

Three-Way Reconciliation with Standard Conveyancer and Quicken

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What is Three-Way Reconciliation?

The Three Ways refer to the reports used to track clients' money through the conveyance checking accounts associated with real estate transactions.

Section (f) of [Rule 1.15 Safekeeping Property](#) requires that certain books and records be kept on client funds held by lawyers. Section (g) states that if the records are being kept by computer, that the system must be able to periodically produce hard copies of the *client ledger* -- one for each client matter, a *client funds check register* for each checking account where client funds are held, and *reconciliation worksheets* for each checking account. These are also the three main parts of the three-way reconciliation.

Client Ledger – A ledger showing all monies deposited by or on behalf of the client as well as all disbursements related to one client matter.

Client Funds Check Register – Register of the IOLTA or other conveyancing checking account, showing all deposits and disbursements.

Reconciliation Worksheet – Shows the checking account's ending balance, less outstanding checks, plus outstanding deposits. All undisbursed funds should correspond either to bank fees payable in the future or to specified, earmarked client-related expenses.

Checkwriting with Standard Conveyancer and Quicken (Overview)

The Standard Conveyancer software has an optional checkwriting feature that works with Quicken to produce accounting reports and checks for real estate closings. The information on the settlement statement is used to create an editable list of deposits and checks, which is exported as a special kind of file with a “.qif” extension. QIF files can be imported into Quicken, and real checks can be printed out. All entries will appear with the Standard Conveyancer file ID as the “category”, which turns out to be very useful for producing Rule 1.15 compliant reports.

Step-by-step instructions for this process are available on the Standard Solutions web site at <http://www.stansolu.com/documents/QS%20Checkwriting.doc> For more information on how to install or use the Standard Conveyancer checkwriting feature, please contact Standard Solutions at 781-324-0550.

The Recommended Quicken Process

In order to take advantage of Quicken’s bank statement reconciliation capabilities, a single Quicken checkwriting account ought to correspond to a single conveyancing account with comingled funds, or to a single trust account.

The “.QIF” file produced by Standard Conveyancer can be imported directly into the Quicken co-mingled account. However, since importing into Quicken sometimes occurs with omissions that could be hard to track down in a large Quicken file, Standard Solutions recommends creating a Quicken “sub-account” with a name similar to that of the client file, and that the checks be produced from that sub-account. That way if the Quicken account balance after importing does not equal the balance seen in the Standard Solutions preview screen, comparing the Quicken items with the Standard Conveyancer “print details” report can help identify which item did not successfully import into Quicken.

Important: Any missing item can then be entered manually, but please take care to set the manually entered items’ “**category**” to be the same as the successfully imported items’ category: this will correspond to the Standard Conveyancer **file id**. This way, client matter specific reports can be easily produced in Quicken.

After all of the checks have been produced and all entries are verified to be correct, the sub-account entries can be exported and then re-imported into the main check registry account. Following these extra steps of producing the sub-account, then exporting and re-importing Quicken items into the main registry will reduce errors and will save time in the long-run.

1.15 Compliance and Quicken Reports

<i>1.15 Section</i>	<i>Requirement</i>	<i>Quicken Report</i>
1.15(f)(1)A	Account Documentation	Quicken does not keep track of all the information required by 1.15(f)(1)(A). The office will need to keep separate information on the bank account details such as date opened.
1.15(f)(1)B	Check Register	Quicken Registry Report
1.15(f)(1)C	Individual Client Records	Quicken Registry Report
1.15(f)(1)D	Bank Fees and Charges	Quicken Registry Report
1.15(f)(1)E(i)	Reconciliation Report, check register balance	Quicken Reconciliation Summary
1.15(f)(1)E(ii)	Reconciliation Report, adjusted bank statement balance	Quicken Reconciliation Summary and Uncleared Summary
1.15(f)(1)E(iii)	Reconciliation Report, client matter breakdown	Quicken Itemized Category Report

Instructions for Producing the 1.15 Rule Compliant Quicken Reports

Preparation and Assumptions

The following are instructions for producing reports in Quicken. It is assumed that Quicken is open, and that the checks and deposit items for all client matters have already been imported into the main registry account for co-mingled client funds. Separate deposits made by the office to cover bank fees should be manually entered into this account with the category "bank fees".

Quicken report breakdowns by client matter are easily produced when the deposits and checks are imported from Standard Conveyancer, because the items' category is automatically set to the Standard Conveyancer file id. For this reason, it is important that client items entered manually due to Quicken import errors must have been entered with the client's file id as the category.

Registry Report for the Check Register (1.15(f)(1)B)

After re-importation of all client matters, and while looking at the co-mingled account register in Quicken, choose "Register Report".

The date range and sub-total method can be selected from the top of the screen or by choosing "customize." The date range should be "all dates". The subtotal method should be "don't subtotal" and the sort by method should be "date/account".

Click "customize" and go to the "accounts" tab to make sure only the co-mingled account is selected.

Registry Report for Individual Client Records (1.15(f)(1)C)

Follow the instructions above for producing the check register, except that the sub-total method should be set to "category", and the sort by method to "Date/Check#".

Since files imported from Standard Conveyancer are all marked with the file id as the category, this will produce a registry for each client matter.

Registry Report for Bank Fees and Charges (1.15(f)(1)D)

Produce this separate registry report after you have completed the Reconciliation Summary.

Make sure deposits made to cover bank fees are entered directly by hand as Quicken items, with the category carefully specified as "Bank Fees". You do not need to enter Interest and Bank Charges as they appear on the statement, because the reconciliation wizard start page will have asked you to enter those amounts and then automatically create entries into the Quicken account as "Interest" and "service charges". You can change these items' category to "Bank Fees", which will enable you to produce a registry report customized to include only the "Bank Fees" category in order to fulfill the requirement for a separate ledger for bank fees.

After successfully producing the reconciliation summary (below), follow the instructions above for producing the check register, except that the sub-total method should be set to “category”, and the only category selected for inclusion should be “Bank Fees”. The sort method can be set to “Date/Check#”.

Reconciliation Summary for the Bank Statement Reconciliation and the Register Balance (1.15(f)(1)E(i))

To start the Quicken reconciliation, have the bank statement in front of you. Click on "Reconcile" and you will see the closing balance from the previous reconciliation filled in as the opening balance. Enter the current balance from the bank statement. Below that, enter the total interest and bank fees appearing on the statement. In other words these should be amounts that otherwise wouldn't have been accounted for in the check register. Then click OK to get a list of all as yet uncleared items. Referring to the statement, mark all deposits and checks that have cleared (which show on the statement.) You are finished when the cleared balance equals the statement balance, and no other items are left to mark as cleared.

If the cleared balance doesn't equal the statement balance, something didn't get accounted for correctly in the Quicken account. An item may not have re-imported correctly, or an attorney deposit may not have been entered. Perhaps there were other bank charges that you didn't include in the "bank fees" on the reconciliation start page. You can click "cancel", and try again later after you have discovered the unaccounted for items.

When you have marked all cleared items and the cleared balance equals the statement balance, click "finished". You will be congratulated and prompted to produce a reconciliation report. Click "Yes". Under "transactions to include", choose "summary and uncleared."

The Reconciliation Report will show the register balance reconciled to the bank statement.

Reconciliation Summary and Uncleared Summary for the Adjusted Bank Statement Balance (1.15(f)(1)E(ii))

The second page of the report that appears after the “Reconciliation Report” is a summary of the uncleared items, and shows the total to be added to the bank statement balance to show the adjusted bank statement balance (the cleared balance).

Itemized Category Report for the Client Matter Breakdown (1.15(f)(1)E(iii))

Since deposits and checks imported from Standard Conveyancer all have the file id as the category, it is easily to produce a client matter breakdown report. Go to the Reports Menu, choose Cash Flow, and then "Itemized Categories" from the sub-menu. Click the "customize" button, and from the "Display" tab, make sure "totals" is checked. Click OK. The report will show the totals from each client matter.

If you categorized all bank charges and deposits as "Bank Fees", these will also appear as a separate total. The overall total will equal the cleared total that appeared on the reconciliation report.