

Practice Resource

Monthly Pooled Trust Account Reconciliation Review Checklist

As a Designated Representative, you have an obligation to ensure that the documents required to maintain a pooled trust account are completed as outlined in the [Law Society of Saskatchewan Rules](#). Even if you have delegated the preparation of the monthly pooled trust account 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 *Rules* and requirements have been met.

The Law Society has developed a short form checklist in **Appendix 1** 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 prepared and completed within 30 days after the end of the period to which it pertains (e.g., the May reconciliation must be completed before June 30)?
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:

- *Trust journal/Book of original entry*: a chronological detailed list, maintained on a current basis, of all transactions in and out of the pooled trust account for the month.
 - *Bank reconciliation*: a report that starts with the ending balance from the monthly bank statement, less any outstanding cheques and plus any outstanding deposits, with any other differences such as bank errors noted, to produce the reconciled bank balance.
 - *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? See **Appendix 2** for an example of a cover sheet.
 - b) Are all three supporting reports noted above, along with the bank statement and the trust property record, included with the cover sheet?
 - c) Are all reports, including the cheque images that accompany the bank statement, in paper or printed form, or saved in a "Universally Readable Format" if retained in electronic form?
3. Compare the ending balances on each supporting report with the cover sheet. Are they all the same?
 4. Has the ending balance on the bank statement been recorded correctly on the bank reconciliation? They should be the same number.
 5. Look at the bank reconciliation.

- a) Is each reconciling item documented with full details (i.e., 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 dates; and outstanding deposits should list the date, file or matter number and amount)?
 - b) Are there any bank errors? If yes, have they been corrected?
 - c) Are there any outstanding deposits? If yes, have they now been deposited? Outstanding deposits at the end of the period should be deposited no later than the first business day of the subsequent month. Outstanding deposits not due to deposit timing differences often indicate the presence of a trust shortage and require your immediate attention.
 - d) Are there any stale-dated cheques to be addressed?
It would be appropriate (and expected) to follow up on outstanding cheques well before six months have passed since the cheque was issued. Once stale-dated, the client should be contacted, the cheque should be returned to the firm, deposited by the client, or a stop payment should be issued by the bank and the cheque re-issued. If you are unable to contact the client and two years have passed, the money can be sent to the Law Society as Unclaimed Trust Funds under [Rule 1702](#).
6. Does the trust journal/book of original entry include the form of receipt?
“Form” is interpreted as cash, cheque, wire transfer, e-mail money transfer, etc.
7. If cash was received during the month, have the appropriate receipts been issued? See [Rule 1503](#).
8. Look at the client trust listing report.
- a) Are there any overdrawn matters?
If yes, have they all been corrected and reported to the Law Society if greater than \$1,000? See [Rule 1526](#).
 - b) Are there any matters with no trust activity for over two years (“inactive matters”)?
If yes, have you initiated a follow-up?
 - c) Are there any small balances that can be returned to the client or invoiced?
 - d) Are there trust funds held in the firm name to meet reasonably anticipated service fees?
If yes, ensure that these do not exceed \$300. See [Rule 1505\(4\)](#).
 - e) Are there any funds in trust which should be in the general account? For instance, where an invoice was rendered but the fee payment has not been withdrawn.
 - f) Are there any matters present with trust balances that are unusual or not expected to have trust balances?
9. Look at the bank statement
- a) Are there any unauthorized withdrawals, bank fees, etc?

If yes, have they been corrected, or have arrangements been made with the bank to correct them?

- b) Are there any direct deposits that have not been attributed to a client?
If yes, have you contacted the bank to obtain information about the depositor?
- c) Review the cheques attached to the bank statement. Are all cheques reasonable? Are the images legible, and are no more than four cheques (front and back) on each page?
- d) Review any withdrawals from the bank account by means other than cheques (i.e., wire transfers, transfers to the general account, etc.). Are all withdrawals properly supported with confirmations of the details of the transaction?

10. Has a listing for trust property (i.e., valuables) held by the lawyer been prepared and reviewed? This is separate from the trust bank account reconciliation but is required on a monthly basis.

You should generally be alert to anything unusual based on your firm practices, as well as the experience you will have in applying these procedures over time. Contact the Trust Safety department (auditor@lawsociety.sk.ca or 306-569-8242) to discuss any concerns you may have in conducting your review or with 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 (**Appendix 1**) to the cover sheet to document your review.

Appendix 1 - Monthly Pooled Trust Account Reconciliation Checklist

Month: _____

Account #: _____

Prepared by: _____

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 have the cover sheet? Yes No
4. Are all reports, including cheque images, in paper or printed form or in "Universally Readable Format" if electronic storage is being used? Yes No
5. Are the ending balance on each supporting report the same as the cover sheet? Yes No
6. Has the ending balance on the bank statement been recorded correctly on the bank reconciliation? Yes No
7. Is each reconciling item documented with full details? Yes No
8. Are there any bank errors on the bank reconciliation?
If so, Have they been corrected? Yes No
9. Are there any outstanding deposits on the bank reconciliation?
If so, Have they now been confirmed as deposited? Yes No
10. Are there any stale-dated cheques to be addressed? Yes No
11. Does the trust journal/book of original entry include the form of receipt? Yes No
12. Have the appropriate receipts been issued for cash received? Yes No
13. Are there any overdrawn matters on the client trust listing?
If so, have they all been corrected? Yes No
14. Are there any inactive matters on the client trust listing?
If so, have you initiated a follow-up? Yes No
15. Are there any small balances to return or invoice on the client trust listing? Yes No
16. Are there firm fees held in trust for bank fees exceeding \$300? Yes No
17. Are there any unauthorized withdrawals, bank fees, etc., on the bank statement? Yes No
18. Have all deposits been attributed to a client? Yes No
19. Are all the cheques attached to the bank statement reasonable? Yes No
20. Are all withdrawals, by other means than cheque, properly supported with confirmations of the details of each transaction? Yes No
21. Have you obtained satisfactory explanations for any unusual items or variances from your savings institution or support staff? Yes No
22. If trust property (i.e. valuables) is held, have you reviewed the listing? Yes No

(Member signature)

(Date)

Appendix 2 - Sample Reconciliation Cover Sheet

Example Law Firm
Trust Account (1234)
Period Ending: September 30, 2019

Reconciliation Report
Reconciled on: October 15, 2019
Reconciled by: Allison Williamson

Signed: _____ Date: _____

BANK STATEMENT

Trust Account Bank Statement – Ending balance	\$30,800.00
Add: outstanding Deposits	\$0.00
Less: Outstanding Cheques	\$1,200.00
Balance – Bank	\$29,600.00

TRUST RECEIPTS AND DISBURSEMENT JOURNAL

Balance at end of prev. month (per reconciliation)	\$20,000.00
Add: deposits made during the month	\$160,000.00
Less: Cheques cleared in the month	\$150,400.00
Balance – Trust Journal	\$29,600.00

CLIENT TRUST LISTING

Total of client trust ledger cards	\$29,600.00
Balance – Client Trust Listing	\$29,600.00