



Month _____
Account # _____

Monthly Specific Trust Investment Account ¹ 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. At a minimum, you should perform or confirm the following:

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.
- **Bank confirmations** – The bank statements or confirmations received from the bank.
- **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.

- a) Is each reconciling item documented with full details? ³ Yes No
- b) Are there any bank errors? Yes No
If so:
(i) Are they reasonable? ⁴ Yes No
(ii) Have they been corrected? Yes No
- c) Are there any outstanding deposits? Yes No
If so:
(i) Are they reasonable? ⁵ Yes No
(ii) Have they been deposited? ⁶ Yes No

5. Does the book of original entry include the form of receipt? ⁷ Yes No

- a) Did all receipts originate in 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? ⁸ Yes No
If so, have you initiated follow up? Yes No

³ Full documentation for each reconciling item will vary based on the nature of the item (eg. outstanding cheques should list each cheque number, payee, file or matter number, dollar amount, and date of issue; bank errors should fully describe each error and include the related date; outstanding deposits should list date, file or matter number and amount).

⁴ Assessing reasonability of a bank error will depend upon the circumstances. Depending upon the nature or frequency of the error, you may need to follow up with your staff or your savings institution, or both.

⁵ Outstanding deposits at the end of the period should, at most, be for receipts from the last business day or two of the month.

⁶ Outstanding deposits at the end of the period should be deposited no later than the first business day of the subsequent month.

⁷ "Form" of receipt is cash, cheque, etc.

⁸ What is unreasonable will vary based on the nature of your practice (real estate, criminal law, 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 access 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.

7. Look at the bank 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) Ensure the issuing entity is a Member of CDIC.⁹ Yes No
- d) Do the bank confirmations indicate they are being held ITF "client name"? Yes No

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.

⁹ Canada Deposit Insurance Corporation ("CDIC").

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. Are there any bank errors on the bank reconciliation?
If so: (i) Are they reasonable? Yes No
(ii) Have they been corrected? Yes No
8. Are there any outstanding deposits on the bank reconciliation?
If so: (i) Are they reasonable? Yes No
(ii) Have they been deposited? Yes No
9. Does the book of original entry include the form of receipt? Yes No
10. Do all receipts originate from the pooled trust account? Yes No
11. Do all maturities get deposited into the pooled trust account? Yes No
12. Are there any overdrawn matters on the client trust listing?
If so, have they all been corrected? Yes No
13. Are there any inactive matters, not including interest payments, on the client trust listing?
If so, have you initiated follow up? Yes No
14. Are there any unauthorized withdrawals, bank fees, etc. on the bank confirmations?
If so, have they all been corrected? Yes No
15. Are all confirmations issued by a member of CDIC? Yes No
16. Do all confirmations indicate that they are being held by the firm ITF "client name"? Yes No
17. Have you obtained satisfactory explanations for any unusual items or variances from your savings institution or support staff? Yes No

(signature)

(date)