The Law Society of Manitoba
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Monthly Specific Trust Investment Account Reconciliation Review Checklist

As a Trust Account Supervisor, you are responsible for the specific investments in interest bearing accounts for specific clients, or specific trust investment accounts. Even if you have delegated preparation of the monthly reconciliation to support staff or an external accountant, you still have **ultimate responsibility** for the operation and management of the trust account. At a minimum, you must ensure the reconciliation has been prepared on time, as well as review the reconciliation and related documents to ensure all Law Society Rules and requirements have been met.

The Law Society has developed the below checklist to assist you in complying with your professional obligations for monthly trust account management.[1] At a minimum, you should perform or confirm the following:

Month _____

Account # _____

1. Has the reconciliation been completed prior to the last day of the subsequent month? (e.g. the May reconciliation must be completed before June 30) Yes ☐ No ☐

2. Confirm all necessary components have been prepared.

   The reconciliation process should result in the production of a three-way reconciliation, often using a **cover sheet** to demonstrate a comparison of three balances, found on three separate reports ("supporting reports") as follows:

   - **Book of original entry** [2] – A chronological detailed list, maintained on a current basis, of all transactions in and out of specific investments.
   - **Confirmations –** The statements or confirmations received from the savings institution.
   - **Client trust listing** – A list of the balances at the end of the period for all client trust ledgers.

   a) Has a three-way reconciliation ("cover sheet") been produced? Yes ☐ No ☐

   b) Are all three supporting reports with the cover sheet? Yes ☐ No ☐

   c) Are all reports in paper or printed form or saved in a "Universally Readable Format" if retained in electronic storage? Yes ☐ No ☐

3. Compare the ending balances on each supporting report with the cover sheet. Are they all the same? Yes ☐ No ☐

[1] There are different checklists available for pooled, restricted, and specific trust investment accounts.
[2] A book of original entry may go by other names in various accounting software programs.

4. Look at the bank reconciliation. Is each reconciling item:

    a) Documented with full details? [3] Yes ☐ No ☐
    b) Already resolved or being addressed? [4] Yes ☐ No ☐

5. Does the book of original entry include the form of receipt? [5] Yes ☐ No ☐

    a) Did all receipts originate from the pooled trust account? Yes ☐ No ☐

    b) Did all maturities get deposited to the pooled trust account? Yes ☐ No ☐

6. Look at the client trust listing report:

    a) Are there any overdrawn matters? Yes ☐ No ☐
    If so, have they all been corrected? Yes ☐ No ☐

    b) Are there any matters with no trust activity for an unreasonable length of time ("inactive matters"), not including interest payments? [6] Yes ☐ No ☐
    If so, have you initiated follow up? Yes ☐ No ☐

7. Look at the statements or confirmations:

    a) Are there any unauthorized withdrawals, bank fees, etc.? Yes ☐ No ☐

    b) Have they already been corrected or arrangements been made to have them corrected forthwith? Yes ☐ No ☐

    c) Does each issuing entity meet the definition of a savings institution in Rule 5-41? Yes ☐ No ☐

    d) Do the statements/confirmations indicate they are being held in the name of your firm, *in trust for* "client name"? Yes ☐ No ☐

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[3] Full documentation for each reconciling item will vary based on the nature of the item (e.g. bank errors should fully describe each error and include the related date; outstanding deposits should list date, file or matter number and amount).

[4] Each reconciling item should be reviewed to ensure those that require action are addressed in a timely fashion to investigate and/or correct the difference(s). See the Trust Accounting Fundamentals education materials regarding "Reconciling Items" in the "Monthly Trust Reconciliations" section for further details.

[5] "Form" of receipt is form in which the money deposited to the account has been received (e.g. cheque).

[6] What is unreasonable will vary based on the nature of your practice (real estate, estates, litigation, etc.), and should be assessed accordingly. In addition, for specific investments, periodic interest payments deposited in the accounts and recorded in the accounting records can make it difficult to assess the last activity in the account that wasn't interest related. Consider review of your specific investment ledger(s) for a more accurate review of inactive matters.

8. Have you obtained satisfactory explanations for any unusual items or variances from your savings institution or support staff? Yes ☐ No ☐

You should generally be alert to the 'unusual', based on your firm practices, as well as the experience you will have in applying these procedures over time. Contact the audit department to discuss any concerns you may have in conducting your review, or questions regarding these procedures.

If everything looks fine after the above review, sign and date the cover sheet.

You may also wish to append the completed copy of this or a similar short form checklist (See Appendix 1) to the coversheet to document your review.

Appendix 1:
Short Form Monthly Specific Trust Investment Account Reconciliation Checklist

1. Has the reconciliation been completed on time? Yes ☐ No ☐
2. Has a three-way reconciliation ("cover sheet") been produced? Yes ☐ No ☐
3. Are all three supporting reports with the cover sheet? Yes ☐ No ☐
4. Are all reports in paper or printed form or in "Universally Readable Format" if electronic storage is being used? Yes ☐ No ☐
5. Are the ending balances on each supporting report the same as the cover sheet? Yes ☐ No ☐
6. Is each reconciling item documented with full details? Yes ☐ No ☐
7. Is each reconciling item already resolved or being addressed? Yes ☐ No ☐
8. Does the book of original entry include the form of receipt? Yes ☐ No ☐
9. Do all receipts originate from the pooled trust account? Yes ☐ No ☐
10. Do all maturities get deposited into the pooled trust account? Yes ☐ No ☐
11. Are there any overdrawn matters on the client trust listing? Yes ☐ No ☐

    If so, have they all been corrected? Yes ☐ No ☐
12. Are there any inactive matters, not including interest payments, on the client trust listing? Yes ☐ No ☐

    If so, have you initiated follow up? Yes ☐ No ☐
13. Are there any unauthorized withdrawals, bank fees, etc. on the statements/confirmations? Yes ☐ No ☐

    If so, have they all been corrected? Yes ☐ No ☐
14. Does each issuing entity meet the definition of a savings institution in Rule 5-41? Yes ☐ No ☐
15. Do all confirmations indicate that they are being held in the name of your firm, *in trust for* "client name"? Yes ☐ No ☐
16. Have you obtained satisfactory explanations for any unusual items or variances from your savings institution or support staff? Yes ☐ No ☐

_____ _____

Signature Date