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| **#2 Trust Account Controls****Adopt and maintain appropriate written procedures and controls for Escrow Trust\* Accounts allowing for electronic verification of reconciliation.** |
| PurposeAppropriate and effective escrow controls and staff training help title and settlement companies meet client and legal requirements for the safeguarding of client funds. These procedures ensure accuracy and minimize the exposure to loss of client funds. Settlement companies may engage outside contractors to conduct segregation of trust accounting duties. |
| What You Should KnowNorth Carolina attorneys must comply with the State Bar Trust Account Handbook, on-line at [www.ncbar.gov--](http://www.ncbar.gov--)> Programs 🡪Trust Accounting, and Rule 1.15-3, Records and Accountings, of the Revised Rules of Professional ConductTrust Account Control Procedures* Establish separate accounts for trust funds and operating funds.
* Identify these accounts accordingly as trust accounts and ensure appropriate identification appears on all account-related documentation, including bank statements, disbursement checks and deposit tickets.
* Use positive pay, automated clearing house (ACH) blocks and international wire blocks where available.
* Provide your banking institution with names of authorized personnel who can initiate or approve banking transactions or sign checks.
* Set appropriate levels of authorization for employees; review and adjust annually.
* Remember to update all if individuals leave your employment.
* Segregate duties so reconciliations are not performed by an authorized signatory or approver of bank transactions. Use an outside reconciliation service if necessary.
* NOTE: State Bar exemption from random audits if firm uses CPA.
* Reconcile receipts and disbursements of the trust account daily.
* Prepare trial balances for all trust accounts and be sure to document all outstanding file balances.
* Perform a monthly three-way reconciliation and have the results reviewed by management.
* Perform background checks on new employees
* Run background checks every three years, especially on employees with access to customer funds.
* Conduct ongoing training for employees or independent contractors with respect to the proper management of escrow funds.
 |  | Issues to Consider and Discuss* How many trust accounts do you have or need? One for each office or one for each underwriter?
* Who has access to your trust account(s)? How many check signers do you have or do you need?
* Do you have proper safety measures in place for wiring funds out of your trust account?
* Do you have a procedure in place for termination of an employee with signatory or wiring authority?
* Do you have centralized disbursement for multiple offices?
* Have you performed background checks on your staff?
* Do you complete three-way trust account reconciliations monthly?
* Who prepares your trust account reconciliations? Consider value of staff time/experience to prepare reconciliations? Or is now the time to consider using an outside reconciliation service?
* Do you segregate duties to ensure the reliability of the reconciliation and reconciliations are conducted by someone other than those with signing authority.
* Who reviews and approves your trust account reconciliations? Are results of the reconciliation reviewed by management and are problems resolved as quickly as possible?
* Do you maintain electronic reconciliation statements for future reference?
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