

JUNE 1, 1992

BULLETIN TO: ALL REGISTRANTS, COLLECTION AGENCIES ACT

**FROM: ELAINE GUGINS, REGISTRAR
COLLECTION AGENCIES ACT**

RE: TRUST ACCOUNTS / FINANCIAL STATEMENTS

As a result of recent discoveries in the industry, it is timely that all registrants be reminded of their obligations under the Collection Agencies Act with regard to proper maintenance of their trust accounts and provision of financial statements.

Pursuant to Sections 16 & 17 of the Regulations, your obligations are as follows:

- o your trust account must be designated as "Collection Agencies Act Trust Account".
- o unless written permission is granted by this office, no more than one trust account may be opened per collection agency. Branches must use the trust account of the head office.
- o all funds collected on behalf of a client, with the exception of those clearly marked as fees, are to be deposited in your trust account within two banking days of their receipt.
- o under no circumstances are commissions to be transferred from a trust account prior to the date when disbursements are made to clients, i.e., commissions must be transferred and payments to clients must be made on the same day.
- o all accounts collected in excess of \$15.00 are to be disbursed to your clients before the twentieth day of the month following collection. For amounts less than \$15.00, payment must be made within ninety days.
- o trust accounts are to be reconciled on a monthly basis. When requested by the Registrar, an agency is required to provide a reconciliation of the trust account.
- o any unclaimed trust monies are to remain in trust for a period of six months, after which they are to be made payable to the Treasurer of Ontario and sent to the office of the Registrar.

- o UNDER NO CIRCUMSTANCES WHATSOEVER ARE TRUST FUNDS TO BE USED FOR GENERAL OPERATING PURPOSES.

Pursuant to Section 21(3) of the Act, the Registrar may periodically request a copy of your most recent financial statement. This is in addition to the financial statement that is required with a new business application or renewal. Your attention is drawn to the following information which MUST appear with your statement:

- o pursuant to Sections 13(5), 13(6) and 13a of the Regulations, your covering letter must include a statement from an individual licensed under the Public Accountancy Act, stating that your trust account is maintained in compliance with Sections 16 & 17 of the Regulations.
- o your statement of trust monies must be broken down, identifying client liability and business assets. A sample is attached for your reference.

All registrants are reminded of the potential financial penalties for contravention of the Act, those being up to \$25,000.00 and/or up to one year in jail for an individual and up to \$100,000.00 for a corporation.

All registrants are warned that any contravention of the Collection Agencies Act is taken very seriously by the Ministry and may result in administrative action.

Should you have any questions, please contact this office.

Yours truly,

Elaine Gugins
Registrar
Collection Agencies Act

EG/lr

SAMPLE BANK RECONCILIATION

COLLECTION AGENCIES ACT TRUST ACCOUNT

Schedule "A" (Reconciliation of Bank Account)

Balance Per Bank Statement, January 31, 1991		\$4,350.00
LESS: Outstanding Cheques		
Cheque #6	\$250.00	
Cheque #10	<u>\$200.00</u>	<u>450.00</u>
		3,900.00
ADD: Outstanding Deposits		<u>1,000.00</u>
January 31, 1991		4,900.00
Adjustments (+ and/or -)		00.00
Reconciled Bank Balance, January 31, 1991		\$4,900.00

Schedule "B" (List of Client Funds)

<u>NAME OF CLIENT</u>	<u>AMOUNT</u>
John Doe Contracting	\$1,000.00
John Doe Movers	500.00
John Q. Public Inc.	400.00
Jane Q. Windows	1,100.00
Advance Legal Fees	<u>300.00</u>
Trust Liability	3,300.00
Commissions to be transferred to General Account	1,600.00
	<u>\$4,900.00</u>