

MANAGE YOUR TRUST ACCOUNTS. MAINTAIN YOUR SANITY.

A functional approach
for the solo practitioner
and small law firms

FIRM  **NUMBERS**

Presented by Dale Hower
President, Firm Numbers

BE THE BOSS NOT THE BOOKKEEPER

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TODAY'S PRESENTATION

We Made Some Assumptions....

Additional Reference:

NC State Bar: Lawyer's Trust Account Handbook

<https://www.ncbar.gov/for-lawyers/trust-accounting>

ESSENTIAL TOOLS FOR TRUST ACCOUNTING

IOLTA Deposit Account at a Bank
Client Management System (CMS)
Accounting Software

GETTING SET UP

Create Client Trust Accounts in Your CMS

Create Trust Accounts in your Accounting Software

Sync your Bank Account to your Accounting Software

GETTING SET UP

In Your Accounting Software...

Set up Trust Bank
Account to Record
Transactions

Set Up Trust Liability
Account for Each Client
These accounts are closed when
matter is concluded

(These Accounts Offset Each Other)

RECORD RECEIPTS

Post Receipt of Funds to CMS

Deposit Funds Individually to Bank Account

Deposits Are Recorded in Accounting Software

(all deposits to Trust Bank Account also post to a Trust Liability Account)

RECORD RECEIPTS

Basic Information for Trust Account Receipts

Client Name

File Number or other ID

Date

Source

Amount

NO CO-MINGLING

Allowed

Deposits to Open or Maintain Trust Account

Deposits to Pay Trust Account Service Charges or Taxes

Any Deposit Containing Both Fees and Trust must go into Trust
& Fees Due to Your Firm immediately transferred out

Not Allowed

Firm Funds

RECORD DISBURSEMENTS

Post Disbursement of Funds in CMS

Funds Should be Released from Bank Account Same Day

Trust Disbursements Are Recorded in Accounting Software

(all disbursements post to Trust Bank Account and the Trust Liability Account)

RECORD DISBURSEMENTS

Basic Information for Trust Account Disbursements

Client Name
File Number or other ID
Date
Recipient
Amount

If paying yourself, must be payable to attorney by name

RECORD DISBURSEMENTS

Records to keep for all Trust Account Disbursements

Canceled Trust checks (Digital copies are OK)
Instructions or Authorization to Transfer Funds
Engagement Letter Permitting Self Pay

RULES TO REMEMBER

Keep Bank Directive on File for Non-sufficient Funds

Keep Trust Account Reconciliations for 6 Years

Be Mindful of Wait Times for Disbursements

Be Able to Provide Clients with Written Records of Transactions

RULES TO REMEMBER

Provide Clients With Written Records AT
LEAST Annually or When...

All disbursements have been completed

Client requests a copy

Lawyer's fiduciary responsibility is terminated

TRUST ACCT RECONCILIATION

Compares the Trust Account data between:

CMS

IOLTA Account at Bank

Accounting Software

TRUST ACCT RECONCILIATION

QUARTERLY ACTIVITIES

[NC Bar Trust Reconciliation Report](#)

[NC Bar Quarterly Review Report](#)

TRUST ACCT RECONCILIATION

MONTHLY ACTIVITIES

List of Clients with Trust Acct Balances

Copy of IOLTA General Ledger/Checkbook Register

List of Outstanding Deposits

List of Outstanding Checks

IOLTA Bank Statements and Cancelled Checks

SAMPLE TRUST RECONCILIATION A

Law Firm Trust Reconciliation				
Date	Description	Bank		
04/30/23	96,500.00 Bank Balance	Disbursements Negative		
	In Clio - not in bank	Deposits Positive		
03/29/23	(100.00) ck 1000 - Mecklenburg County Clerk - Client A			
04/10/23	(500.00) Transfer to OpEx - Client Z inv. 1111			
04/30/23	3,100.00 Deposit Client Y			
04/30/23	10.00 Interest			
		Disbursements Positive		
	In Bank - not in Clio	Deposits Negative		
04/15/23	990.00 Check 1007 - Depo Depot Client Q			
		Clio Balance		
	100,000.00 Net Balance		100,000.00	0.00

SAMPLE TRUST RECONCILIATION B

Law Firm Trust Reconciliation

As of April 30, 2023

	Quickbooks	Clio	Variance	
21150 Client Trust Liability	0.00		0.00	
Client 12345	1,000.00	500.00	(500.00)	3/12/23 - \$500 disb, no explanation;
Client 12346	3,120.00	\$3,120.00	0.00	
Client 12347	1,900.00	\$1,900.00	0.00	
Client 12348	150.00	\$150.00	0.00	
Client 12349	2,495.00	\$2,695.00	200.00	4/7/23 - Transfer to OpEx Clio \$742, bank \$942
Client 12350	6.00	\$0.00	(6.00)	2/18/23 \$6.00 ck 988 to Harris Co. Clerk not cleared
Client 12352		\$1,650.00	1,650.00	3/30/23 \$1,207.50 disb not in bank; \$2,857.50 deposit not in bank
Client 12353	2,200.00	\$2,200.00	0.00	
	10,871.00	12,215.00	1,344.00	

TRUST ACCT RECONCILIATION

MONTHLY ACTIVITIES

Run Report of Uncleared Checks

Provide Attorney Certification

TRUST ACCT RECONCILIATION

QUARTERLY ACTIVITIES

[NC Bar Trust Reconciliation Report](#)

[NC Bar Quarterly Review Report](#)

TRUST ACCT RECONCILIATION

QUARTERLY ACTIVITIES

Attach For Each Transaction:

Statement of Costs and Receipts

Copy of IOLTA General Ledger/Checkbook Register

Cancelled Checks or Images of Cancelled Checks

TRUST ACCT RECONCILIATION

QUARTERLY ACTIVITIES

Final Review is Attorney Responsibility

Provide Attorney Certification

CHART OF ACCOUNTS

Organizes All Your Financial Information

Serves as the Foundation for Accounting and
Reporting

CHART OF ACCOUNTS

BALANCE SHEET

Three Primary Sections:

Assets

Liabilities

Equity

CHART OF ACCOUNTS

PROFIT & LOSS

5 Primary Sections:

Revenue

Cost of Goods Sold

Expenses

Other Income

Other Expenses

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Be the Boss. Not the Bookkeeper.

CHART OF ACCOUNTS

EXPENSES

Personnel
Occupancy
Marketing & Sales
Admin
Professional Fees
Other

FINANCIAL REPORTING

BALANCE SHEET

Bank Accounts, Credit Cards, Loans, Etc.
Assets (>1 year)
Payroll Liability
Equity

FINANCIAL REPORTING

PROFIT & LOSS

Revenue & Expenses
Depreciation Expenses
"Ask Owner" Line = Zero
Group Accounts to Evaluate Trends

FINANCIAL REPORTING

ADDITIONAL ITEMS

Ages Accounts Receivable
Aged Accounts Payable
Unbilled Cost

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