

How to Provide Advisory Services to your Legal Firm Clients

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Lynda Artesani, Artesani Bookkeeping

What is it like to work with attorneys? What are their personality traits?

This is something I am often asked when I receive questions in my Facebook group that I am a cofounder of called [QB Community Live!](#) Working with attorneys can be rewarding, but you need to know up front that they are direct, blunt, and to the point. Of course, this is a generalization. They also value your time, and honor and respect it. Attorneys are the consummate professionals. They are great about getting back to you. They know the pain of gathering documents and they are ready-quick to answer your requests for them. The most challenging task is pinning them down to go over the financial reports and help them and their firm become more and more profitable. I find that this is especially true of the larger firms. It is my experience that when you meet with them, it is best to do a group Zoom meeting with all of the partners, find out who is in charge and encourage one person as your point of contact. Make sure this person is a decision-maker for the firm. Yes, you may also be working with the company admin or bookkeeper on the day-to-day tasks, however, designating the one person who is essentially has the power to make decisions will make the most significant difference in your engagement with attorney clients.

What are specific questions to ask an attorney-client when receiving that inquiry of your services?

There are definitely some industry-specific questions you will need to ask as well as your typical questions you would ask any client. Some of the questions I ask when interviewing my attorney prospect during the discovery meeting are:

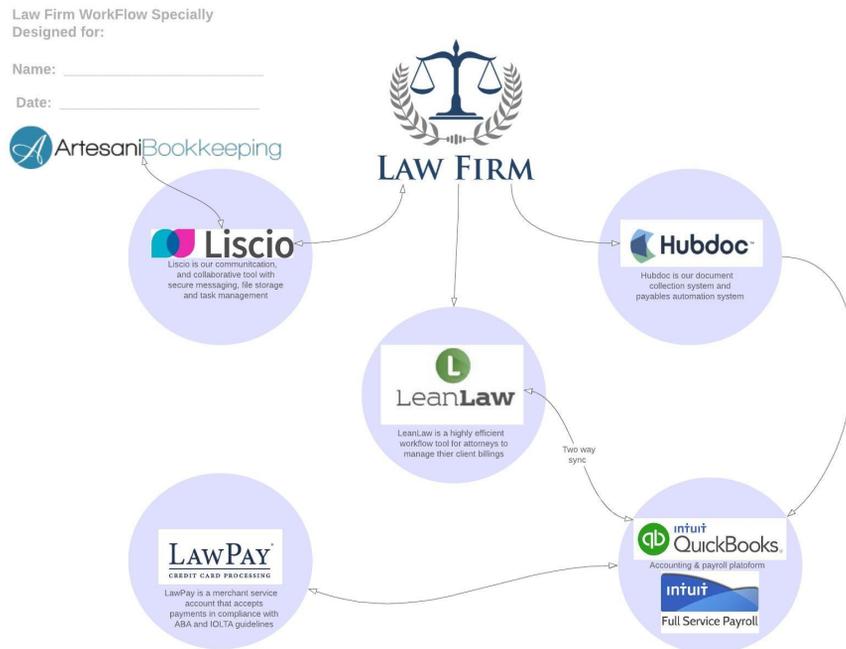
- What type of law practice? IE, estate planning, personal injury, etc.
- What is the size of the firm? How many attorneys, paralegals, employees overall?
- How do you bill? Fixed fee, contingency, hourly?
- Are there trust accounts? Yes/No If so, how many?
- What accounting software do you currently use?
- Are your books reconciled and up to date? Yes/No
- What are your pain points with your accounting and business overall?

What is your app stack or workflow process when working with attorney-clients?

I love to share my workflows with everyone! I dedicated a lot of time learning about the numerous applications on the market before selecting which pieces would be combined to achieve the best results. It is my hope that by sharing, I can provide additional value to others as well. Sharing is caring!

Lynda Artesani, Artesani Bookkeeping

Here is my workflow process:



Liscio

What I love about this part of the workflow is the high-security level between the client and my firm. It is the app I've been waiting for as it is now my all-in-one tool for communication and project management. It gives me the ability to have the client upload documents that are stored right on the clients' account. What I love about Liscio is tames the email beast! I consider Liscio my quiet space, that only is used for my client interaction and team interaction. No junk emails. This one app allowed me to remove three apps from my prior stack: Sharefile, Slack, Active Collab. Heaven!

LeanLaw

The next piece of the puzzle is LeanLaw. If there was one application in this workflow I could not do without when working with law firm accounting, it is LeanLaw. It is straightforward for the attorneys to use for their billing; it's easy for the accountant to manage the trust accounting. The way it works with QuickBooks online is a thing of beauty. I love the two-way sync. When you pair it with Hubdoc (see below), it makes data entry automated. It handles managing a large client-matter list so effectively. It connects you directly to whatever account you are using with a single click!

Lynda Artesani, Artesani Bookkeeping

HubDoc

When you add Hubdoc to the pile, it's a dream come true. We use Hubdoc for document collection and accounts payable entry. The attorney or the attorney's admin upload the bills and other documents into Hubdoc. The next step is to code the bill to overhead expenses or to advanced client costs and tag the matter. LeanLaw syncs advanced client costs transactions from QuickBooks and have accessible to be billed back to the client or matter. This is all done automagically!

QuickBooks + Intuit Full Service Payroll

Of course, my accounting platform and payroll choice is QuickBooks. I paired QuickBooks Online (Advanced or Plus) together with Intuit Full-Service Payroll. To me, this is a no brainer pairing. QuickBooks, especially QuickBooks Online Advanced makes my job easier. It is customizable -- especially the "custom fields" feature and integrates beautifully with LeanLaw. Additionally, with QuickBooks Advanced you get the app Fathom, which will provide high-level reporting for the entire firm.

LawPay

When it comes to merchant services, LawPay is the only choice. This software allows for the ability for a client to pay his retainer with a credit card. LawPay guarantees your firm accepts payments in compliance with ABA and IOLTA by charging the credit card fees through the law firm's operating account. It has a sweet dashboard and is an easy process to implement.

What is the most common accounting mistake you witness law firms making?

The number one mistake I see law firms make has to do with trust accounts. When I dig into the file, I find many times that the trust bank account is reconciled, however, the sum of the bank account does not match the and not match the total of all the trust liability accounts.

Some common errors to look for:

- Commingling of operating and trust monies
- Borrowing from the trust account
- Depositing retainers into the operating account
- Using one client's funds and transferring to another client's account
- Not tracking the flow of the trust funds properly
- Negative balances in trust accounts

Basically, depending on your jurisdiction, you are required to balance the books via 3-way reconciliation every 30-60 days. Most people are aware of a two-way reconciliation (making the books match the bank) but a three-way one adds balancing of the individual trust ledgers. All those ledgers have to equal the bank's balance. If they do not, you have to detangle the mess and figure out what is wrong.

Lynda Artesani, Artesani Bookkeeping

What are your favorite KPI's and metrics to track when working with a law firm client?

My favorite part of QuickBooks Online Advanced is the feature Fathom that is built right inside the platform. It not only gives me the ability to show my client a sleek dashboard with colorful charts but also allows me to have deep conversations and wear my advisor hat.

Some of my favorite metrics to track are:

- Overall Firm profitability
- Profitability by practice area
- Profitability by partner(s)
- Profitability by client
- Revenue per matter
- Client retention
- Marketing cost per client

As an accountant using this high-level reporting, you will provide the firm with the ability to see the whole picture of how the business is doing. You can help them implement a strategy and set goals. You can set targets, watch the trends, or benchmark them. You can track non-financial KPI's and upload excel spreadsheets into Fathom.

One of my favorite reports in Fathom is Goal Seeking. It is one of the best tools for engaging a client to get them interested in looking and planning for the future. It is almost game-like where you slide and move the buttons to see "what if I raise the hourly rate?" "How does this change the bottom line?" "What if I do a better job with accounts receivable and lower the days it takes to collect?" These are just a few of the scenarios you can create by using the goal seek report with the client's data. It gives the client a visual picture of how the firm will do.

What are the basic essential reports to provide to your law firm client?

The compliance reports all revolve around the trust accounting. They are as follows:

- Bank reconciliation reports
- Trust ledger reports or account listing.
- Balance sheet

These reports are part of that three-way reconciliation. If an attorney is ever audited, these reports are paramount to prove good recordkeeping. I store the records in my cloud storage tool, Liscio, so I can tag them by month and year and keep them handy in the clients account, so I have them ready whenever needed.

The other reports I recommend are:

- Profit and loss to see the overall health of the business (QuickBooks Report)
- Accounts receivable (what is the status of the a/r? How bad is the aging and can anything done to improve this metric? (QuickBooks Report)
- Accounts payable (QuickBooks Report)
- Ready to bill/WIP (LeanLaw Report)
- Timekeeper productivity (LeanLaw Report)
- General Ledger report for year-end (QuickBooks Report)

Caren Schwartz, Time & Cents Consultants, LLC

What advisory services can we offer to law firm clients?

Law firms need advisory services in multiple areas. The type of services you offer will depend on the focus of your firms. A key point to remember when dealing with most law firms and lawyers, is that they are not taught how to run a business, they are taught how to practice law. A law firm may need advice on what software to use to manage aspects of the business, how to use the software they have to better run the firm or how to connect the pieces. From a financial perspective they will often need help in understanding the financials, creating budgets, measuring performance and planning how to improve the financials. If you are an accountant, bookkeeper or financial professional these latter areas are where you can offer the most benefit.

What financial help to law firms need with IOLTA accounts?

There are multiple aspects of the IOLTA account where law firms may need help. The first, and most important, is setting up a process to monitor the balance in the IOLTA account by client and make sure that a specific client has money in their account prior to doing a withdrawal.

Because of the rules of IOLTA accounts and co-mingling funds, this is extremely important. Co-mingling applies to not only mixing firm funds with client funds, but also mixing client funds. While the firm is allowed to keep multiple clients funds in one account, they need to make sure that when they spend a client's money the client has adequate funds. If they accidentally spend more than a specific client has they are spending the funds of another client and that is co-mingling.

The financial professionals can help in setting up correct processes to insure this does not happen.

The firm also needs proper reporting of funds and helping in setting up these reports and making sure they are properly maintained is another key role. In addition to reports of funds by clients and transactions by client, they also need bank reconciliation and a 3-way reconciliation. The 3-way reconciliation is designed to show that the amount in client funds on the books, matches the amount by client and matches the bank account at the bank/on the bank statement. Do to this you must be able to create reports that account for client transactions that have not yet cleared the bank.

It is also important to help the client understand and comply with their Bar Association rules. Some Bar Associations have rules about how long you must wait from the time money is received until it is spent on behalf of the client. If this rule is not complied with and a check bounces, there may be repercussions because of co-mingling. Some Bar Associations also have rules about invoicing clients and when you are allowed to take the money out to pay your firm. The rule may be you have to wait a certain number of days after sending the bill before you take the money out or it may be that the bill must reflect the date the money is actually transferred / withdrawn. Many lawyers are not aware of these small details and as a financial advisor you can help them understand the rules and make sure they comply.

Caren Schwartz, Time & Cents Consultants, LLC

How can we help with compensation plans?

Law firms may design compensation plans without a full understanding of the implications. For example, attorneys may be compensated based on billing rather than collection. This can cause cash flow issues, as there are large amounts of billing compensation prior to collection. Even more serious, it can cause issues if the firm is paying for work that gets written off and not collected.

When the firm is designing the compensation plan they need to consider collections and also overhead costs that need to be covered by the work being done. The financial advisor can work with the firm to guide them in creating compensation plans that fairly compensate the work done or brought into the firm while enabling the firm itself to be profitable.

The financial advisor should also work with the partners to make sure that they are taking out appropriate amounts and leaving enough money in the firm to enable the firm to be stable. Sometimes attorneys don't understand the difference between cash flow and the bank account balance, or may treat the firm bank account as a personal account. The financial advisor needs to work with the firm to help them understand financial management and also appropriate spending from a tax perspective.

What questions should an advisor ask when starting to work with a law firm?

The questions to be asked depend on what time of advisory services you are doing. If you are doing financial advising there are questions that might be different from someone doing practice management advising. The questions provided cover both sides so that you can choose what is appropriate. That said, it doesn't hurt to gather extra information.

What types of law does the firm practice?

- Multiple types of law
- Information requirements
- Billing needs
- IOLTA / Trust requirements

Practice management information needed / what are they currently using?

- Calendar
- Case information
- Documents
- Emails

What terminology do they use?

- Clients / Customers
- Matters / Cases / Files

What types of retainer do they take?

- General / IOLTA / Escrow
- How many
- Evergreen retainers - asked to refresh if below certain dollar amount

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States where practice

- Bar rules for different states
- May need IOLTA in each state
- May need to track employee time or client work by state
- Malpractice Coverage
 - Breakout by state
 - Breakout by type of law
 - Breakout by employees

State Tax laws

- Sales tax
- Income tax
- Employee work
- Payroll

Number of locations

- How do they communication between offices
- Current environment - Hosted, Cloud, Desktop
- Devices used
- Information shared between location
- Tracking of costs and income - might be good fit for locations or classes

Security / Access

- Do they need Chinese firewall - keep people out of certain matters
- Can employees see others time
- Coverage when someone is out
- Who in firm needs access to which data
- Case information (calendar, email, documents)
- Billing Information
- Trust information
- Financial information

Compensation

- How are attorneys compensated
- Hours worked
- Rain making
- Case management
- Other?

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Billing Requirements

- Electronic - what formats, what carries? (Ledes 98, Litigation Advisor, Ledes 2000)
- How do they handle payment from retainer - timing
- Different layouts for different cases
- Different rates for different matters, attorneys, paralegals
- Billing review process
- Billing approval process
- Send bills via email or regular mail

Payments

- ACH
- Wire
- Credit Card
- Cash
- IOLTA Transfer

How do I learn more about working with the legal industry?

The questions to be asked depend on what time of advisory services you are doing. If you are doing financial advising there are questions that might be different from someone doing practice management advising. The questions provided cover both sides so that you can choose what is appropriate. That said, It doesn't hurt to gather extra information.

Check out the American Bar Association website

Contact your state and local bar associations to

- First visit the website
- Learn about local rules
- Find conferences/meetings you might attend
- Offer to be a speaker at small group meetings - educate, don't sell

Find publications/blogs about law firms that you can use to learn more

- Capterra - software reviews
- SoftwareAdvice.com/legal
- Legal Technology Buyer's Guide <https://buyersguide.americanbar.org/>
- Technolawyer - free online newsletter
- Blogs
- Above the Law
- LawSites
- RocketMatter (Software that has blog that covers law)

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Consider attending trade shows

- ABA Techshow (Chicago)
- ALA - Association of Legal Administrators Annual Expo
- State
- Contact software vendors that work with law firms

NOTE: There's a lot of transition in the industry. Some companies are better funded than others.)

- LeanLaw
- Firm Central
- MyCase
- Clio
- AdvoLogix
- ActionStep
- Bill4Time
- PracticePanther
- LEAP
- Smokeball
- Timesolv
- Rocket Matter
- Centerbase

Talk to your friends and clients you are attorneys or that work at law firms.

- Most people like to talk about what they do
- Follow up with people you have met at this conference

Brandy Derrick, Legal Ease Bookkeeping LLC

How do you find attorney clients?

There are a million different ways to find clients and what works for one person doesn't always work for another. If you are outgoing, local bar associations have networking events all the time. In Dallas/Fort Worth, where I live, there are over 50 different local bar associations. Some examples of the local associations are the Dallas County Bar Association, the Dallas Hispanic Association, the Young Lawyers Association and the Trial Lawyers Association. Almost everyone has a happy hour or networking event once a month and you can become a non-attorney member of these associations and then attend their functions. Often times, they will let you come to a couple of events without joining so you can see if it would make sense for you to join.

If you are not the most outgoing person, going to networking events might not be something you want to do. Instead, LinkedIn is a great source for finding clients. Most attorneys are on LinkedIn and check their messages regularly. You can use the sales navigator tool to find potential clients and send them connection requests. Once you are connected, you can send them regular messages with valuable content related to bookkeeping or accounting. This makes you top of mind when they are thinking about hiring someone.

Another place to drive attorneys to you is YouTube. You can make videos related to bookkeeping or accounting that speak to law firms. Don't worry about giving away all your secrets. People will watch the videos and decide that they don't want to do it themselves. Also, the people who are searching for how to do things are often office managers or internal bookkeepers at law firms. These people can become your advocate and convince the law firm that they need your help.

The final way is to do an excellent job. Attorneys hangout with other attorneys all the time and will shout your praises to everyone they know. Referrals are often already sold on your services and need very little convincing that they should hire you. Doing an excellent job will get you more clients for years to come.

How do you evaluate a potential client?

When talking to a potential client, the first thing to know is what kind of law do they practice. Once you know this you can get a better idea of what kinds of services they will need. For example, if they are family law, they are typically billing by the hour so these people might need help with invoicing and making sure they get the trust account replenished before they perform work.

If they are an immigration attorney, they typically bill flat rate fees and have tons of clients so they will need help with keeping track of all their clients and knowing when to transfer money that is earned. If they are a personal injury attorney, they will need help keep tracking of expenses per client and cash flow management.

Brandy Derrick, Legal Ease Bookkeeping LLC

Once you know what types of services they will need, you can take a look at their books to see the following:

- How many invoices do they send out a month?
- How many reimbursable expenses do they have a month?
- Do they have payroll and do they need figuring out compensation?
- What software do they use for case management/practice management/invoicing?
- Does their trust bank balance match the liability balance?
- How do they collect money?
- How many transactions do they have per month?
- How many bank and credit card accounts do they have?

All of these things will show you how much time you are going to spend each month helping them so you can correctly price your services.

How do you cleanup an IOLTA account?

When starting on a cleanup of an IOLTA account, it is important to set the expectations for your client. You can only work with the information that is provided to you and cleaning up an IOLTA account 100% may be impossible. If your client didn't keep records of electronic transfers, you are going to have no way of knowing which clients they belonged to.

Once they understand that you may not be able to do it 100%, it is important to come up with rules as to how you are going to deal with transactions that you cannot figure out. One way to do this is to say that transfers out of the trust account should be taken from the oldest trust balance. Make sure you communicate with your client on how you are going to handle transactions like this and they agree on the rules.

The next thing to determine is where to start. If the client has ever had a ledger of the trust balances that actually matched the bank balance, that is a great starting point. Another starting point is the beginning of when the IOLTA bank account was opened. Some clients maybe resistant to going back that far and may want you to only do this year.

Lastly, you need data. The best option is to get read-only access to their bank account so you can look at check images and deposits slips. Also, get access to LawPay or any other payment processor they use. If they have an excel spreadsheet with transactions or they use a practice management software, get access to those as well. These two things will often have errors or missing transactions but they will still provide a lot of information.

Once you have your rules, starting point and data, you can actually start cleaning up the books. It is best to start with the oldest transactions and work your way forward. You will often start to see patterns or things you have questions on will get answered later. As you move forward, make sure to reconcile the IOLTA account monthly and check the trust bank account balance versus the trust liability balance.

Brandy Derrick, Legal Ease Bookkeeping LLC

What is the workflow for a three-way reconciliation?

The first thing to do in a three-way reconciliation is to reconcile the IOLTA bank account. Before you completely finish reconciling, evaluate the transactions that haven't cleared. You want to make sure there are no duplicate entries or things that are in the trust account by error. If it is a deposit or expense, that is a red flag. Almost all deposits and expenses should have cleared by the month's end, unless they were done very close to the last day of the month. If it is a check, that is probably not an error, but if the check gets too old, your client may want to reach out to the payee and see if they need to reissue it.

After you reconcile the IOLTA bank account, check the trust liability balance and make sure the total matches the balance in QuickBooks. The most common errors here are that something in the operating account got put as a trust liability or something the IOLTA bank account got put as an income or expense. You can find these errors by looking at the balance sheet detail. First, look at the IOLTA bank account and make sure everything is categorized as trust liability. Next, look at the trust liability account and make sure every transaction is from the IOLTA bank account. Let your client know if you find any errors where money was spent or deposit into the wrong bank account so they can transfer the funds immediately.

Finally, take a look at the trust balances per client. If your client is using a practice management software, you want to make sure that the trust balances per client in QuickBooks match the amount in the software. Often you will find that transactions were forgotten to be entered into the practice management software. Also, look for anyone that has a negative balance and let your client know immediately so they can correct the situation.

How do you figure out the State Bar rules for IOLTA accounts?

The state rules that govern how an attorney should deal with an IOLTA account are very important, because they explain, in detail, how an attorney should deal with the funds and transactions in the IOLTA bank account. The American Bar Association's rule that deals with bookkeeping and IOLTA accounts is 1.15 Safekeeping Property.

You can find these rules by clicking on this link, https://www.americanbar.org/groups/professional_responsibility/publications/model_rules_of_professional_conduct/rule_1_15_safekeeping_property/.

These rules give an overview of how transactions are to be handled but each state has come up with their own rules that are more detailed.

In order to figure out the rules by state, there are three ways to easily find the information you need. The first is to do an internet search for "rule 1.15 safekeeping property" and the state's name you are looking for. This will help you get to the state bar association's rules but it will also pull up lots of other sites so you have to be careful that you are looking at the actual rules and not someone's blog post about the rules or outdated rule.

Brandy Derrick, Legal Ease Bookkeeping LLC

The second way is to go to the American Bar Association's directory of IOLTA programs and click on the state that you are looking for.

You can visit that site by clicking here

https://www.americanbar.org/groups/interest_lawyers_trust_accounts/resources/directory_of_iolta_programs/#AL.

This is helpful because you know you are going to the state's website but sometimes those sites are impossible to navigate and find the information you need. The final way, is to call the state bar association. They are there to help and you can ask them questions without telling them a client's name.

Jonathon Fishman, LeanLaw

What questions to ask when interviewing a lawyer.

At LeanLaw, we encourage our LeanLaw Accounting Pros (LAPs) to niche into law firm clients. We think that attorneys make the best clients. They're smart, detail-oriented and need the least amount of hand-holding of any client. We also like to help our LAPs win new law firm clients. Toward that end, we have meetups and webinars within the community so that members can become experts with their lawyer clients. The first opportunity to win a new law client and become their trusted advisor comes in your initial introductory meeting. This meeting presents a great opportunity to stage yourself as the expert and discovery critical data about how the law firm operates, what are the key "pain" points, and where you and your process can add value. The following are the essentials questions.

Questions to ask a prospective law firm client.

Do you use a practice management tool or a more specific invoicing tool? Describe the steps and tools you use to track time, produce draft invoices and deliver invoices to clients.

- This question is all about what tools are driving the invoicing workflow. If they are using a practice management tool, ask how they use it. Does it serve a purpose beyond invoicing? Many firms overpay for features and functionality not used. How is data synced to the accounting tool? Is this manual or automated? How accurate in real-time?
- Probe here around how long it takes, how manual is the process is, and what tools are being used or not used.

How do you bill? Hourly, contingency, fixed-fee, or a hybrid of all?

- This is a critical question. The answer dictates the workflow. As an example, a contingency lawyer may have cash flow issues as it is a boom-or-bust way of practicing. Helping the law firm keep on top of cash flow is crucial, here.

Jonathon Fishman, LeanLaw

How are retainers used in the firm? How are trust funds managed, accounted for, reconciled, and reported back to their clients?

- Helping to manage trust is an enormous value-add to a law firm. Probing this question tells the attorney you know a thing about law firm's and their bank accounts. Trust reconciliation can be an additional fee you can charge.

What reports do you review? With what frequency? What insights are you trying to gain?

What is your most important metric as it relates to financials? How is compensation derived?

- Data, data, data. Your value-add is to help the lawyer understand the fiscal health, the efficiency, and profitability of her practice and her staff. This data can also tell her if a client is a good client, from a profitability mindset. Most lawyers focus on cash flow. Your job is to evolve the firm away from "gut" analysis based on work-in-progress and to get the proper financial picture. There is also an opportunity to offer advanced reporting. This can be a revenue add-on.

Why are you meeting? An accounting person is hired for one of three reasons: a new firm is being established, something isn't working, or the attorney is outsourcing a task that was done internally? These answers reveal much about what the task needs to be.

- New firm: Great opportunity to lay the foundation of the software tools and workflows. Create expectations related to data and reporting. Start out on the right foot.
- Something isn't working: This means someone was in charge and they didn't get the job done. This could be the person's incompetence, or it could be the firm's inability to follow a sound workflow. You would suspect cleanup, but one needs to dig deep as to why the problem happened, what was the root cause. If you don't get at that, you may be the next problem that needs to be replaced, no matter how well you did.
- Outsourcing: This drives a change in workflows. Internal to external always will require a recalibration of what they were doing and what they will need to do. This creates an opportunity to determine the workflow that works best for you and the client. Don't settle for adopting their processes. Find common ground to create an optimal workflow.

What are the key considerations when evaluating a migration from one accounting/billing platform to QuickBooks Online?

The following are some issues we asked the client to consider:

1. What version of QuickBooks Desktop are you currently operating?

If you want to use LeanLaw, know that we are compatible with QuickBooks Online but not the desktop version. QB Desktop, 2009 -2014 version, requires several steps as part of the migration to QuickBooks Online. Newer versions are fully automated.

Jonathon Fishman, LeanLaw

2. Readiness to upgrade software

Migrating your accounting to QuickBooks Online is something that you will be doing anyway in the next couple of years as Intuit focuses more of their energy to QuickBooks Online - that's where the customers are. QuickBooks Online is the future. At some point, all Desktop users will be migrating. Might as well do it sooner than later so that you can reap the benefits of the online features – access from anywhere and real time data, just to name two outstanding ones.

3. How large is the expected client base to be migrated?

Are there any instances of these clients in your QB Desktop? If there are no clients in QuickBooks, the preferred migration pathway is to enter the clients in LeanLaw and then allow LeanLaw to add them to QuickBooks Online. If there are clients already in QuickBooks, you would use the client import tools which are a function of LeanLaw's QuickBooks Online sync. In terms of size, there is a consideration of historical clients and who is truly active. Most LeanLaw clients prefer to bring over the current clients and matters and not inundate QuickBooks Online/LeanLaw with the closed legacy clients.

4. Accounts Receivable reconciliation so opening balances can be established in QuickBooks Online.

You need to know exactly what each client owes as of the last invoice. That will be the opening balance in QuickBooks Online so that you can receive the money. For example, as of 3/31, the client owes \$3000 - as invoiced from your old tool - so in QuickBooks Online, you would establish that as the opening balance. This allows you to receive the payment in QuickBooks Online. If you don't use an opening balance and collect that \$3000, it would be deemed a credit. So the opening balance allows the payment to be made against the money owed.

5. What about Trust ledger migration?

Similar to accounts receivable, you need to know what each client has in trust balances as of the last invoice period. This establishes the liabilities for the law firm based on the funds held in trust. Similar to accounts receivable, you'll use the trust balance as of the last bill period and that will establish that you hold a specific dollar amount for a specific client for funds held in trust. LeanLaw helps facilitate this process: when the trust liability is established in LeanLaw, you can cite the opening balance. It's worth noting that this opening balance is not a deposit because you're not adding cash into the bank account, you're just accounting for the liability side of what funds you're holding on behalf of the client.

6. Are your bank accounts reconciled?

If QuickBooks Online is being established for the first time, then having reconciled bank statements is critical because you'll need the opening balance for a particular month. If you're doing a migration from desktop to online, reconciliation is a best practice but not critical.

Jonathon Fishman, LeanLaw

7. Timeframe: When would you ideally like to commence this migration?

Think about this in terms of a cut-over period. What most law firms do is pick a final day of invoicing out of their final system (the cut-over date) - e.g., 3/31. The idea is that all new users will enter time as of 4/1. Thus, in the month of March, you want to bring over all client/matter information into LeanLaw so that your timekeepers have access to the appropriate client / matters starting on 4/1. Once the billing is complete on 3/31, you will establish a ledger of accounts receivable and funds held in trust. That accounting data can be integrated into the new QuickBooks Online account in early April because your goal is simply to do the first invoicing at the end of April. Your first priority is to get client/matter data in, and the accounting information can follow. Usually, you have a 30-day billing cycle, so there is some space to insert the accounting data. If you have more questions, contact us via email, phone or on our website intercom (widget at the lower right side of the page)

What does it mean to become a trusted advisor?

The phrase trusted advisor is often used as a destination or a means as to how an accounting professional should interact with their clients. What does it really mean and how is it different than what you're doing today? Let's examine the core offerings that create the platform to elevate from the commodity of accounting reconciliation and tax preparation and into a more intimate relationships with legal clients.

Accounting professionals are poised to help law firms operate more efficiently: They can help managing partners and principal attorneys get a better grasp of their business - with direct ramifications to cash flow, attorney compensation, staff efficiency, client profitability and compliance with their state's bar association as to how they manage their funds held in trust.

It's more than accounting.

When financial data is organized and well prepared, it can offer critical insights into the operations of a firm. Most lawyers run their law practices from their gut, assessing their cash flow in real time based on their work in progress and receivables. Accounting professionals won't necessarily stop that but can augment gut feelings with data. Accountants and bookkeepers have the opportunity to lay the foundation, establishing best practices so that the attorney can focus on his or her practice. A tool like QuickBooks Online paired with LeanLaw can offer a more robust view of timekeeper efficiency, which are the good clients (fiscally speaking) and the firm's profitability. Another example is helping the lawyer tune the invoice so that the data is presented in the most effective way. This also creates the opportunity to add electronic payments such as the QuickBooks Payment network. The value add is that the more effective the client's invoice the more quickly she will receive payment. This helps both the attorney and the client, making the attorney's practice feel more professional. An accounting professional can make a lawyer's life better and help her run the law firm more efficiently by thinking beyond bookkeeping and accounting: showing how best practices can stabilize and offer insights into the practice. This is what will differentiate your accounting practice from others. You already understand this because the same principles apply to your work. Time trackers, professional services invoices, good clients and bad ones... your work is similar to theirs.

Jonathon Fishman, LeanLaw

Selecting and implementing the right tools.

Accounting professionals can help law firms choose which accounting tools will best serve them and then teach the law firm how to use them so that they become institutionalized. Attorneys look to the accountant to validate the timekeeping to invoicing workflow as it relates to accounting. There are other areas that accounting professionals can be familiar with but you don't need to be an expert – just validate that the tool you suggest can handle their accounting needs.

The mechanics of how a software works.

Tracking time, accommodating how the firm bills

- Hourly,
- Fixed-fee,
- Hybrid,
- Retainers,
- Contingency

The attorney will understand if and how she likes to track time, but it's your job to make sure the software can produce and present an invoice that the attorney can approve. A secondary concern is how that tool integrates with the accounting. Does it reflect real time financials, does it sync on demand or is it manual? All of these play into the work needed to make the workflow operate efficiently.

Trust Accounting.

- Knowing the basics of the rules for the state in which the attorney practices,
- Does the accounting and invoicing tool accommodate the requirements for the firm to be compliant?
- If so, what will the workflow be based on the lifecycle of a client trust account?

Remember, there are different situations where money is held in trust. The most common is in the form of a retainer. But lawyers will use trust accounts to manage transactional activities and/or settlements.

Reporting. This is commonly overlooked as most accounting professionals limit their thinking to financial reports such as a P&L, Balance Sheet or an accounts receivable report. In addition to these reports, attorneys need reports related to the:

- Timekeeper,
- Partner compensations,
- Originating attorney reports and in some instances
- Client profitability.

Integration & migration. Helping the firm not only select the tool, but developing the roadmap for changing.

- Schedules,
- Training,
- Data migration,
- Best practices.

Jonathon Fishman, LeanLaw

All of this work related to the migration is an opportunity to create the proper foundation, both technically and fiscally. It can also stage how the relationship with the law firm will work and where to highlight your value-add. By the way, this is a great opportunity to join forces with an IT firm that can assist with other aspects of technical migration. While your firm will lead on the accounting side, the IT firm can assist with document or email migrations. More value-add for the law firm and possible referrals for your firm.

Best accounting practices for law firms - A checklist.

You can also help establish best practices for basic bookkeeping and other transactional activities for the flow of money in and out of a legal practice. This is critical, as the firm/attorney wants to be told what to do. This is a huge opportunity! In some instances you may be performing the bookkeeping and in others, the firm will have someone in-house, doing some or all of this work. Regardless, you get to lay down the rules as to how the bookkeeping gets done. This puts you in a position to get the right data into the accounting engine.

This will translate into better reporting and less manual work. Workflows to consider systemizing:

The Invoicing Workflow

- Client onboarding and setup
- Receiving trust or retainers
- Staying compliant to ABA rules (audit ready trust accounting)
- Tracking staff time
 - Billed, Non-billed, How much time and when - this will paint a picture as to how effective a timekeeper is.
- Fixed fees vs. hourly or hybrid fees
 - This kind of flexibility helps the lawyer find the best way to bill the client for profitability and affordability
- Reimbursable expenses or client costs
- Invoice presentation and delivery
- Receiving payment by check or electronically
- Making payments from trust.

Accounts Payable Workflow

Reconciliation and Reports

- 3-way trust reconciliation

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Fiscal Compliance

- You'll need to know the proper architecture for handling trust according to ABA standards in QuickBooks Online - we have [two videos that can show you the overview](#) - the easy way (with LeanLaw) and the hard way (without LeanLaw)
- Proper best practices for trust requests, the handling the transactions of funds held in trust, and the reporting of trust.
 - How to setup the trust architecture in the general ledger. (liability ledger) in QuickBooks Online
 - How to ask for trust request ([see video](#))
 - The trust request form
 - How to receive the retainer - check or electronically
 - What / How to memorialize
 - How to deposit
- How to keep track of trust balances against active matters
- How to disperse funds held in trust
 - Paying an invoice from trust
 - Paying a fee related to a matter directly from trust
 - Disbursing trust money for a settlement or refunding back to client.
- 3-Way Trust reconciliation
- How to generate trust reports
- How to archive trust from an accounting perspective
- Outsource the invoice production and AR for them. You could do the invoice for them – service that you can offer – it's all online, they would submit timekeeping reports
- Help them interpret
 - The health of the firm
 - Typical financial reports (P&L, balance sheet, AR, cash flow)
 - The health of the law firm's client
 - Is it profitable?
 - AR collected?
 - Trust balance
 - Timekeeper reports
 - The health of their law firm staff
 - Staff productivity
 - Time billable vs. billed