

Escrow Trust Accounting



Fidelity National Financial

Escrow/Trust Accounting

Your Role:

- Managing large sums of money during closing transactions
- Safeguarding funds
 - assures proper balances in bank
 - assures proper procedures are followed

Escrow/Trust Accounting

- I. What is an Escrow Reconciliation
- II. Importance of a 3-Way Reconciliation
- III. Defining and Clearing Reconciling Items
- IV. Fraud and Theft Prevention
- V. Final Thoughts

I. What is an Escrow Reconciliation

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– Unless your 2-way reconciliations balances to zero, it is your fiduciary responsibility to determine where the remaining funds should be allocated.

The third component is the “Trial Balance”

I. What is an Escrow Reconciliation

2-way Reconciliation – Comparing bank balance with book (computer) balance.

3-way Reconciliation – Comparing bank balance with book (computer) balance with trial balance.

Trial Balance - to determine where the remaining funds should be allocated.

Reconciling Items – Items identified during reconciliation process that make up the difference between the bank and book balance as well as negative items.

II. Importance of 3-way Reconciliation

Great management tool

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Assists in the prevention of FRAUD and THEFT!!!

III. Defining and Clearing of Reconciling Items

Deposits in Transit

Outstanding Checks

Negative Balances on the Trial Balance

Bank Charges/Miscellaneous fees

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Outstanding Checks – Checks issued that have not cleared the bank: most become stale after 12 months.

III. Defining and Clearing of Reconciling Items

Deposits in Transit – Deposits on books that have not cleared the bank: should never be over 30 days old.

Outstanding Checks – Checks issued on books that have not cleared the bank: most become stale after 12 months.

Negative Balances on Trial Balance – Individual ledger balances with negative total balances.

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Bank Charges/Miscellaneous fees

BANK RECONCILIATION STATEMENT:

FOR THE PERIOD BEGINNING 3/1/18 AND ENDING : 3/30/18:

Bank Account: X3701

BOOK BALANCE COMPUTATION:

Beginning Book Balance (3/1/18)	\$56,565.93
Add:	
Current period deposits	108,252.84
Wire transfer deposits	318,709.52
Less:	
Current period checks	<u>478,720.67</u>
BOOK BALANCE AS OF 3/30/18	<u>4,807.62</u>

BANK STATEMENT RECONCILIATION:

Ending Bank Statement Balance (3/30/18)	\$261,468.91
Add:	
Deposits-In-Transit (outstanding deposits)	5,500.00
Less:	
Outstanding Checks	<u>262,161.29-</u>

ADJUSTED BANK BALANCE AS OF 3/30/18	<u>\$ 4,807.62</u>
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This reconciliation statement is only valid if the TRIAL BALANCE (EOM) or ledger report for the period ending 3/30/18 matches the BOOK BALANCE shown above.

Outstanding deposits as of 3/30/18:

Transaction date:	File#	Payor	Amount
7/25/08	08-201	Sam Bass	500.00
3/01/18	18-1922	Emma White	3,000.00
3/30/18	18-1975	Linda Mead	<u>2,000.00</u>

<u>Total Outstanding</u>			\$5,500.00
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ESCROW ACCOUNT MANAGEMENT:

Outstanding checks as of 3/30/18:

<i>Number</i>	<i>Date</i>	<i>File</i>	<i>Payee</i>	<i>Amount</i>
0482	01/10/15	15-0009	State Farm	\$ 600.00
1079	05/09/17	17-0145	Smithtown HOA	\$ 525.86
1984	09/09/17	17-1600	Mary Smith	\$ 500.00
2001	11/11/17	17-1803	IRS	\$ 2,000.00
2013	12/23/17	17-1914	BOA	\$ 55,323.43
2018	01/10/18	18-1922	CitiBank M/C	\$ 3,212.00
2025	03/26/18	18-1986	Coldwell Bankers	\$ 6,500.00
2026	03/26/18	18-1986	Keller Williams	\$ 6,500.00
2031	03/26/18	18-1986	Piper Jones	<u>\$187,000.00</u>
				<u>\$262,161.29</u>

ESCROW ACCOUNT MANAGEMENT:

Trial Balance as of 3/30/18 (EOM)

<i>File</i>	<i>Buyer</i>	<i>Last Activity</i>	<i>Balance</i>
Firm	Opening Balance	01/01/07	100.00
08-201	Sam Bass	07/25/08	500.00
17-097	Claire Andrews	08/15/17	3,097.79-
17-109	Dean Weeks	01/30/17	49.00
17-136	Rick Matta	02/01/17	49.00
17-143	Kim Francis	02/01/17	98.00
17-209	V.J. Parkee	02/23/17	100.00
17-252	Nick Scott	03/19/17	49.00-
18-1268	Suzanne Ramey	03/23/18	330.09
18-1289	Charles Sanchez	04/28/18	.27
18-1922	Emma White	11/01/17	212.00-
18-1975	Linda Mead	11/30/17	<u>6,940.05</u>
			4,807.62

IV. Preventing Fraud & Theft

External Prevention and Internal Prevention

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- **Secure Unused Check Stock** — Lock them up! Keep a sign out log if more than one person has check stock

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- **Depository Accounts for wiring purposes** – Prevents fraud/theft from those that might have your wiring instructions

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- Reconciliations critically reviewed monthly by management

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- Clearing Reconciling Items
- Separation of Duties – Trust cannot replace controls
- Reconciliations critically reviewed monthly by management
- Rotation of employee duties and management review responsibilities

Final Thoughts



Taking a few extra steps to safeguard your account

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Taking a little extra time to reconcile the account

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Taking a few extra steps to safeguard your account

Taking a little extra time to reconcile the account

Taking a few extra minutes to review the reconciliation

Final Thoughts

- **YOU ARE LIKE A BANK:**

- You are legally entrusted with millions of dollars;
- You are legally responsible for every single penny
- Focus on your accounting – it's not sexy, but it is CRITICAL