for any date in the past, you must select **Report period** for the **Aging method** on your Accounts receivable aging reports in order for the Total Accounts Receivable to match on both the Balance Sheet and Accounts receivable aging report.

How to compare the Balance Sheet report to different time periods

You can customize your Balance Sheet report to show Year-over-Year columns.

1. Go to **Reports** ([Take me there](#)).
2. In the search bar, search for and open **Balance Sheet Comparison**.
3. Select **Customize**.
4. Under **Rows/Columns**, select the **Columns** dropdown, then change it to the desired comparison period.
5. Select **Run report**.

Get reports for previous reconciliations in QuickBooks Desktop

SOLVED by QuickBooks•24•Updated September 28, 2023

Learn how to get a Previous Reconciliation report so you can review your past reconciliations.

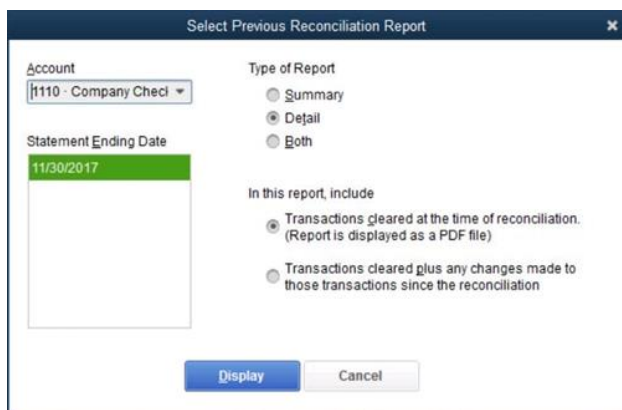
Need info from a past reconciliation to fix your current reconciliation? A Previous Reconciliation report gives you details that can help you find discrepancies and other issues.

Here's how to run a Previous Reconciliation Report. Once you have it, [use it to fix your reconciliation](#).

Run a Previous Reconciliation report

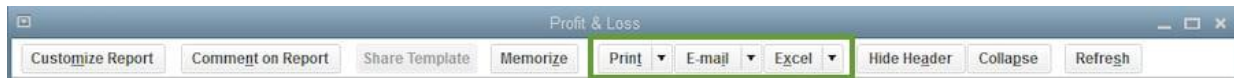
Note: You can get reports for the last 120 reconciliations in QuickBooks Desktop Premier, Accountant, and Enterprise. However, the Previous Reconciliation report only shows your most recent reconciliation in QuickBooks Desktop Pro. We recommend saving your reconciliation reports as PDFs or exporting them to Excel each time you reconcile an account.

1. Go to the **Reports** menu. Hover over **Banking** and select **Previous Reconciliation**.
2. From the **Account** drop-down menu, select the account you reconciled.
3. In the **Statement Ending Date** section, select the reconciliation period you want to review.
4. Select **Detailed** or **Both** for the report type. We recommend Detailed if you're using the report to fix a reconciliation.
5. Select which transactions you want to see on the report:
 - **Transactions cleared at the time of reconciliation:** This gives you a snapshot. It only shows transactions in the account at the time of the reconciliation.
 - **Transactions cleared plus any changes made to those transactions:** This shows transactions in the account at the time of reconciliation. It also shows where they currently are in your accounts.
6. When you're ready to run the report, select Display.



Review the report for discrepancies or issues. To get more info and narrow in on specific details, [customize the report](#).

You can also print the report or export it as a PDF or to Excel.



Displaying Split Transaction Details

<https://quickbooks.intuit.com/learn-support/en-us/reports-and-accounting/splits>

To display split transaction details in QuickBooks reports, you can either customize a report to show the "Split" column or use the "Transaction List with Splits" report.

Here's a breakdown of how to do it:

1. QuickBooks Online:

- **Customize a Report:**
 - Go to the Reports menu.
 - Select the report you want to customize (e.g., General Ledger, Transaction List).
 - Click "Customize".
 - Under "Rows/Columns", check the box next to "Split".
 - Click "Run Report".
- **Use the "Transaction List with Splits" Report:**
 - Go to the Reports menu.
 - Search for and select "Transaction List with Splits".
 - Customize the report as needed (date range, filters, etc.).
 - Click "Run Report".

2. QuickBooks Desktop:

- **Customize a Report:**
 - Go to the Reports menu.
 - Select "Custom Reports" and then "Transaction Detail".
 - Click "Customize Report".
 - Go to the "Display" tab.
 - In the "Columns" section, add "Split".
 - Click "OK".

- **Print Splits Detail:**
 - Click "Print" at the top of the register.
 - Check the box labeled "Print splits detail".
 - Select "OK" and then "Print".

Additional Tips:

- **Split Transactions:**

When entering transactions, you can split them across multiple accounts by clicking the "Split" button.
- **Transaction List with Splits:**

This report is specifically designed to show the details of split transactions.
- **Custom Reports:**

You can create custom reports in QuickBooks Desktop to display the information you need, including split details.

General Ledger
As of May 31, 2023

RECEIPT AND DISBURSEMENT JOURNAL

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
Client Trust Account									
									62,449.63
Deposit	03/03/2023				Deposit	-SPLIT-	1,668.53		64,118.16
Check	03/03/2023	2476		Client A	02/22/23-02/26/23 PPD	Client		345.50	63,772.66
Check	03/03/2023	2477		Third Party	Client [atty initials]	Client		211.76	63,560.90
Check	03/03/2023	2478		Opposing Counsel	02/21/23-02/27/23 PTD	Client		644.54	62,916.36
Check	03/03/2023	2479		Attorney	Client [atty initials]	Client		466.73	62,449.63
Deposit	03/06/2023				Deposit	Client	646.49		63,096.12
Check	03/06/2023	2480		Client B	Client [atty initials]	Client		484.47	62,611.65
Check	03/06/2023	2481		Attorney	Client [atty initials]	Client		161.62	62,450.03
Deposit	03/07/2023				Deposit	-SPLIT-	13,074.64		75,524.67
Check	03/07/2023	2482		Client C	03/04/23-03/10/23 PPD	Client		383.09	75,141.58
Check	03/07/2023	2483		Attorney	Client [atty initials]	Client		191.55	74,950.03
Deposit	03/09/2023				Deposit	Client	1,111.27		76,061.30
Check	03/09/2023	2484		Client D	02/28/23-03/06/23 PTD	Client		644.54	75,416.76
Check	03/09/2023	2485		Attorney	Client [atty initials]	Client		466.73	74,950.03
Deposit	03/13/2023				Deposit	-SPLIT-	25,557.26		100,507.29
Check	03/13/2023	2486		Client E	03/01/23-03/07/23 PPD	Client		345.50	100,161.79
Check	03/13/2023	2487		Third Party	Client [atty initials]	Client		211.76	99,950.03
Check	03/13/2023	2488		Opposing Counsel	Client [atty initials]	Client		15,924.51	84,025.52
Check	03/13/2023	2489		Attorney	Client [atty initials]	-SPLIT-		9,075.49	74,950.03
Deposit	03/13/2023				Deposit	Client	75,000.00		149,950.03
Deposit	03/13/2023				Deposit	-SPLIT-	9,185.62		159,135.65
Check	03/13/2023	2490		Client F	02/28/23-03/06/23 TTD	Client		485.27	158,650.38
Check	03/13/2023	2491		Third Party	Client [atty initials]	Client		161.62	158,488.76
Check	03/13/2023	2492		Opposing Counsel	Client [atty initials]	Client		5,692.75	152,796.01
Check	03/13/2023	2493		Attorney	Client [atty initials]	Client		2,846.38	149,949.63
Deposit	03/13/2023				Deposit	-SPLIT-	1,685.91		151,635.54
Check	03/14/2023	2494		Client G	03/11/23-03/17/23 PPD	Client		383.09	151,252.45
Check	03/14/2023	2495		Third Party	Client [atty initials]	Client		191.55	151,060.90
Check	03/14/2023	2496		Opposing Counsel	03/07/23-03/13/23 PTD	Client		644.54	150,416.36
Check	03/14/2023	2497		Attorney	Client [atty initials]	Client		466.73	149,949.63
Deposit	03/16/2023				Deposit	Client	50,000.00		199,949.63
Check	03/17/2023	2498		Client H	Client [atty initials]	Client		64,244.70	135,704.93
Check	03/17/2023	2499		Third Party	Client [atty initials]	-SPLIT-		26,700.37	109,004.56
Check	03/17/2023	2500		Opposing Counsel	Client [atty initials]	Client		20,833.33	88,171.23
Check	03/17/2023	2501		Attorney	VOID: Client [atty initials]		0.00		88,171.23
Check	03/20/2023	2502		Client I	VOID: 05/17/18 Client [atty initials]	Client	0.00		88,171.23
Check	03/20/2023	2503		Third Party	VOID: 05/17/18 Client [atty initials]	-SPLIT-	0.00		88,171.23
Check	03/20/2023	2504		Opposing Counsel	VOID: 05/17/18 Client [atty initials]	Client	0.00		88,171.23
Check	03/20/2023	2505		Attorney	VOID: Client [atty initials]	Client	0.00		88,171.23
Deposit	03/20/2023				Deposit	Client	557.26		88,728.49
Check	03/20/2023	2506		Client J	VOID: 03/08/23-03/14/23 PPD	Client	0.00		88,728.49
Check	03/20/2023	2507		Attorney	VOID: Client [atty initials]	Client	0.00		88,728.49
Deposit	03/20/2023				Deposit	Client	646.49		89,374.98
Check	03/20/2023	2508		Client K	VOID: 03/07/23-03/13/23 TTD	Client	0.00		89,374.98
Check	03/20/2023	2509		Attorney	VOID: Client [atty initials]	Client	0.00		89,374.98
Deposit	03/23/2023				Deposit	-SPLIT-	1,685.91		91,060.89
Check	03/23/2023	2510		Client L	03/18/23-03/24/23 PPD	Client		383.09	90,677.80
Check	03/23/2023	2511		Third Party	Client [atty initials]	Client		191.55	90,486.25
Check	03/23/2023	2512		Opposing Party	03/14/23-03/20/23 PTD	Client		644.54	89,841.71
Check	03/23/2023	2513		Attorney	Client [atty initials]	Client		466.73	89,374.98
Check	03/23/2023	2514		Client M	Client [atty initials]	Client		10,858.64	78,516.34
Check	03/23/2023	2515		Third Party	05/17/18 Client [atty initials]	Client		1,300.05	77,216.29
Check	03/23/2023	2516		Opposing Party	05/17/18 Client [atty initials]	-SPLIT-		1,960.50	75,255.79
Check	03/23/2023	2517		Attorney	05/17/18 Client [atty initials]	Client		649.65	74,606.14
Check	03/23/2023	2518		Client N	Client [atty initials]	Client		1,089.80	73,516.34
Check	03/23/2023	2519		Attorney	Client [atty initials]	Client		345.50	73,170.84

Balance Sheet

As of January 31, 2021

	Jan 31, 21
ASSETS	
Current Assets	
Checking/Savings	
Fees	1.20
US Bank	1,115,764.93
Total Checking/Savings	1,115,766.13
Total Current Assets	1,115,766.13
TOTAL ASSETS	1,115,766.13
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Undistributed Trust Funds	
Client name	755.06
Client name	1,329.10
Client name	89,977.47
Client name	10,295.28
Client name	9,627.82
Client name	80,000.00
Client name	44,724.96
Client name	2,500.00
Client name	6,487.08
Client name	25,767.17
Client name	5,464.64
Client name	3,000.00
Client name	10,000.00
Client name	5,000.00
Client name	100,000.00
Client name	39,719.74
Client name	70,000.00
Client name	20,960.93
Client name	11,315.30
Client name	24,870.88
Client name	1,313.84
Client name	205,000.00
Client name	338,571.48
Client name	2,750.82
Client name	3,500.00
Client name	2,834.56
Total Undistributed Trust Funds	1,115,766.13
Total Other Current Liabilities	1,115,766.13
Total Current Liabilities	1,115,766.13
Total Liabilities	1,115,766.13
TOTAL LIABILITIES & EQUITY	1,115,766.13

05/11/21

Balance Sheet

Accrual Basis

As of December 31, 2020

	Dec 31, 20	Dec 31, 19	\$ Change
ASSETS			
Current Assets			
Checking/Savings			
Fees	1.20	1.20	0.00
US Bank	1,477,368.40	770,694.02	706,674.38
Total Checking/Savings	1,477,369.60	770,695.22	706,674.38
Total Current Assets	1,477,369.60	770,695.22	706,674.38
TOTAL ASSETS	1,477,369.60	770,695.22	706,674.38
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Other Current Liabilities			
Undistributed Trust Funds			
Client name	0.00	1,951.49	-1,951.49
Client name	0.00	1,951.49	-1,951.49
Client name	0.00	484.00	-484.00
Client name	0.00	1,777.39	-1,777.39
Client name	0.00	3,445.00	-3,445.00
Client name	0.00	50,582.93	-50,582.93
Client name	0.00	250.00	-250.00
Client name	755.06	0.00	755.06
Client name	0.00	1,000.00	-1,000.00
Client name	1,329.10	14,747.09	-13,417.99
Client name	89,977.47	89,977.47	0.00
Client name	10,295.28	1,000.00	9,295.28
Client name	0.00	6,498.93	-6,498.93
Client name	1,339.69	1,339.69	0.00
Client name	0.00	-107.19	107.19
Client name	50,566.19	0.00	50,566.19
Client name	1,010.00	1,010.00	0.00
Client name	9,627.82	33,968.60	-24,340.78
Client name	0.00	500.00	-500.00
Client name	80,000.00	80,000.00	0.00
Client name	0.00	1,000.00	-1,000.00
Client name	45,000.00	0.00	45,000.00
Client name	38,351.04	1,000.00	37,351.04
Client name	0.00	4,080.51	-4,080.51
Client name	0.00	77,535.69	-77,535.69
Client name	9,724.96	4,724.96	5,000.00
Client name	2,500.00	2,500.00	0.00
Client name	33,891.70	0.00	33,891.70
Client name	6,487.08	9,820.30	-3,333.22
Client name	25,767.17	0.00	25,767.17
Client name	157,333.34	236,000.00	-78,666.66
Client name	2,700.61	15,200.61	-12,500.00
Client name	21,621.04	5,000.00	16,621.04
Client name	4,098.48	0.00	4,098.48
Client name	3,000.00	3,000.00	0.00
Client name	2,289.34	0.00	2,289.34
Client name	10,000.00	0.00	10,000.00
Client name	0.00	9,522.58	-9,522.58
Client name	0.00	4,673.96	-4,673.96
Client name	0.00	34,276.24	-34,276.24
Client name	5,000.00	0.00	5,000.00
Client name	0.00	833.33	-833.33
Client name	100,000.00	0.00	100,000.00
Client name	0.00	300.00	-300.00
Client name	0.00	11,743.12	-11,743.12
Client name	43,133.74	0.00	43,133.74
Client name	109.60	109.60	0.00
Client name	24,300.82	0.00	24,300.82
Client name	70,000.00	0.00	70,000.00
Client name	20,265.04	8,619.76	11,645.28
Client name	0.00	5,557.38	-5,557.38

11:01 AM

ABC Firm

05/11/21

Balance Sheet

Accrual Basis

As of December 31, 2020

	Dec 31, 20	Dec 31, 19	\$ Change
Client name	10,969.85	10,969.85	0.00
Client name	5,948.37	5,948.37	0.00
Client name	100.00	5,914.04	-5,814.04
Client name	10,752.70	576.97	10,175.73
Client name	25,611.88	0.00	25,611.88
Client name	1,313.84	1,899.45	-585.61
Client name	0.00	9,606.66	-9,606.66
Client name	0.00	1,000.00	-1,000.00
Client name	205,000.00	0.00	205,000.00
Client name	338,571.48	0.00	338,571.48
Client name	2,292.35	0.00	2,292.35
Client name	3,500.00	0.00	3,500.00
Client name	2,834.56	8,904.95	-6,070.39
Total Undistributed Trust Funds	1,477,369.60	770,695.22	706,674.38
Total Other Current Liabilities	1,477,369.60	770,695.22	706,674.38
Total Current Liabilities	1,477,369.60	770,695.22	706,674.38
Total Liabilities	1,477,369.60	770,695.22	706,674.38
TOTAL LIABILITIES & EQUITY	1,477,369.60	770,695.22	706,674.38

4:15 PM

12/08/22

ABC, LLP, Trust
Reconciliation Summary
ABC Firm Trust Account, Period Ending 12/06/2022

	Dec 6, 22	
Beginning Balance		1,454,825.65
Cleared Transactions		
Checks and Payments - 28 items	-1,920,848.79	
Deposits and Credits - 12 items	1,851,525.23	
Total Cleared Transactions	-69,323.56	
Cleared Balance		1,385,502.09
Uncleared Transactions		
Checks and Payments - 12 items	-132,442.10	
Total Uncleared Transactions	-132,442.10	
Register Balance as of 12/06/2022		1,253,059.99
Ending Balance		1,253,059.99

4:17 PM

12/08/22

ABC, LLP, Trust
Reconciliation Detail
ABC Firm Trust Account, Period Ending 12/06/2022

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						1,454,825.65
Cleared Transactions						
Checks and Payments - 28 items						
Check	08/18/2022	7583	Client B.K.	X	-10.00	-1000
Check	09/01/2022	7590	Client F.E.	X	-422.19	-432.19
Check	10/28/2022	7622	Alpha Law Firm	X	-680.00	-1,112.19
Check	11/05/2022			X	-97.69	-1,209.88
Check	11/07/2022	7624	Department of Corre...	X	-300.00	-1,509.88
Check	11/09/2022	7625	Beta Law Firm	X	-500.00	-2,009.88
Check	11/14/2022	7630	Client P.M.	X	-61,412.77	-63,422.65
Check	11/14/2022	7629	Client R Corp	X	-6,586.24	-70,008.89
Check	11/14/2022	7626	Charlie Law Firm	X	-5,718.17	-75,727.06
Check	11/14/2022	7632	Delta Law Firm	X	-2,368.67	-78,095.73
Check	11/14/2022	7627	Client IC Corp	X	-544.08	-78,639.81
Check	11/14/2022	7631	Provider SS	X	-305.00	-78,944.81
Check	11/14/2022	7628	Provider S	X	-173.40	-79,118.21
Check	11/14/2022	7633	Client Q Corp	X	-68.80	-79,187.01
Check	11/15/2022	7638	Client K.G.	X	-71,146.51	-150,333.52
Check	11/15/2022	7635	Provider O	X	-6,847.54	-157,181.06
Check	11/15/2022	7636	Client R Corp	X	-4,333.95	-161,515.01
Check	11/15/2022	7639	Client T Corp	X	-2,000.00	-163,515.01
Check	11/15/2022	7637	Provider H C	X	-767.38	-164,282.39
Check	11/16/2022	WIRE	Client A Corp	X	-65,380.80	-229,663.19
Check	11/21/2022	7641	Johnson County Rec...	X	-12,799.20	-242,462.39
Check	11/21/2022	7640	Johnson County Tre...	X	-9,320.00	-251,782.39
Check	11/21/2022	ACH	M Bank	X	-26.50	-251,808.89
Check	11/28/2022	7642	Client K.M.	X	-993,780.00	-1,245,588.89
Check	11/28/2022	7647	Client S.R.	X	-6,330.78	-1,251,919.67
Check	12/01/2022	7649	Client R.C.	X	-14,458.04	-1,266,377.71
Check	12/02/2022	TRAN...	ABC Law	X	-2,144.00	-1,268,521.71
Check	12/05/2022	TRAN...	ABC Law	X	-652,327.08	-1,920,848.79
Total Checks and Payments					-1,920,848.79	-1,920,848.79
Deposits and Credits - 12 items						
Deposit	11/07/2022		VARIOUS	X	2,200.00	2,200.00
Deposit	11/07/2022		A Insurance Co.	X	4,869.95	7,069.95
Deposit	11/08/2022		B Insurance Co.	X	150,000.00	157,069.95
Deposit	11/09/2022		Client G Corp	X	8,850.00	165,919.95
Deposit	11/14/2022		United States Treas...	X	18,992.34	184,912.29
Deposit	11/15/2022		Client F.C.	X	2,000.00	186,912.29
Deposit	11/16/2022		C Insurance Co.	X	1,500,000.00	1,686,912.29
Deposit	11/22/2022		Employer C	X	60,672.52	1,747,584.81
Deposit	11/25/2022		VARIOUS	X	24,365.18	1,771,949.99
Deposit	11/28/2022		A Bank	X	78,376.00	1,850,325.99
Deposit	12/01/2022		Client F.C.	X	1,000.00	1,851,325.99
Deposit	12/06/2022		VARIOUS	X	199.24	1,851,525.23
Total Deposits and Credits					1,851,525.23	1,851,525.23
Total Cleared Transactions					-69,323.56	-69,323.56
Cleared Balance					-69,323.56	1,385,502.09
Uncleared Transactions						
Checks and Payments - 12 items						
Check	06/16/2017	6241	Client L.J.		-588.00	-588.00
Check	08/24/2017	6261	Client C.A.		-1.21	-589.21
Check	08/17/2018	6590	Client B.R.		-2.62	-591.83
Check	09/22/2021	7331	Client M.D.		-12.95	-604.78
Check	01/12/2022	7398	Client J.N.		-2,000.00	-2,604.78
Check	06/07/2022	7502	Client R.D.		-142.60	-2,747.38
Check	09/21/2022	7604	Client R.A.		-225.00	-2,972.38
Check	11/03/2022	7623	Client F.A.2		-100,000.00	-102,972.38
Check	11/15/2022	7634	Provider U		-13,463.83	-116,436.21
Check	11/28/2022	7645	Client W.P.		-6,330.78	-122,766.99
Check	11/28/2022	7644	Client W.J.		-6,330.78	-129,097.77
Check	12/01/2022	7645	Echo Law Firm		-3,344.33	-132,442.10

4:17 PM
12/05/22

ABC, LLP, Trust
Reconciliation Detail
ABC Firm Trust Account, Period Ending 12/06/2022

Type	Date	Num	Name	Clr	Amount	Balance
Total Checks and Payments					-132,442.10	-132,442.10
Total Uncleared Transactions					-132,442.10	-132,442.10
Register Balance as of 12/06/2022					-201,765.66	1,253,059.99
Ending Balance					-201,766.66	1,253,059.99

Roadmap for Avoiding & Resolving Stale Funds

As Part of the Monthly Triple Reconciliation Process...

Step 1: Identify any negative balance(s) in the list of sub-account ledgers.

- Find the cause, make the necessary deposit and/or bookkeeping correction.

Step 2: Identify matters that have closed during the month.

- Issue notice and accounting and withdraw earned fees.
- Return any unearned balance to the appropriate client or third party.
 - Some firms choose to issue all refunds via certified cashier's check, or by LawPay electronic transfer, contemporaneously issuing a cover letter and including a detailed memo in the file. They find that this reduces the amount of "chasing" for their staff. Of course, there are costs and risks to these approaches that must be considered.
 - Most commonly, ideally right at the close of the matter, refund is made by regular check along with 1) notice and accounting and 2) a written request to the client to cash the check within 7 days.

Step 3: Review outstanding deposits.

- These should not carry forward through more than 1 monthly reconciliation. If a deposit is outstanding at a second reconciliation, find the cause & make the necessary distribution and/or bookkeeping correction.

Step 4: Identify checks that have been outstanding for 6 months or more.

Step 5: Identify client ledger balances with no activity in the past 12 months.

- Review each inactive sub-ledger for possible action (fees collected, expenses paid, money returned to client, etc.).
- If the client matter is still active, make a note as to what activity is taking place & when the balance is expected to change. Keep this note with the monthly reconciliation materials.

Step 6: Resolve client ledger balances for closed matters and old outstanding checks.

- Client or third party whereabouts unknown?
 - If the client cannot be located after performing due diligence, then the funds need to be sent to the Great Iowa Treasure Hunt (GITH).
 - You *do not* need to wait until November 1st, or for the funds to achieve 3 years of staleness.
 - The GITH website is at <https://www.greatiowatreasurehunt.gov/>, use code TR03.
 - Keep a copy of the confirmation page reflecting the report was submitted online, and also a copy of verification that GITH cashed the check.

- If the recipient's location is known, return the unearned balance to the client and/or third party.
 - Re-issuing a regular check tends to be ineffective and doesn't resolve the prompt return quandary for the lawyer.
 - Certified cashier's checks tend to be more effective because they are viewed as cash.
 - The following is not the only way to structure your process; it's just a method that we have seen used with success. Some things to consider in adopting a policy for return of funds are trustworthiness of the client or third party, amount of the typical refund, administrative cost of "chasing". If you frequently encounter uncashed checks, a provision might be included in the attorney fee agreement so that follow-up letters and advisements are minimized.

30 days after refund check was issued

- Send an email to the client or third party to verify their current address and that they received the check.
- No response to the email, or if recipient confirms that they have the check, then request by email or letter: "Please cash the check immediately. If it is not cashed within 30 days, Client Security has directed us to send these funds to the Great Iowa Treasure Hunt less the stop check fee(s) incurred."
- Client or third party says that they lost the check or that they didn't receive it, consider one of the following approaches:
 1. If it's a miniscule amount, say under a dollar, advance change and tape it to the cover letter. Keep a copy of the letter. Reimburse to operating from trust.
 2. Issue a certified cashier's check.
 3. Re-issue a second regular check along with a letter advising "Please cash the enclosed check immediately. If it is not cashed within 30 days, Client Security has directed us to send these funds to the Great Iowa Treasure Hunt less the stop check fee(s) incurred."
- The age of the check & the amount of the refund will help guide whether to put a stop-payment on the first check or accept the risk of a double cashing.

60 days after the refund check was issued

- Submit the funds to the GITH, less the cost of the stop-check fee(s) paid.

Trust Accounts in Iowa¹

January 2025

Office of Professional Regulation
of the Supreme Court of Iowa

Contents

Authority	1
Establishing an Iowa Trust Account	1
Operating the Account	7
Closing the Account.....	17
Audit Program, Client Security Commission.....	17
Best Practices for Trust Account Security and Online Banking	17
Common Issues.....	20
Forms.....	21

Authority

Iowa Rule of Professional Conduct 32:1.15 addresses the duty to safeguard property of clients and third persons. Chapter 45 of the Iowa Court Rules provides substantial detail regarding trust account operations. Notably, chapter 45 addresses proper handling of client advances for fees or expenses and requires notice to clients when advances are applied to earned fees or expenses. Chapter 45 also lists the specific trust account records that must be maintained for at least six years after termination of any representation.

Establishing an Iowa Trust Account

Need for a Trust Account:

Not every attorney needs a trust account. The key issue is whether you accept funds of the kind that must be placed in a trust account. (See the discussion regarding required trust account deposits under “Operating the Account,” below.) Government attorneys or corporate counsel generally will not need to maintain a trust account. Most private practitioners will need to maintain a trust account. Iowa R. of Prof'l Conduct 32:1.15; Iowa Ct. R. 45.1.

¹ The contributions of former Director Paul H. Wieck II to this outline are gratefully acknowledged.

What Kind of Trust Account is Required:

For most client funds, the appropriate account is the pooled, or IOLTA account, in which funds belonging to multiple clients or third parties are pooled in a single account. Interest earned on a pooled trust account (net of allowable service charges for that type of account) is paid by the depository institution to the Lawyer Trust Account Commission (LTAC). LTAC distributes grants annually as approved by the Iowa Supreme Court for legal services for low-income persons and law-related education. Iowa Ct. R. 45.4(1).

Court rules also authorize use of a separate interest-bearing account for an individual client or third party. When a separate interest-bearing account is used for an individual client or third party, the interest earned on the account (net of account costs) is payable to the client or third party for whom the account was established. Iowa Ct. R. 45.4(2)(a).

Court rules also authorize establishing a pooled trust account with sub-accounting, wherein the interest owed to each individual client is computed and paid, net of pro rata account costs, to the individual client. These accounts seldom are used due to the administrative overhead associated with interest computation and the generally insignificant amount of interest actually payable to any particular client after deduction of costs. Iowa Ct. R. 45.4(2)(b).

In determining whether to deposit client or third-party funds into an IOLTA account or a separate account for the individual client, the attorney must assess whether the funds to be invested could produce a positive net return for the client. The attorney should consider the following factors:

- The amount of the funds to be deposited;
- The expected duration of the deposit, including the likelihood of delay in the matter for which the funds are held;
- The rates of interest or yield at the financial institution in which the funds are to be deposited;
- The cost of establishing and administering the account, including service charges, and the cost of preparing any tax reports required for interest accruing to a client's benefit;
- The depository institution's ability to calculate and pay interest to individual clients; and
- Any other circumstances that affect the ability of the client's funds to earn a net return for the client.

Iowa Ct. R. 45.4(3).

Tip: This is not a one-time analysis. Every client balance in a pooled trust account should be considered in light of these factors on a recurring basis. An excellent time to consider this issue is incident to the monthly reconciliation of client balances with the trust account checkbook and bank statement.

What Institutions May Serve as Trust Account Depositories:

A bank, savings bank, trust company, savings and loan association, credit union, or federally regulated investment company may serve as a depository institution, provided the institution is authorized to do business in Iowa and is FDIC/NCUSIF insured.

Trust monies may be deposited at credit unions only to the extent that each individual client's funds are eligible for insurance. Iowa Ct. R. 45.3. This provision is a holdover from 2014 and years prior, when a trust account deposit for a client at a credit union was only insured if the client was personally eligible to be a patron of the credit union. The Credit Union Share Insurance Fund Parity Act, signed by President Obama on December 18, 2014, now provides that funds in a law firm trust account are covered by share insurance so long as the attorney administering the account is a member of the credit union where the account is held.

Other factors the attorney should consider when selecting a depository institution include the amount of deposit insurance available and likely client balances, institutional stability, convenience, bank interest rate and fees, and return of cancelled checks or facsimiles thereof.

Location of the Account:

Although the ABA model rule allows maintenance of a trust account in the state where the attorney's office is situated, or elsewhere with the consent of the client or third person involved, this language is omitted from the Iowa rule. In contrast, Iowa Court Rules 45.1 and 45.3 require placement of trust accounts in Iowa financial institutions for all matters arising out of the practice of law in Iowa.

Tip: Attorneys practicing in Iowa from offices outside the state generally meet this requirement by opening their Iowa trust account at an Iowa branch of a multistate bank, and then performing their day-to-day banking operations at a branch location of that multistate bank located near their office.

Deposit Insurance:

So long as a trust account at a bank is properly titled ("trust account") and the attorney maintains current records regarding the interest of each client (subaccount ledger cards), deposit insurance limits will be applied per client. If a trust account is located at a credit union, the foregoing requirements must be met, plus the attorney administering the account must be a member of the credit union, to qualify for deposit insurance.

The standard insurance amount is \$250,000 per depositor. You likely will encounter the situation of client deposits exceeding the FDIC insurance limits. The key considerations are first, that you owe your clients a high duty of care as a fiduciary, but you are not an insurer or guarantor. Second, it is acceptable to discuss the deposit insurance issue with your clients

and let them help formulate a strategy. With the foregoing considerations in mind, here are some recommendations:

- Choose a strong bank to do business with. It is a good idea to monitor the bank watch lists to ensure your bank is not on the list, for example.
- For large deposits that will be held in the trust account for an extended period of time, you will want to split the funds over two or more banks to get coverage for the amount in its entirety. It is likely that the client would be entitled to the interest in this situation, under the provisions of Iowa Court Rule 45.4(3) (accounts generating positive net earnings) and Iowa Court Rule 45.4(2)(a).

Tip: If you will be placing funds in a separate account for the benefit of a particular client under the provisions of rule 45.4(2)(a), it may be possible for your bank to use a process called “Insured Cash Sweep” (ICS) that apportions a large deposit out to other participating banks, to get the benefit of the FDIC insurance limit from each bank, but still have account administration (including IRS Form 1099 reporting) consolidated on the account through the primary bank.

- If a large deposit is not going to be on deposit long enough to make splitting it up over several banks practical, get the money in and out as soon as possible. Speed is your ally in this situation. Verified electronic or wire deposits and transmittals are best for this purpose.
- If you routinely have deposits in excess of the insurance limit, you might consult with your banker about purchasing additional FDIC or NCUA coverage. This is an expense that could be passed along to the clients, so long as you disclose it to your clients and address it in your fee or engagement agreement.
- Some clients will have their own deposits at the same bank where your trust account is located. It is imperative that you discuss deposit insurance with them to ascertain if their personal deposits will affect coverage for what you have in the trust account.

Nature of the Account to be Established:

The account agreement must allow withdrawals and transfers without delay whenever the deposited funds are required, subject only to any notice period the institution is required to impose by law or regulation. In practice, this means a checking account or the functional equivalent thereof. Iowa Ct. R. 45.3.

A trust account must include in the title of the account the words “Trust Account.” Iowa Ct. R. 45.1. This account identification is required to ensure coverage for each client’s monies under federal deposit insurance rules.

Bank Duties With Respect to IOLTA Accounts:

The attorney is responsible for directing the institution to perform the interest payment and reporting tasks required of IOLTA depositories no less often than quarterly. These tasks include remitting interest or dividends earned on the account, net of allowable service charges, to LTAC, along with a copy of the account statement. Iowa Ct. R. 45.4(4). If the allowable monthly service charge exceeds the IOLTA interest payable and the institution does not waive the excess, the law firm is responsible for paying the excess service charge. Charges associated with law firm activities with the account such as wire transfer fees or check printing charges may not be netted against IOLTA interest and are a law firm responsibility also. Iowa Ct. R. 45.5. LTAC asks that depository institutions also prepare and send a summary report form with the statement. Copies of the report form and an instruction document for new IOLTA depository institutions are included in the forms portion of this outline.

Iowa Court Rule 45.4(4) allows a depository institution to collect an “allowable monthly service charge” from the interest earned on a pooled trust account. For purposes of chapter 45 of the Iowa Court Rules, “allowable monthly service charge” is defined as a monthly fee “customarily assessed by the institution against a depositor solely for the privilege of maintaining the type of account involved.” Approximately two-thirds of the banks and credit unions serving as depositories for trust accounts in Iowa do not assess a service charge on these accounts. Of those institutions that do assess a service charge, most simply assess a small flat monthly fee, which is considered permissible under the rule.

Recently, a few institutions have begun assessing an “activity-based” service charge, computed on the basis of account activity such as credit and debit transactions. These activity-based charges sometimes are assessed in addition to a flat minimum monthly service charge. Iowa Court Rule 45.5 provides that charges assessed for transactions involving the account are an attorney or law firm responsibility and may not be paid from interest or dividends otherwise payable to LTAC. Based on this rule, the LTAC policy is that these activity-based charges may not be collected from interest due LTAC under the IOLTA (Interest on Lawyer Trust Account) program. If an institution chooses to assess these activity-based charges, and the attorney or law firm continues to house the trust account at that institution, the attorney or law firm is responsible for paying the activity-based charges.

The federal tax identification number for LTAC is 42-1245104. This number must be used in connection with any IOLTA trust account established pursuant to Iowa Court Rule 45.4(1).

Overdraft Notification Program:

With respect to any account established under Iowa Court Rule 45.4(1), the attorney is required to direct the depository institution to report to the Client Security Commission any time an overdraft condition exists with respect to a trust account. Most states have adopted a similar provision requiring that banks immediately notify the attorney and the state disciplinary office whenever an overdraft occurs in a trust account. The experience in

those states that have adopted such a rule is that early intervention following reporting of an overdraft helps prevent additional losses to clients that would occur absent a timely inquiry by the disciplinary authority. Iowa Ct. R. 45.4(c).

More than One Trust Account:

Because a single IOLTA trust account can hold funds for multiple clients, most attorneys only need to maintain one IOLTA trust account.

An attorney or law firm may maintain more than one trust account. Having multiple accounts will create additional record-keeping overhead² and increase the chance that mistakes will be made depositing and disbursing funds. However, in certain circumstances it is required. Multiple trust accounts most often are used where circumstances dictate opening a trust account for an individual client under the provisions of Iowa Court Rule 45.4(2)(a) in addition to the pooled IOLTA trust account maintained by the attorney or firm.

Signature Authority on Trust Accounts:

Only an attorney admitted to practice in Iowa or a person under the direct supervision of an attorney may be an authorized signatory on a trust account. Iowa Ct. R. 45.2(3)(b). The Client Security Commission recommends that attorneys carefully evaluate whether non-attorney staff members should be authorized to sign checks or authorize transfers. The responsibility and accountability for client funds is non-delegable, and the attorney will be personally responsible for any staff defalcation.

Tip: If signature or transfer authority is delegated to non-attorney staff, the Client Security Commission recommends procuring employee dishonesty insurance coverage.

Succession Planning & Provision for Stand-by Signature Authority:

Planning for death or disability is now required of every attorney engaged in the private practice of law in Iowa. Iowa Ct. R. 39.18. As part of the annual Client Security report, each attorney in private practice must identify a qualified attorney-servicing association, an Iowa law firm that includes Iowa attorneys in good standing, or an active Iowa attorney in good standing, to serve as the attorney's designated representative or representatives. Specific key information must be maintained by the attorney and provided to the designee.

Upon the attorney's death or disability, the designee is authorized to serve as a successor signatory for any client trust account maintained by the private practitioner under Iowa Court Rule 45.11, prepare final trust accountings for clients, make trust account disbursements, properly dispose of inactive files, and arrange for storage of files and trust account records. Helpful information and resources on succession planning are available at the Office of Professional Regulation's website and from the Iowa State Bar Association.

² Separate records must be maintained and retained for each trust account, especially the list of client balances, and each trust account must be individually triple reconciled each month.

Operating the Account

Cryptocurrency and peer-to-peer payment applications (e.g. PayPal, Venmo, Zelle and CashApp) are not permitted to be used in connection with Iowa client trust accounts, either for incoming funds or for disbursements.

Basic Principles of Trust Account Operations:

1. Do not Commingle Your Own Funds in the Trust Account, except for the limited exception provided by Iowa Rule of Professional Conduct 32:1.15(b) and Iowa Court Rule 45.1(1)
2. Each Client's Funds in a Pooled Account Must Be Treated as a Separate Subaccount
3. A Client Can Only Spend His or Her Subaccount Monies
4. A Client Subaccount Never Should Show a Negative Balance
5. Only Make Disbursements from Known Good Funds
6. You Must Account to the Penny at All Times
7. The End Result for Any Client Subaccount Must be Zero
8. An Audit Trail is Essential

What Funds Must Be Deposited in the Trust Account:

All funds of clients, regardless of size, paid to an attorney or law firm, including advances for costs and expenses and excluding only "general retainers" (a defined term), must be deposited in an interest-bearing trust account located in Iowa. Iowa R. Prof'l Conduct 32:1.15(a); Iowa Ct. R. 45.7(3), 45.9(1) and 45.10(2). The decision on where to place funds is based on ownership at the time the funds are received—not how quickly ownership will change from client to the attorney. Also, if the funds must be deposited in the trust account, they must be deposited directly to the trust account—not deposited first to an escrow or other non-trust account, nor held in the lawyer's office until earned. Common examples of funds which *must* be deposited in the trust account are:

- Any advance fee or retainer except a "general retainer." Iowa Ct. R. 45.7(7)(3) (advance fees and expenses), 45.9(1) (special retainers), and 45.10(2) (flat fees); *Board of Professional Ethics and Conduct v. Apland*, 577 N.W.2d 50 (Iowa 1998)
- Advances from the client for costs and expenses
- Settlement proceeds that include a portion that is the attorney's fee
- Real estate loan proceeds prior to closing and disbursement
- Funds from the sale of property belonging to the client

Funds and Property of Third Parties:

The obligation to safeguard and account extends to the property of third persons that comes into the attorney's possession in the course of practice, in addition to client property. Iowa R. of Prof'l Conduct 32:1.15(a); Iowa Ct. R. 45.1.

Notice to Client or Third Party Regarding Effect of Deposit in IOLTA Trust Account:

If the funds of a client or third person are deposited in a pooled account established under the provisions of Iowa Court Rule 45.4(1), the attorney must inform the client or third person that interest accruing on the account, net of allowable monthly service charges, will be paid LTAC under the IOLTA program described in chapter 45 of the Iowa Court Rules. Iowa Ct. R. 45.4(1). The rule does not require that this be done in writing.

Tip: Your law firm operating procedures should include this notice as a matter of course any time you accept monies from anyone—client or third party—that will be placed in your IOLTA account. Possible places you might put a written notice include your law firm brochure; your written fee agreements; and the receipt or acknowledgement you give a client when you accept monies for deposit in the trust account. At a minimum, you probably will want to make it standard operating procedure to advise the clients verbally regarding the IOLTA program whenever you accept these kinds of funds.

What Funds May NOT Be Deposited in the Trust Account?

No funds belonging to the attorney or the law firm may be deposited in the trust account. Iowa Ct. R. 45.1. Common examples of funds that should not be placed in the trust account include 1) fees already billed for and earned and 2) funds an attorney holds that are not related to the practice of law (e.g., the monies belonging to the county bar association for which the attorney is treasurer).

Exception: Funds reasonably sufficient to avoid or pay service charges may be deposited in the trust account. Unless it can be shown that monthly fees and service charges routinely exceed this amount, no more than \$200 of the attorney or firm's money should be maintained in the trust account. Where a minimum balance requirement exists for the account, it is permissible to deposit funds sufficient to maintain the minimum balance. A separate subaccount ledger must be diligently maintained for such deposits.

Exception: Funds belonging in part to a client and in part to the attorney or law firm (presently or potentially) must be deposited in the trust account. This rule applies even if the funds will be disbursed to the parties entitled thereto on the same day they are received. However, the attorney or law firm's portion must be withdrawn promptly when due, unless entitlement to that portion is disputed by the client. Disputed portions must remain in trust until the dispute is resolved.

What Payments or Disbursements May be Made from the Trust Account?

No payments for personal or office expenses of the attorney should be made from a trust account. If some portion of the money in a trust account belongs to the attorney because it is his or her earned fee, the attorney should write a check on the trust account payable to the attorney, deposit it in the attorney's business account and pay his or her expenses from the business account.

Fees may and should be withdrawn as soon as they are earned and undisputed. An accounting to the client for the fees deemed earned should be provided the client no later than contemporaneously with the withdrawal for such fees or expenses. Iowa Ct. R. 45.7(4).

Costs or expenses incident to services performed may be paid based on agreement with the client. An accounting to the client for costs and expenses paid from the client's subaccount should be provided the client no later than contemporaneously with the withdrawal for such expenses. Iowa Ct. R. 45.7(4).

Disbursements requisite to closing of a real estate transaction or settlement of an injury claim may be made from the client subaccount. An accounting to the client for all the disbursements should be provided to and approved by the client incident to the disbursements.

If two or more parties dispute entitlement to funds held by an attorney in trust, the attorney should retain those funds in trust until such time as the dispute is resolved. Iowa R. of Prof'l Conduct 32:1.15(e). The disputed funds should be placed in an account that will bear interest for the benefit of the parties if the considerations of Iowa Court Rule 45.4(3) indicate the funds could generate positive net earnings for the party or parties ultimately found entitled to the funds.

Making Disbursements Based on a Deposit:

Every deposit to a trust account must be allowed to clear through the banking process before disbursement is made based on that deposit. If this procedure is not observed, the likely eventual result will be wrongful disbursement of other clients' funds when a check or draft deposited to the trust account is dishonored.

Cash deposits and verified electronic transfers are reliable enough to support same day disbursement. Bank certified checks are reliable enough to support same day disbursement provided authenticity of the check is known to the attorney or verified with the issuing bank. If authenticity is not known to the attorney, verification should be sought from the issuing bank. (See the discussion under the heading "Schemes Intended to Divert Trust Account Balances," below, regarding the risk of counterfeit certified checks.)

Cashier's checks and personal checks should be allowed to clear completely through the issuing institution. Your own bank institution can provide guidance regarding normal clearance times and can verify clearance of individual instruments at the issuing bank.

Tip: If a same-day closing or settlement is desired, the best solution generally will be to require that the deposit to your trust account be made by wire transfer.

Form of Disbursements:

Disbursements from a trust account must be made by check or by authorized bank transfer. Iowa Ct. R. 45.2(3)(b)(3). Any check drawn on the trust account must be payable to a named payee, and never to cash. Cash withdrawals from a trust account are not permitted. An authorized bank transfer contemplates the common forms of electronic banking transactions, including an authorized wire transfer, electronic fund transfer, or debit transaction.

Handling Retainers and Advances for Fees and Expenses:

In *Board of Professional Ethics and Conduct v. Apland*, 577 N.W.2d 50 (Iowa 1998) the Iowa Supreme Court ruled that all advance fee payments must be placed in the client trust account until earned. The court also characterized so-called flat fees and special retainers as advance fees and stated that they also must be placed and held in trust until earned. The court distinguished a true general retainer, in which the consideration is paid in exchange for a commitment of future availability to provide services, as earned at the time it is paid.

The *Apland* requirements regarding handling of advance fees, general retainers, special retainers, and flat fees now are specifically set out in Iowa Court Rules 45.7 through 45.10. The requirement for trust account deposit specifically applies to advances for expenses as well as any kind of advance fee. Iowa Ct. R. 45.7(2).

When an attorney withdraws funds from the trust account to pay earned fees or expenses, the client must be provided written notice of the time, amount, and purpose of the withdrawal, along with a complete accounting. This notice and accounting must be transmitted no later than the date the withdrawal is made. Iowa Ct. R. 45.7(4).

Tip: Fees and expenses may be handled one of two ways. The first, and most cumbersome way, is to place the funds in your trust account, open a client subaccount ledger card, pay the fee or expense by check or debit drawn on the trust account, and then send the client a notice and accounting not later than the day you make the deduction for fees or expenses. The second, and less cumbersome way, is to place the funds in your trust account, open a client subaccount ledger card, pay the fee or expense from the law firm business account or by law firm credit card on behalf of the client, and then include the fees and expenses owed by the client in your periodic billing cycle, with your statement showing the amounts owed for fees and advanced expenses, and the amount you intend to deduct from the client's trust account balance.

What You Must NOT Do:

- You *must not* deposit advances for unearned fees or advances for expenses in your business account.
- You *must not* pay anything from a client's monies in your trust account until you provide notice and accounting for the deduction or payment.

Flat Fees

A flat fee “embraces all services that a lawyer is to perform, whether the work be relatively simple or complex.” Iowa Ct. R. 45.10(1). If a flat fee is paid prior to performance of the services, it must be deposited in the trust account. Iowa Ct. R. 45.10(2). Contracts providing for nonrefundable flat fees are unethical and void. *Board of Prof. Ethics and Conduct v. Frerichs*, 671 N.W.2d 470, 475 (Iowa 2003).

Absent an agreement with the client to the contrary, an attorney is entitled to the flat fee when the contemplated services have been completed. However, the attorney and client may agree regarding when and how much of the flat fee will be earned and may be withdrawn as the work progresses to completion. The agreement must reasonably protect the client’s right to a refund of the unearned portion of the flat fee in the event the client engages new counsel, or the attorney fails to complete the work. Iowa Ct. R. 45.10(3). Any withdrawal of a portion of the flat fee from the trust account requires notice and accounting to the client under rule 45.7.

Conflicting Claims to Funds in Trust:

If an attorney has possession of funds or other property to which there are conflicting claims, the property should be separately maintained until the dispute is resolved. Iowa R. of Prof’l Conduct 32:1.15(e). This may include third party claims against client funds in the trust account. If the third party claims are not frivolous, the attorney must refuse to surrender the property to the client until the claims are resolved. Iowa R. of Prof’l Conduct 32:1.15, comment [5].

What Books and Records Must be Maintained:

Every attorney engaged in private practice of law must maintain books and records sufficient to demonstrate compliance with Iowa Rule of Professional Conduct 32:1.15(a). Books and records relating to funds or property of clients are to be maintained for at least six years after termination of the representation to which they relate. Iowa Ct. R. 45.2(3). A certification regarding this responsibility is included in the annual report filed with the Client Security Commission each year. Iowa Ct. R. 45.6. Upon dissolution of a firm or practice or sale of a firm or practice, arrangements must be made for maintenance of the books and records for the required six year period. Iowa Ct. R. 45.2(3)(d), (e).

Implementation of the Record Keeping Duty:

Effective February 20, 2012, Iowa Court Rule 45.2 was amended to describe in detail the financial records an attorney must maintain for a client trust account. Records required by the rule may be maintained by electronic, photographic, computer, or other media, so long as they otherwise comply with the rules and printed copies can be produced. Iowa Ct. R. 45.2(3)(c).

For each client trust account, records should identify the name of the depository institution, account number, account name, and date the account was opened. The records should also show the type of each such account, whether pooled with net interest paid to the Lawyers Trust Account Commission (IOLTA account), pooled with allocation of interest, or individual, including the client's name. In addition to this basic record for each account, the following records must be maintained:

- ☐ A receipt and disbursement journal with a running balance, containing a record of all deposits to and withdrawals from the client trust account. The journal must specifically identify the date, source, amount, and description of each item deposited, as well as the date, payee, amount, and purpose of each disbursement.
- ☐ A ledger record with a running balance for each separate trust client or beneficiary. The ledger record must show the source of all funds deposited, the names of all persons for whom the funds are or were held, the amount of such funds, the descriptions and amounts of charges or withdrawals, and the names of all persons or entities to whom such funds were disbursed.
- ☐ Copies of retainer and compensation agreements with clients as required by Iowa R. of Prof'l Conduct 32:1.5.
- ☐ Copies of accountings to clients or third persons showing the disbursement of funds to them or on their behalf.
- ☐ Copies of bills for legal fees and expenses rendered to clients.
- ☐ Copies of records showing disbursements on behalf of clients.
- ☐ Copies of all bank statements, records of deposit, prenumbered canceled checks, and substitute checks.
- ☐ Record of all electronic transfers to and from the client trust account, including for each transfer, the date of transfer, the amount of transfer, the name of the trust client or beneficiary to whom the transfer pertains, the name of the sender, the name of the recipient, the purpose of the transfer, and in the case of disbursement from trust the name of the person authorizing transfer.
- ☐ Copies of monthly lists of individual client ledger balances and monthly triple reconciliations of bank statement balance to receipt and disbursement journal balance to sum of individual client ledger balances.
- ☐ Copies of those portions of client files that are reasonably related to client trust account transactions.
- ☐ A record showing all property, specifically identified, other than cash, held in trust from time to time for clients or others. Routine files, documents and items such as real estate abstracts that are not expected to be held indefinitely need not be so recorded but should be documented in the files of the attorney as to receipt and delivery.

Monthly Triple Reconciliations Are Required:

Monthly reconciliations of the 1) receipt & disbursement journal (a/k/a check register or general ledger), 2) client subaccount ledgers, and 3) adjusted bank statement are required by rule 45.2(3)(a)(9). This is the so-called “three-way reconciliation.” All three components should balance to the penny each month. The Client Security Commission’s experience is that failure to perform triple reconciliations on a monthly basis is a key contributor to loss of accountability for client monies.

Tip: At the end of this outline are a couple of template triple reconciliation forms. The form should be prepared as of the same day each month (most attorneys calculate the numbers based on the last day of the month). Maintaining this form and the three supporting documents in a binder, or together in electronic form, is sure to expedite the attorney’s next audit.

Tip: A monthly statement from your bank is a vital part of the reconciliation process. If your bank normally provides statements on a quarterly basis instead of monthly, you will need to make arrangements to receive monthly statements or access monthly statement information electronically.

Use of Computer Accounting Systems:

Attorneys or law firms may use computer systems to maintain trust account records. Many trust-account specific software modules are available. Based on recent trust account audits, QuickBooks and Clio seem to be the programs most commonly used by Iowa attorneys for trust account management.

An attorney who maintains trust account records by computer should print and retain, on a monthly basis, the receipt and disbursement journal, the balances of the subaccount ledgers, and the reconciliation report. Electronic records should be regularly backed up by an appropriate storage device. The frequency of the back-up procedure should be directly related to the volume of activity in the trust account.

Accounting to the Client:

The attorney must render appropriate accountings to the client regarding all funds, securities and other properties of a client coming into the possession of the attorney. Iowa Ct. R. 45.2(2). Prompt payment or delivery must be made to the client of all such items the client is entitled to when the client so requests. Iowa Ct. R. 45.2(2). Simply stated, when a client asks you how much money you are holding for them or what you’ve done with the money while you’ve had it, you must tell them. You must advise the client every time something is added to the client’s subaccount, and every time something is taken from the client subaccount.

Client Payments by Credit Card:

Three key issues must be addressed if you want to accept credit card payments of retainers or billed fees.

First, you must address the surcharge imposed by the credit card company. Ordinarily, your credit card merchant agreement will prohibit assessing the surcharge to the client, so the law firm will have to pay the surcharge. The authority provided by Iowa Court Rule 45.1(1) may be used to establish a law firm subaccount with a small, periodically refreshed balance, within the trust account, to pay the service charges associated with retainers paid by credit card. A better alternative, if the credit card issuer is willing, is to assess the service charges against the law firm's general business account.

Second, you must be careful not to make disbursements based on a credit card deposit in your trust account until there is no possibility the charges can be reversed. Normally there is an initial delay until the bank actually credits a credit card payment to the trust account, and there is a further period during which the client may object and reverse the charge on the card. You should ascertain from the credit card issuer how quickly it actually credits such deposits, and when these deposits become ineligible for charge back by the credit card holder. Once again, you may be able to arrange with your credit card issuer for charge-backs to be made against your firm operating account rather than your trust account.

Third, if you will be accepting credit card payments of both retainers and earned fees, and you only want to set up one account to accept the credit card payments, you should set up your trust account to accept the credit card payments, rather than your operating account. Put all credit card payments in your trust account, and keep the retainers there until earned and the contingencies have passed. Keep the earned fee payments there until the contingencies have passed, and then transfer them over to your business account for disbursement.

Tip: At least one credit card issuer now offers attorneys a product that assesses all service charges and chargebacks against the law firm business account but allows the attorney to direct each credit card payment to the trust account or the business account, as appropriate, depending on the nature of the receipt. This type of product appears to best address the issues associated with acceptance of payments by credit card.

How to Handle Electronic Payment of Fees:

With the advent of electronic filing of pleadings in cases, electronic payment of filing fees now is possible, and in fact is required in some courts. Electronic transfers from (and to) trust accounts are permitted by Iowa Court Rule 45.2(3)(b)(3), but proper handling of electronic fee payments on behalf of clients requires observance of several rules pertaining to trust accounts:

Client advances for expenses, including filing fees, must be deposited in a trust account, and withdrawn only as the expenses are incurred. Iowa R. Prof. Conduct 32:1.15(c), Iowa Ct. R. 45.7(3).

The engagement agreement with the client must provide authority to pay the filing fee from the funds advanced and placed in the trust account. Iowa R. Prof. Conduct 32:1.5(b).

When an expense is paid from the trust account, the attorney must provide notice and an accounting to the client no later than the day the withdrawal is made. Iowa Ct. R. 45.7(4).

The attorney must keep a record of all electronic transfers to and from the client trust account, including for each transfer, the date of transfer, the amount of transfer, the name of the trust client or beneficiary to whom the transfer pertains, the name of the sender, the name of the recipient, the purpose of the transfer, and in the case of disbursement from trust the name of the person authorizing transfer. Iowa Ct. R. 45.2(3)(a)(8).

Tip: One key consideration is whether the attorney wants to provide a notice and accounting under Iowa Court Rule 45.7(4) each time an expense is paid, or on a periodic, consolidated basis, such as during a monthly billing process. A second key consideration is whether the attorney wants to pay filing fees directly from the trust account or would rather advance fees on behalf of the client (subject to reimbursement) as allowed by Iowa Rule of Professional Conduct 32:1.8(e)(1). A third key consideration is what form of electronic payment the attorney is willing and able to use, and what form of payment the court will accept. The possibilities generally include a credit card, a debit card, a prefunded “pay down” card, or E*check. With these considerations in mind, the rules appear to dictate one of the following two general approaches:

Direct Debit of Trust Account:

The first approach is to place the advance for fees in your trust account, open a client subaccount ledger card, and make appropriate entries on the main trust account ledger and the client subaccount ledger. The filing fee then may be paid by debit card transaction or E*check drawn on the trust account. The attorney will need to procure or create a record of the debit deduction from the trust account, and will need to send the client a notice and accounting regarding the payment no later than the date of the debit transaction. The deduction also would need to be recorded on the main trust account ledger and the client’s subaccount ledger.

Advance of Fee with Reimbursement from Trust Account:

The second approach is to place the advance for fees in your trust account, open a client subaccount ledger card, and make appropriate entries on the main trust account ledger and the client subaccount ledger. The filing fee may be paid using a law firm credit card, prefunded “pay down” card, or a debit card transaction or E*check drawn on the law firm business or operating account. The advance of the filing fee then may be included in your periodic billing cycle, with your statement

showing the amounts owed for fees and advanced expenses, and the amount you intend to deduct from the client's trust account balance. Once the periodic statement and accounting has been provided the client, the law firm may withdraw the amount of the advanced filing fee from the trust account. The withdrawal might be performed by ACH transfer from the trust account to the business or operating account, or by trust account check payable to the business or operating account. The withdrawal also could be performed by trust account check direct to the credit card company, if the credit card is used only for advanced expenses. The deduction also would need to be recorded on the main trust account ledger and the client's subaccount ledger.

Prompt Return and "Stale Funds" Procedure:

Iowa Rule of Professional Conduct 32:1.15(d) requires that attorneys promptly deliver to the client or third person any funds or other property that the client or third person is entitled to receive. Ideally that would happen immediately at the conclusion of a matter, however that isn't always possible. Client Security's rule of thumb for prompt return is no more than six months for outstanding checks, and no more than one year for inactive client balances.

A regular monthly review process for stale checks and client balances is strongly recommended, so that due diligence can be undertaken and the sub-account can be zeroed out within that 6mo/1yr time frame. What constitutes reasonable due diligence will vary depending on the amount of the funds involved. Reasonable efforts might include, for example, corresponding with possible owners by mail, searching for possible owner addresses through the Social Security Administration if you have a Social Security Number for them, or employing one of the firms that conducts searches for heirs.

Tip: Clients and third parties do not become easier to find with the passing of time. The Great Iowa Treasure Hunt may be an option for clients that cannot be located.³ It is important to keep in mind that this program was not designed for lawyers or with a lawyer's ethical obligation in mind. There are some administrative requirements in the code provisions which are not consistent with Client Security's definition of prompt return. In practice, however, it seems to be the case that attorneys who have undertaken due diligence to find a client need not wait the 3 years specified in the statute, nor until November 1st of each year, to remit the money to the Treasurer; the GITH will accept the money.

In the event a client's location is known and they simply refuse to cash the check, issuance of a certified cashier's check is something to consider. There is a fee associated with that approach, but it has the advantage of getting the money out of the trust account and will help avoid just kicking the can down the road.

³ See Iowa Code sections 556.7, 556.11 and 556.13, regarding notice and tender of the monies to the Treasurer of the State of Iowa.

Closing the Account

Moving Your Trust Account to a New Depository Institution:

An attorney is not required to notify anyone before transferring a trust account to a new depository institution. However, care should be taken to ensure that all outstanding checks on the existing trust account are accounted for, and that interest owed to the Lawyer Trust Account Commission will be properly disbursed by the institution. Also, moving a trust account likely will result in a change in information previously reported to the Client Security Commission and will warrant an interim report to the commission within thirty days after the change. Iowa Ct. R. 39.8(1).

Closing the Trust Account:

Here also care should be taken to ensure that all outstanding checks on the trust account are accounted for, and that interest owed to LTAC will be properly disbursed by the institution. All monies owed clients must be returned to the clients entitled thereto so that no remaining client monies exist in the trust account. If a particular client cannot be found, it may be necessary to complete the “stale funds” procedure before closing the account. Closing a trust account will likely result in a change in information previously reported to the Client Security Commission and will warrant an interim report to the commission within thirty days after the change. Records for the account must be retained for a minimum of six years, even if the law firm is sold or dissolved. Iowa Ct. R. 45.2(3(d), (e).

Audit Program, Client Security Commission

The Director of Client Security is responsible for conducting audits and investigations of attorneys’ accounts and office procedures to determine compliance with Iowa Rule of Professional Conduct 32:1.15 and chapter 45 of the Iowa Court Rules. Iowa Ct. R. 39.2(3)(c). Attorneys are required to cooperate fully with these audits and investigations as a continuing condition of their license to practice. Iowa Ct. R. 39.10, 39.12.

The director is assisted in the performance of audits and investigations by part-time trust account auditors. The general goal of the Client Security Commission is to conduct an unannounced periodic audit of each trust account in Iowa every three to four years. Special audits or investigations are conducted on an as-needed basis.

Best Practices for Trust Account Security and Online Banking

In recent years, would-be thieves have identified trust accounts as potentially lucrative targets. The schemes used to target trust accounts have become more sophisticated as electronic banking and international transactions have become more common. Common schemes include the following:

Counterfeit Checks: The number of counterfeit or fraudulent checks presented to Iowa attorneys has increased. The common theme in these schemes is inducing you to deposit the counterfeit check in your trust account and make an immediate disbursement of a portion of the deposit back to the thief, before the counterfeit check is returned by your bank. Clearance times, particularly for checks drawn on foreign banks, are quite long. Some confidence artists provide an initial check drawn on a foreign (often Canadian) bank, and then follow up with another, more substantial check drawn on the same bank when the first check *appears* to have been honored due to the long clearance times on checks drawn on foreign banks. Soon after the second check has been deposited, the client's circumstances change and they demand that the bulk of the second check be wired back to them expeditiously. Attorneys should be cautious regarding checks drawn on out-of-state or foreign banks, including certified checks and cashier's checks drawn on such institutions.

Counterfeit Checks Drawn on An Out-of-State Law Firm Trust Account: An alternate scheme is to tender a check that appears to be drawn on the trust account of an attorney in another state, but actually is counterfeit, and request your assistance with a business transaction that involves disbursement the same day the counterfeit check is deposited.

Keystroke Recording Implanted via Social Media: Social media sites are used by some thieves as a tool to implant keystroke logging or recording programs in the background on the computer used to access the social media site. The keystroke logging program communicates in real-time over the Internet with the thieves. When the user of the computer infected with the keystroke logger accesses an electronic banking web site using that computer, the thieves are alerted. The thieves note the bank web site address and login data and quickly transfer funds electronically from the law firm bank account to an off-shore account.

Fraudulent Automated Clearing House (ACH) Debits: The electronic version of a fraudulent check is the fraudulent ACH debit on your bank account. Fraudulent ACH debits are becoming more common as thieves learn how to set up ACH transactions. The only information the thieves need is the bank routing number and account number associated with your account, which they can easily take from one of your paper checks.

Countermeasures to Reduce the Fraud Threat to Your Trust Account:

You should consider and implement both law firm policy and procedure countermeasures and banking system countermeasures to reduce the fraud threat. Best practices in the law firm policy and procedure arena include:

- A countermeasure for fraudulent paper checks is to wait until the check actually clears through the banking system before making any disbursements based on the check. If same-day disbursement is necessary, the best approach is to require deposit of funds in your trust account electronically and verify the presence of the funds before making any disbursement.

- A countermeasure for the key stroke or virus threat to law firm computers used for electronic banking is a law firm policy against accessing any social media site from any computer on the law firm network, but especially from any computer used for electronic banking. You also should consider segregating the computer used for electronic banking from the remainder of the computers on your office network and dedicating use of that computer only to electronic banking.
- An additional countermeasure for the key stroke or virus threat to law firm computers is installation of banking-specific security software in addition to normal antivirus software. For example, some banks now provide a program called Trusteer Endpoint Protection, which is designed to protect the computer from financial malware.

Banking System Countermeasures to Reduce the Threat of Online Targeting of Your Trust Account:

You should discuss with your bank the anti-fraud features the bank has available. Those features may include some or all of the following, all of which are recommended as best practices:

- You may be able to set your account up to require user authentication based on an RSA token (a small device provided by your bank that generates a unique authentication code at fixed intervals) before the user is allowed to initiate online transfers.
- You may be able to set your account up to require participation of two staff members to initiate outgoing electronic transfers - one person to initiate the transfer, and a second person to approve the transfer. The two-person requirement helps curb both online theft and employee fraud.
- Your bank may offer a service called “ACH Positive Pay.” When this service is employed, electronic payment items only post to your account automatically if they meet criteria established by you. A payment item that does not meet your criteria is blocked and you are notified of the payment item by email or text message. You can then review the item and determine if it should be paid. This service reduces the risk of unauthorized ACH debits drawn on your account.
- Your bank also may offer a service called “Positive Pay.” With this service, you give your bank an electronic file each day listing the checks you have issued. The bank electronically compares each check with your listing as the checks are presented. If a check does not match up with your listing, the system flags the check and reports it to you for verification before the check is paid. This service reduces the risk of check altering and check forgery.

Common Issues

Improper Handling of Retainers: The Court has specified how retainers of various kinds must be handled in Iowa. Virtually all the commonly used variants of the retainer initially must be placed in the trust account.

Failure to Provide Notice and Accounting: When a withdrawal is made from a client's trust account balance to pay an expense or to pay fees, notice of the withdrawal and an accounting regarding the client's trust account balance must be provided the client no later than the day of the withdrawal.

Outstanding Checks: Frequently clients or other payees will fail to promptly negotiate checks drawn on the trust account. The attorney or law firm should have an established procedure for periodically following up on these outstanding checks, to clear them from the end of month reconciliations and aid in placing client subaccounts in zero status when warranted.

"Unintentional" Overdrafts: Overdrafts carry considerable risk of inadvertently using funds in one client's subaccount to subsidize operations with respect to another client's subaccount. Common causes of overdraft situations include failure to make trust account deposits in a timely manner; failure to ensure that a deposited check clears the bank upon which it is drawn before issuing trust account checks based on it; asking clients to "wait until tomorrow" to cash a settlement check.

Failure to Take Fees when Warranted: Attorneys are responsible for removing fees from retainers placed in the trust account on a timely basis when they are earned. An accounting should be provided the client no later than the time when the earned fee is withdrawn from the retainer. Failure to remove earned fees on a timely basis constitutes commingling, and over time can be the cause of unexplained excess funds in a trust account.

Contact Information

Office of Professional Regulation
Iowa Judicial Branch Building
1111 E. Court Avenue
Des Moines, Iowa 50319
Telephone: (515) 348-4670
Fax: (515) 348-4698

Email: client.security@iowacourts.gov

Web Site: <https://www.iowacourts.gov/opr/attorneys/attorney-practice/>

Forms

NOTICE TO FINANCIAL INSTITUTION TO ESTABLISH NEW INTEREST-BEARING ACCOUNT

My law firm, as required by rules of the Iowa Supreme Court, is participating in the Interest on Lawyer Trust Accounts program. Under this program, please open an account subject to negotiable orders of withdrawals paying the highest rate of interest available for which the account qualifies.

Interest on this account should be remitted to the Lawyer Trust Account Commission, Judicial Branch Building, 1111 East Court Avenue, Des Moines, Iowa 50319. The tax identification number for the Commission is 42-1245104 and must be used in connection with this account.

Interest on the account, computed in accordance with your standard accounting practice (net of any service charge or fee you charge for the bare privilege of maintaining this kind of account) must be remitted by check mailed to the Commission preferably monthly but not less than quarterly. You are not permitted to deduct from interest any activity-based charges, or charges for transactions involving this account such as stop payment fees, wire transfer fees or check printing fees. These fees are the responsibility of the law firm to pay. With each remittance to the Commission, please transmit a completed remittance report along with a copy of the trust account statement for the reporting period. Remittance report forms are available from the Commission.

Should an overdraft condition ever exist with respect to this account, you are required to provide the Client Security Commission a copy of any notice issued the law firm regarding the overdraft condition. The mailing address of this commission is:

Client Security Commission
Judicial Branch Building
1111 E. Court Avenue
Des Moines, Iowa 50319

PRESENT ACCOUNT NAME

PRESENT ACCOUNT NO.

ALL ACCOUNT SIGNATORIES

DATE

LAWYER TRUST ACCOUNT COMMISSION
INTEREST REMITTANCE REPORT FOR
POOLED INTEREST-BEARING TRUST ACCOUNTS

TO BE COMPLETED BY FINANCIAL INSTITUTION
AND SUBMITTED WITH EACH REMITTANCE

FINANCIAL INSTITUTION:

Name: _____

Office or Branch: _____

Address: _____

Telephone: _____

Contact Person: _____

(Name and Title)

Alternate Contact Person: _____

(Name and Title)

Report Period: _____ through _____
(MM/DD/YY) (MM/DD/YY)

ATTORNEY/LAW FIRM POOLED INTEREST-BEARING TRUST ACCOUNT:

Name: _____

Address: _____

Account Number: _____

Rate of Interest Applied: _____%

Interest Earned for Period \$ _____

Less: Service Charges and Fees (if any) (_____)

Net Amount Remitted \$ _____

NOTES:

Attach this report to a copy of the depositor statement.

If remitting a lump sum payment for multiple attorneys/firms, please submit a separate Interest Remittance Report for each pooled interest-bearing trust account.

Even if no interest was earned in a quarter, this report is to be submitted for such account.

Interest should be remitted by check payable to the Lawyer Trust Account Commission,
and mailed to:

LAWYER TRUST ACCOUNT COMMISSION

Iowa Judicial Branch Building

1111 E. Court Avenue

Des Moines, Iowa 50319

Voice (515) 348-4670

Fax (515) 348-4698

TRUST ACCOUNT RECONCILIATION

_____, 20____

BEGINNING BALANCE	\$ _____
TOTAL RECEIPTS THIS MONTH	\$ _____
SUBTOTAL	\$ _____
LESS CHECKS WRITTEN THIS MONTH	\$ (_____)

GENERAL LEDGER BALANCE	\$ _____ *
-------------------------------	-------------------

ITEMIZATION OF SUBACCOUNT BALANCES

Client Name	Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
TOTAL OF SUBACCOUNT BALANCES	\$ _____ *

BANK STATEMENT CONFIRMATION

BANK BALANCE PER STATEMENT	\$ _____
PLUS OUTSTANDING DEPOSITS	\$ _____
LESS OUTSTANDING CHECKS	\$ (_____)
BALANCE	\$ _____
LESS INTEREST	\$ (_____)
RECONCILED BANK STATEMENT BALANCE	\$ _____ *

** Asterisked Fields Should Be Equal **

TRIPLE RECONCILIATION FOR BANK STATEMENT ENDING : _____

1. BANK STATEMENT RECONCILIATION					Amounts
Ending Bank Balance Per Statement:					\$ _____
<i>Plus</i> Outstanding Deposits:	Payor	Date	Amount		
			\$ _____		
			\$ _____		
			\$ _____		
			\$ _____		
Total:				\$ _____	
Subtotal:					\$ _____
<i>Less</i> Outstanding Checks:	Payee	Date	Check #	Amount	
				\$ _____	
				\$ _____	
				\$ _____	
				\$ _____	
Total:				(\$ _____)	
Reconciled Balance:					\$ _____

2. RECEIPT AND DISBURSEMENT JOURNAL RECONCILIATION		Amounts
(* Information in this section comes from the general ledger, a/k/a the check register, not from the bank statement)		
Journal Balance as of: _____ (Prior Month's Bank Statement End Date)		\$ _____
<i>Plus</i> Total Receipts This Month:		\$ _____
Subtotal:		\$ _____
<i>Less</i> Total Disbursements This Month:		(\$ _____)
Reconciled Balance:		\$ _____

3. CLIENT SUB-ACCOUNT BALANCE RECONCILIATION				Amounts
Itemization:	Name of Trust Sub-Account	Date of Last Transaction	Sub-Acct Balance	
			\$ _____	
			\$ _____	
			\$ _____	
			\$ _____	
			\$ _____	
			\$ _____	
			\$ _____	
			\$ _____	
			\$ _____	
Total of Client Sub-Acct Balances:			\$ _____	
<i>Plus</i> IOLTA Interest Still in the Trust Account:			\$ _____	
Reconciled Balance:			\$ _____	

[All Reconciled Balances Should Be Equal]

Prepared By (initial): _____ Reviewed By (initial): _____
 Date Prepared: _____ Date Reviewed: _____



The State Bar of California

Ethics & Client Trust Account Schools

To help attorneys avoid common ethical and client trust accounting mistakes, the State Bar offers Ethics School and Client Trust Account School. These programs are available to all California attorneys and interested individuals.

Ethics School

Ethics School addresses common ethical issues faced by attorneys and offers practical solutions. Topics covered include:

- the attorney-client relationship,
- fees and fee agreements,
- the scope of employment,
- performing competently, and
- duties to clients during and upon ending the attorney-client relationship.

Current format

Attorneys required to complete Ethics School as part of a disciplinary disposition must attend an all-day online program via Zoom from 9:00 a.m. to 4:00 p.m. with a lunch break. MCLE credit is not available for participants who are required to attend due to discipline.

Six hours of participatory ethics MCLE credit is available only to:

- Attorneys whose matter was resolved through an Agreement in Lieu of Discipline;
- Attorneys who voluntarily attend the course in connection with a complaint; or
- Attorneys who have not been disciplined by the State Bar but seek information to aid their law practice.

The fee for the current course is **\$150**.

Future format (August 2025)

Beginning in August 2025, Ethics School will be offered as a 2.5 hour online course available on demand through the **State Bar's eLearning portal**.

Attorneys who are required to take Ethics school due to discipline must complete the course and achieve a passing score of 80%. The mandatory version is not eligible for MCLE credit.

Two and a half (2.5) hours of participatory ethics MCLE credit is available only to:

- Attorneys whose matter was resolved through an Agreement in Lieu of Discipline;
- Attorneys who voluntarily attend the course in connection with a complaint; or
- Attorneys who have not been disciplined by the State Bar but seek information to aid their law practice.



The fee for the course is **\$154. Sign up** to be notified of when the course is available on the State Bar's e-learning Portal. Questions? Please contact **State Bar E-Learning Support**.

Client Trust Account School

Client Trust Account School is **required** of attorneys who are disciplined for client trust account violations. A separate three-hour course focuses specifically on managing client trust accounts and related duties.

Current format

Client Trust Account School is conducted online via Zoom or a similar platform. The fee for the course is **\$100**.

Future format

Client Trust Account School will transition into an online course later this year and be offered through the State Bar's eLearning portal.

Register for the live course

Client Trust Accounting School is conducted online via Zoom or a similar platform.

Registered participants will receive the following materials via email before the class date:

- PowerPoint presentation
- Handbook
- Exam
- Zoom link

Additional details will be provided upon registration. We recommend registering as soon as possible, as **registration closes five days before the class begins**.

On the online application, please click the appropriate button to indicate your reason for attending the class: as a result of a decision of the court after a hearing, as a result of a Stipulation, pursuant to an Agreement in Lieu of Discipline, or voluntarily by letter agreement with a Trial Counsel or the Committee of Bar Examiners for State Bar applicants.

Register Now

If you have a question about probation, please direct your inquiries in writing to the Office of Probation:

The State Bar of California
845 South Figueroa Street
Los Angeles, CA 90017-2515



The State Bar of California

Frequently Asked Questions: Ethics School

What do the Ethics and Client Trust Account classes offer?

Ethics School identifies issues and solutions to common ethical situations faced by practitioners. Instructors are experienced prosecutors who interact with attorneys in the class, discussing such topics as the attorney-client relationship, fee and fee agreements, the scope of employment, competent performance, and duties to clients during and upon ending the attorney-client relationship.

Client Trust Account School is required of attorneys who are disciplined for client trust account violations. It is also available voluntarily. The course focuses specifically on managing client trust accounts and related duties.

How do I register for a class?

Please see this webpage to view the schedule. To register, please create an account at this webpage. The prompts are easy to follow and will guide you through the registration process.

What if I forgot my password?

You can reset your password by clicking the "Forgot Password" link on this webpage. Once clicked, you can choose to either use your username or email to proceed. After the password is reset, you'll receive a confirmation email.

How long are the classes?

The Ethics School class begins at 9:00 a.m. and ends at 4:00 p.m. (six hours for class, with a one-hour break). The Client Trust Accounting class begins at 9:00 a.m. and ends at 12:00 p.m. (three hours for class).

Will I receive Minimum Continuing Legal Education (MCLE) credit for attending a class?

If your attendance is voluntary and not required as a condition of discipline, you'll receive six hours of Legal Ethics MCLE credit for Ethics School and three hours of Legal Ethics MCLE credit for the Client Trust Accounting class.

When can I register for the class?

We recommend that you register as soon as possible. Class registration closes five days before the date the class begins.

When will I receive the exam and materials for the class?

You'll receive two emails: one will contain the materials for the class, and the other will contain Internet software connection information (e.g., Zoom link). You will receive both emails a few days before the class date.

What does the exam consist of?

The exams consist of true/false questions, and both exams are open book. The Ethics School exam has 20 questions, and the Client Trust Account School exam has 10 questions. **You must submit the exams no later than 24 hours after the class concludes.**

When can I expect to receive my certificate of completion and/or MCLE certificate?

You'll receive your certificate of completion and/or MCLE certificate by email after payment is received and confirmed and your attendance and grade are logged into the system. This could take up to two to three weeks after the class ends.

What if I don't pass the exam?

If you don't pass the exam, you'll need to retake the class by reregistering and taking the exam again. If you don't need a certificate of completion or MCLE credit, the exam is optional.

Can I reschedule the class if I can't attend?

Yes, you can reschedule your class date, but you'll be required to pay again to reschedule the class. You must reschedule before the class date and not after the class is over.

Would I be able to get a refund if I decide to cancel my class?

Yes, you can obtain a refund by using the refund link noted in the registration process, filling out the form, and submitting it. You can reenter the website using your created name and password to make any changes. Refunds will not be issued after 60 days or if the class has already occurred.

What if I can't attend the entire time for the class?

If you can't attend the entire class, you'll need to reschedule. To receive a certificate of

completion and/or MCLE credit, you must attend the entire class.

How long does it take to receive a refund?

Processing refunds can take up to 90 days.

Are there any other MCLE courses that I can take through the State Bar to get MCLE credit?

Yes. The State Bar offers other MCLE courses. For course examples, see the CLE Calendar and Online CLE webpages.
