



# RESPONSIBLE LAWYER RESOURCE

## HOW TO REVIEW A TRUST BANK RECONCILIATION

The Trust bank balance (trust assets), Client Trust Listing (trust liabilities) and Trust Journal, (receipts and disbursements journal - Control Account) **must all be the same**. If there is a discrepancy, it must be identified and fully explained on the reconciliation. When all numbers are in agreement, sign and date the reconciliation. The trust reconciliation must be prepared within one month of the last day of each month, as required by **Rule 119.36 (4)(d)**.

### Trust Assets (Trust Bank Account)

- ✓ Are there any outstanding deposits noted? If so, is it a timing difference (i.e., where the funds are deposited on the last day of the month but posted by the bank on the following day). Outstanding deposits not due to timing differences merit your immediate attention.
- ✓ Are there any stale-dated cheques listed under the outstanding cheque list? If so, consider re-issuing the cheque(s) to your client(s) or review if the funds qualify for submission to the Law Society under the provisions of Rule 119.27.
- ✓ Are there any bank service charges, bank errors or posting errors? If so, ensure that they have been corrected.
- ✓ Ensure that all Separate Interest Bearing Trust accounts are also reconciled.

### Trust Liabilities (Client Trust Listing)

- ✓ Are there any client files that have been inactive for more than 2 years? If so, consider returning the funds to the client or remitting the funds to the Law Society under the provisions of Rule 119.27.
- ✓ Are there any files with large long-standing balances in trust? If so, consider whether it would be appropriate to open a Separate Interest Bearing Trust account. Please obtain written client authorization prior to opening a Separate Interest Bearing Trust account.
- ✓ Are there any unidentified funds? Is a "suspense account" utilized? If so, the deposit should be immediately tracked in order to identify the ownership of the funds.
- ✓ Is the law firm's float within the allowable limit of \$500? If not, please issue a trust cheque payable to the general account for the excess amount over \$500, as required by Rule 119.19 (4)(d).
- ✓ Are there any overdrawn trust accounts (i.e., any overdrawn client ledger card balances)? If so, the trust shortage must be resolved immediately. If the trust shortage was not corrected within 7 days of the time the shortage arose or is greater than \$2,500, regardless of when corrected, please notify the Executive Director, in the prescribed filing method as required under Rule 119.24 (3). \*Please note that a trust shortage and a physical bank overdraft are two separate things.\* Just because you don't have a physical overdraft, doesn't mean you don't have a trust shortage.
- ✓ Are there any funds in trust which should be in the general account? (i.e., an invoice recently rendered yet the fees have not been withdrawn from trust). Money must be withdrawn no later than 1 month after the law firm is entitled to the funds as required under Rule 119.21 (5)

### Control Account (Trust Journal)

- ✓ Ensure the ending balance of the Trust Journal agrees with the Trust Asset & Trust Liability balances.