Trust accounting

Keeping track of trust funds is an essential requirement. In order to effectively track trust funds, the firm uses a lugubrious record-keeping system to eliminate points of failure.

The general requirements imposed by the Law Society of Ontario are as follows:

1. Trust Account Usage: Trust accounts may only hold funds directly related to legal services. You must deposit all client funds (for future legal services, disbursements, or on behalf of clients) into a trust account within the next banking day. Funds for completed services must go into a general account.
2. Required Records: Client Trust Ledger (separate for each client); Trust Transfer Journal; Monthly Trust Reconciliations and Trust Comparisons; Fees Book and/or Chronological Billings File; Detailed deposit slips and duplicate cash receipts; and Form 9A and printed bank confirmations for electronic transfers
3. Record Retention: Maintain all trust records for six full years plus the current year, with all records being accurate, legible, and up-to-date.
4. Disbursement Rules: Trust funds may only be disbursed for specific purposes (client payments, expense reimbursements, fees after billing) and must be initiated in writing with proper documentation.
5. Additional Requirements:

- Must notify LSO in writing when opening/closing trust accounts
- Must implement client identification and verification procedures (By-Law 7.1)
- Must use appropriate cybersecurity measures to protect trust accounts
- Must separate credit/debit card payments (retainers to trust, billed fees to general account)

The workflows for trust accounting that comply with the above rules are detailed on this page.

General rules

1. This firm does not hold client funds in trust unless those funds are being used to settle litigation, secure costs for litigation, or make some other payment.
2. This firm does not accept cash as a valid form of payment. Ever.
3. Credit card payments to trust accounts are a last resort.
4. This firm does not accept checks to trust accounts. Certified funds must be provided.
5. All checks, certified checks, and deposit slips must be scanned and uploaded to Paperless. Checks that are being returned to clients because they are not accepted must be marked “NOT ACCEPTED”, scanned with this annotation, and returned to the client.
6. If a client insists on paying into trust with cash or a check, they are no longer a client of this firm.
7. Valid forms of payment to trust are: e-transfer; wire transfer; certified check; or (last resort) credit card.

Record keeping

Trust record keeping displaces all other work. If trust record keeping becomes difficult or is in any way interrupted by other work, that other work takes a lesser priority.

Trust record keeping must be completed immediately before or after a trust transaction is completed.

All trust accounting documents must be uploaded to Paperless. We do not keep paper records; records are maintained in Paperless.

If a document must be scanned, it must subsequently be uploaded to Paperless.

When a trust accounting document is uploaded to Paperless, it must assigned the following attributes:

- Document type: Trust accounting
- Tags: trust document
- Correspondents: A.P.Strom & Associates

These tags will enable quick recall of documents and full-text search of our trust accounting documents.

ID verifications must be uploaded to Paperless and assigned the following attributes:

- Document type: ID verification
- Tags: ID, FIRM-ADMIN
- Correspondents: Treefort

–> Any trust or ID document that relates to a client or a matter must be tagged with the client number or matter number, as the case may be.

Daily transactions

All transactions that add or remove funds from a trust account must be recorded, with all records being duplicated into and saved in Paperless.

Transaction entry

All trust transactions must be entered in Cosmolex and accompanied by the required documentation, even errors that must be reversed with further transactions.

Deposits

Three types of deposit to trust are available to clients. The first and most prevalent is an electronic funds transfer, either by e-transfer or wire. The second is a credit card payment to trust. The third is certified funds in the form of a bank draft or certified check.

All methods of payment require a deposit slip, which must be created in Cosmolex, downloaded from

Cosmolex, and saved into Paperless.

Deposits must be routed to the correct account. The deposit slip must be cross-checked with the account to ensure that funds are being properly deposited.

Once a deposit slip is entered in Cosmolex, it must be downloaded, initialled or signed by the person who created the slip, and uploaded to Paperless.

If a deposit is made by credit card payment or certified funds, the following must appear on or be appended to the deposit slip before it is uploaded to Paperless:

- a credit card transaction reference number generated by LawPay;
- a scanned image of the bank draft or certified check; or
- a scanned image of the bank deposit slip signed by the teller and initialled by the person responsible for making the deposit.

If a deposit is made by e-transfer, the e-transfer confirmation e-mail must be saved to PDF and uploaded to Paperless. The filename for this PDF must be: e-Transfer - [CLIENT NAME] - DAY-MONTH-YEAR.pdf.

If a wire transfer is received, the wire transfer confirmation from the sending party must be obtained and saved in Paperless.

Withdrawals

Any electronic withdrawal of funds from Cosmolex must be documented with a requisition to draw on trust funds, a copy of any relevant instrument used to draw on trust funds (i.e. an e-transfer, bank transfer, or wire transfer confirmation), and any other supporting documentation that defines the amount to be drawn or the authority under which it is drawn.

If funds are drawn from trust via check, the check must be scanned, with the scanned document saved to Paperless to prove that the funds were transferred.

Requisition to draw on trust funds

A requisition to draw on trust funds is obtained by using the following procedure:

1. confirm the value to be drawn with the lawyer responsible for the transaction;
2. create a Cosmolex entry for the draw with the correct value from the correct client matter;
3. confirm that the Cosmolex entry is accurate in all respects;
4. download a requisition to draw on trust funds for the transaction from Cosmolex;
5. verify that the requisition is correct in all respects;
6. convert the requisition to PDF;
7. sign the PDF as the person who prepared the transaction;
8. obtain the lawyer's signature on the requisition;
9. prepare the instrument required for the transaction (bank transfer, wire transfer, check, etc.);
10. scan any paper instruments to PDF;
11. complete the transaction;
12. note the electronic transfer or check details on the requisition and append PDF images or wire confirmation as necessary;

13. combine the signed requisition with the PDF images or wire confirmation or, if applicable, with a copy of the invoice being paid from trust; and
14. file the combined requisition in Paperless.

These steps ensure that all withdrawals of trust funds can be tracked and accounted for as necessary.

If a situation arises in which a document other than an e-transfer confirmation, bank transfer confirmation, or wire transfer confirmation is relevant to the transaction, err on the side of caution: append the document to the requisition and file in Paperless.

Monthly reconciliations

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