

# Practice Resource

## Sample Checklist of Internal Controls

<b>Segregation of duties</b>	<b>Yes/No</b>
Is the individual who is responsible for opening the mail different than the individual who issues receipts for all cash and cheques?	
Are all cheques received stamped for “deposit only”?	
If a staff member deposits cash and cheques, does another individual enter the receipts into the accounting records?	
Are all receipts issued in numerical sequence?	
Is there a check of the numerical sequence of receipts to ensure that all receipts are recorded in the accounting records and deposited to the proper bank account?	
Does the lawyer in charge of trust review the original bank statements and cancelled cheques before forwarding the documents to the individual responsible for completing the monthly trust and general bank reconciliations?	
<b>Staffing policies and procedures</b>	<b>Yes/No</b>
Do you conduct thorough reference checks before hiring lawyers and support staff?	
Does the practice maintain a written description of the accounting system and procedures?	
Do you provide your staff with written instructions on your accounting procedures and retention policies?	
Does your practice maintain an up-to-date copy of the Law Society Rules?	
Are the amendments to the Law Society Member’s Manual filed and up-to-date?	
Do you ensure that all staff have access to the Law Society Rules?	
Do you ensure that you and your staff conduct yourself in a professional manner and identify and address conflict of interest situations?	
Do you ensure that all staff are aware and respect the requirements of client confidentiality?	
Does the practice have a policy respecting all staff to take a vacation?	
Does the lawyer in charge of trust periodically review client files to make sure that the clients receive an accounting of trust receipts and disbursements?	
Are there periodic reviews of a lawyer’s work to ensure that clients are receiving an accounting of trust receipts and disbursements?	
Does your firm conduct periodic review of all staff to identify individuals who are too busy to take a vacation or request urgent need for a salary advance?	

<b>Are your trust cheques:</b>	<b>Yes/No</b>
Sequentially numbered and accounted for?	
Secured in a locked and fireproof vault or safe?	
Clearly identified as Trust Cheques?	
Printed in a different colour than your general (operating) account cheques?	
Are blank trust cheques kept in a secure manner?	
Are all cheque requisitions accompanied by a signed cheque requisition evidencing approval?	
If you are a sole practitioner, have you made arrangements with another member of the Law Society to sign cheques on your trust account if you are unable to do so?	
When applicable, do you prepare a proper audit trail for electronic transfers? (See LSBC website to download form).	
Does supporting documentation accompany a cheque requisition?	
Are blank trust cheques kept in a secure place?	
<b>Cash transactions</b>	<b>Yes/No</b>
Do you issue duplicate receipts of which you retain a copy for all receipts of cash and cash refunds?	
Does the individual providing the cash sign the receipt as well as the individual at the firm who receives the cash?	
<b>Signatories</b>	<b>Yes/No</b>
Do cheques in excess of a threshold amount require the approval and signature of partners, if applicable?	
Is there a policy in place that prohibits cheques to be signed in blank?	
For trust cheques, is the individual signing the cheque reviewing the validity of the request, the reasonableness of the amount requested and determining if there are sufficient funds available to pay the amount of the cheque requisition?	
Do you review the supporting documentation prior to signing the cheques to ensure that the service was provided and billed, or the disbursement is proper?	
Do cheques payable to a financial institution include sufficient details of the transaction?	
Are all trust cheques signed by at least one practicing lawyer who is authorized to sign?	
<b>Are your trust account deposit books:</b>	<b>Yes/No</b>
Clearly identified as being for your trust account?	
Stored in a different location than your general (operating) account deposit books?	
If you make automatic bank machine (ABM) deposits, do you always print out an ABM deposit receipt and attach it to your trust deposit book and record all the details of the deposit?	

<b>Trust reports:</b>	<b>Yes/No</b>
Are your books and records up-to-date?	
Do you review your client trust ledgers on a regular basis to identify unusual activities?	
Are the trust bank reconciliations and reconciling items reviewed and signed on a regular basis by someone other than the individual who prepared the reconciliation?	
Does the review of the trust reconciliation ensure that reconciliations are prepared on time; that reconciling items are cleared promptly; that unusual items are questioned and adequately explained?	
Do you ensure that the trust comparison which compares your trust reconciliation of all trust bank accounts and the client trust listing is completed within 30 days of the month end?	
Do you review, date and sign the monthly trust reconciliations?	
Have you instructed your bank in writing to pay net interest to the Law Foundation?	
Are the listings of client trust ledger balances reviewed periodically for closed and completed matters including trust balances that have not changed for twelve months?	
Do you initial and date the trust reconciliation(s)?	
As the reviewer, do you ensure that the reconciliations are prepared on time?	
Are all reconciling items on the trust reconciliations cleared promptly?	
Are all unusual reconciling items on the trust reconciliations questioned and followed up?	
Does the lawyer in charge of trust periodically review the trust client ledger balances for unusual items?	
Are trust transfer requisitions signed by the responsible lawyer?	
Has the accounting department or person responsible for trust records been informed to process trust transfers only if the criteria for authorized signatures and explanations have been met?	
<b>Billing:</b>	<b>Yes/No</b>
Do you discuss the fees and anticipated disbursements with your client at the start of the matter?	
Do you confirm all fee arrangements in writing?	
Do you ensure that all billings for legal fees are mailed or delivered before transferring the fee amount from your trust bank account to your general account?	
Are all computerized or manual billings entered in your books and records as to date, client and amount?	
Do you review your accounts receivable periodically to identify any credit balances, which may indicate that billings to clients have not been prepared and entered in your books and records?	
Are major billing adjustments reviewed by a partner or another lawyer other than the lawyer responsible for the client file and its billing?	

<b>Computerized systems:</b>	<b>Yes/No</b>
Is your software licensed?	
Is your computer protected with a surge protector?	
Is your data backed up and stored offsite on a regular basis?	
Is your computer system password protected?	
Do you change passwords periodically?	
Is access to the trust account controlled by password?	

Should you have any questions on this checklist or any of the Law Society Division 7 Rules pertaining to trust accounting, please contact the Trust Assurance Department at 604.697.5810 or [trustaccounting@lsbc.org](mailto:trustaccounting@lsbc.org).