

LAWYERS JOURNAL

LAW PRACTICE MANAGEMENT

The attorney blueprint to the perfect accounting system

By Ryan Kimler

Introduction

This is not the end all, be all, system for attorneys. However, from my experience, this is the most efficient and most practical system I have seen and can create. From an operation standpoint, look no further! I cover all the parts you need in your accounting system for your law firm.

Positions and Process Flow

I know most people are visual learners, in fact approximately 65% of people. The blueprint diagram will be a great visual tool for you to have, first though let's set the groundwork for the blueprint. The time spent in your firm is in one of three activities:



This article is only focusing on Accounting & CFO. We are going to put that system on autopilot for your firm!

First, I want to highlight the important positions in relation to the Accounting and CFO functions of your firm.

Receptionist or Secretary – The role of your receptionist or secretary in the ideal accounting system will be very small. They should open the mail which may contain some bills for the firm. Additionally, they should be scanning those bills to an accounts payable system. Another task that your secretary or receptionist should be handling is if someone needs their credit card run through the merchant processor at the office. This may be common practice for consultations. For your clients you may want to set up an intake form that collects this information.

Attorney (You) – Your role in the ideal accounting system is also very small. Your tasks include setting up bills on autopay with your company credit cards for the bills you can autopay. Complete billings in your CRM software for your clients and issue your bills. And, record trust payments and activity in your CRM. Finally, put on your CFO hat for one hour a month for a phone call with your Accountant/CFO.

Accountant/CFO – Handles everything else. Keep going, you will see what I mean!

Software to Use

Now that I have covered all the tasks and responsibilities in your new accounting system, I want to go over the software you should use in order to utilize the Blueprint effectively.

1. Accounts Payable – Bill.com and Credit Cards

Utilizing both systems keep your office as paperless as possible. And having bills autopay on credit cards means you don't have to think about them. Just make sure you set your full credit card balance on autopayment too. If you don't have business credit cards, then I recommend setting up automatic electronic fund transfers from your bank account.

2. Accounts Receivable – Merchant Processing, LawPay

LawPay is the best merchant processor I have found or seen in my experience with attorneys. They have a great service; can process trust funds and they never take their credit card fee out of your trust account. Additionally, their processing fees for credit cards are the most reasonable I have seen. Finally, it is nice that their software operates in the cloud.

3. CRM – Clio, Practice Panther

Clio and Practice Panther are by far the most robust CRM's that I have experienced, and they operate solely in the cloud. Additionally, they both sync with LawPay and your accounting software.

4. Accounting Software – QuickBooks Online, Xero

Speaking of accounting software, I recommend you use QuickBooks Online or Xero. For a lot of attorneys Xero is really the secret weapon solution that most have not heard of, and if you want my opinion, Xero is better. In my experience with QBO, if you want an add on to perform a simple task, often you must pay for it.

Both QBO and Xero sync with Clio and Practice Panther so all of your invoices flow through to the accounting system nicely.

5. Banking – Images, Access, Sync Capability, Excel Downloads

Make sure you pick a good bank with these important features:

- (1) Available check images online
- (2) Accountant or View Only Access
- (3) Sync Capability to Accounting Software
- (4) Activity Downloads to Excel

There are a lot of banks out there that can fulfill these needs. It really depends on your location. From my experience

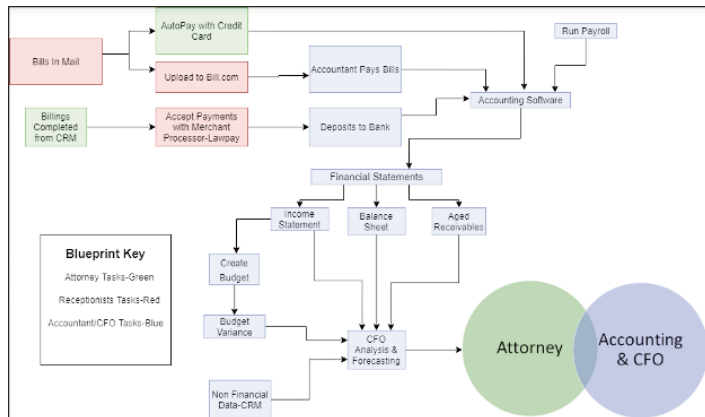
though, most generally, the larger banks can offer better service and better features than your local hometown bank.

6. Payroll – Gusto

From my experience Gusto is by far the best full-service payroll option for small businesses. Their prices are very reasonable, and they handle all of your tax filings and issuing tax statements for you. Additionally, it helps that Gusto syncs to QBO and Xero. Very important for your accountant.

7. Budgeting/Forecasting – Accounting Software and Excel or Google Sheets

For analysis and building budgets you will definitely want access to Excel and/or google sheets. You can get access to google sheets for free. Excel will cost you a Microsoft office license, but your accountant/CFO should be able to work with you in either.



Process Map

Now if we combine the Positions and Process Flow section of Accounting and CFO work with the software, your firm will end up with a system that looks like the Blueprint graphic pictured in this article.

As you can see from this Blueprint many of the tasks with your accounting can be outsourced. And all the work that gets put in ends with a meeting between the Attorney and Accounting/ CFO, where your outsourced Accountant/ CFO should bring all of the necessary reports along with an analysis on where your firm has been and where the firm needs to go. As the attorney, helpful items for you to bring to this meeting would be new potential clients that you have coming on and the estimated revenue you expect those cases to bring to your firm. This will help your CFO properly forecast out your revenue.

This concludes the Attorney Blueprint to the Perfect Accounting System. With this system in place, I am confident you can reduce the time you spend on your accounting and CFO functions from 10-plus hours down to one to three hours per month.

Bonus: How to Find Your Next Great Accountant

I have talked a lot about all the functions you can outsource to your Accountant/CFO. I understand your next question is probably, “How do I go about hiring a great Accountant/CFO?” That’s why I have included this bonus on how to find your next great accountant.

1. Hire an Accountant Advisor

Hiring a generalist accountant even if they have an accounting degree is simply not enough. You need a specialist, someone who knows law firms inside and out, someone that you can depend on to be your advisor. Someone who can take a fiduciary responsibility for the finances and cash flow at your firm and who will give you the advice you need to hear and not always the advice you want to hear.

I understand that this sounds like a huge task, and it is, but the reality is, that is the task that is required and nothing less. It is absolutely in the best interest of your firm. The accountant advisor you hire will be objective and therefore will be able to guide you to make healthy business decisions for you and your firm.

2. Ask about their experience in a few key areas

So how do you test your potential candidate for your accounting advisor? I am sure you are concerned that maybe you don’t know much about accounting, that is ok, no worries, here are a few points to test out and see what your candidate’s answers are.

• Financial Reporting

Ask your candidate if they have experience producing financial statements. Additionally, ask if they have experience

building budgets or forecasts for their clients in the past. Do they have experience looking at a budget variance report and completing a summary on the out of tolerance numbers?

• Key Performance Indicator (KPI) Creation and Tracking

Next ask about their experience in creating and tracking KPI’s. Do they know the key metrics your law firm should be tracking? Have they created a dashboard for their clients in the past in order to help their client track and trend their key metrics?

• Trust Accounting

Finally, ask if they have learned and have experience with trust fund accounting. From my experience, trust fund accounting is not taught in college or at universities. It is strictly an industry task that is taught on the job. I highly recommend the candidate you hire already has experience and that they can prove they handled the trust account that was in their charge well. You don’t want to hire someone just to have to manage them or teach them.

Trust

Last but not least, you have to find someone you can trust and who presents themselves as a top-level professional. Someone you can hand the controls to and let them steer with your direction. Obviously, this will not happen day one, more and more will get handed off over time and the process will continue to flow better and better over time. ■

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