

HOW TO CONDUCT A THREE-POINT RECONCILIATION

When a bank account is **reconciled** it indicates that your financial records match the totals found on the bank statement and that your financial records accurately reflect the amount of money held on behalf of your clients in the clients' funds account. By "your financial records", we mean your **individual client ledger summary sheet** (showing how much money belonging to each individual client is being held with a total) and your **receipts and disbursement journal totals** (showing how much money belonging to all clients is being held), your **receipts and disbursement ledger** and your **individual client ledgers**. These records are required to be maintained pursuant to Practice Book §2-27(b).

To perform three point reconciliations you need these items: your bank statement, your individual client ledgers, your individual client ledger summary sheet and your receipts and disbursement journal.

1. The first part of the three point reconciliation involves taking the bank statement ending balance for the given month, then
2. subtract any outstanding checks that were written but not cashed, then
3. add in any deposits-in-transit to reach a **final figure** which represents the exact amount of money you are holding in the clients' funds account on the bank statement's ending date.
4. That **final figure** is then traced to the total you have on your receipts and disbursement journal for same date as the bank statement's ending date. The receipts and disbursement journal lists each and every deposit made and each check disbursed in date order with a **running balance**.
5. Your balance on the receipts and disbursement journal for same date as the bank statement's ending date should match the **final figure**.
6. Lastly, the **final figure** should be compared to the individual client ledger summary sheet total for same date as the bank statement's ending date. The client ledger total is the total of all balances held for each individual client on all open balances on the same date as the bank statement's ending date.
7. Your balance on the client ledger summary sheet for same date as the bank statement's ending date should match the **final figure**.
8. If your figures do not reconcile to the bank, you should compare each line item on the receipts and disbursement journal to each line item on the individual client ledgers and then to the bank

statements to make sure that nothing was entered in error, or omitted from, any of your own created records.

9. If this process is performed on a quarterly basis, any errors or omissions made will be captured and cured in a timely manner. Further, you will not have any outstanding checks unaccounted for, any deposits or wires not completed or made to the wrong
10. account or earned fees not taken.