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Trust Accounting Products: A Necessity for Your Lawyer Toolkit

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TRUST ACCOUNTING PRODUCTS: A Necessity for Your Lawyer Toolkit

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Many attorneys face challenges when it comes to performing the accounting task necessary to properly maintain a trust account. Within the profession we occasionally joke that we went to law school because we couldn’t do math. Notwithstanding, many attorneys are concerned about making errors in handling their trust accounts.

One means of ensuring that you are properly safeguarding and accounting for client funds is to use the correct tools and to follow a checklist so that essential elements of the process are not overlooked or forgotten. A mini-checklist is available from AttorneyatWork.1

Traditionally, as attorneys have considered tools to assist in the implementation of a trust accounting process, they have had limited options, including:

1. Generic accounting software – Because most generic tools are not designed to take into account the unique requirements of attorney trust accounting and because these products may be too complex for those with no experience or training this is not an ideal option.

2. Microsoft Excel spreadsheets - Using Excel requires an in-depth knowledge of the software that many attorneys do not have. Additionally, there are no safeguards in Excel to prevent input errors or overdraft issues.

3. Accounting “by hand” using pre-formatted forms or electronic equivalents. This option may work for firms that have less active trust accounts. However, preparing ledgers and reconciliations by hand is time consuming and system safeguards against human error are limited.

The following inquiry posted to a legal blog illustrates the problems that attorneys, even after doing some research, often have in determining the appropriate tool to assist them:

I left a small firm and started my own last month ... All client fees have been dumped in my IOLTA. I’ve been keeping track of everything by hand because I am at a loss when it comes to finding a good accounting program. My old firm used QuickBooks...which I have decided I will need to take a class at a community college to understand how to use...I have checked out lots of other programs. Xero, LawTrust, etc...Thanks so much for any recommendations.2

Despite these continuing concerns, new alternatives are becoming increasingly available. Yet, many of these tools do not perform some of the essential tasks associated with “good” attorney specific trust accounting software3 or services. It has been suggested that “good” attorney trust accounting tools should be able to perform four key tasks:

1. All Money In and Out Must be Attached to a Matter/Client
2. There Must Be Safeguards Against Overdrafts, Commingled Funds, and Duplicate Checks
3. It Must Perform Monthly Reconciliations
4. It Should Be Easy to Create a Three-Way Reconciliation Report

Two products able to perform these four essential tasks are CosmoLex4 and TrustBooks5 and an additional tool, ZolaSuite,6 currently allow performance of most of these essential tasks and will soon launch some improved accounting features.

CosmoLex was initially developed as a legal time, billing, and trust accounting software. Since its launch, CosmoLex has developed into a practice management system. CosmoLex features include safeguards against overdrafts and providing excellent reconciliation and reporting operations.

TrustBooks, is a standalone, cloud-based product that focuses solely on lawyer trust accounting. TrustBooks simplified design provides for intuitive data entry, reconciliation, and report functions. Safeguards against overdrafts and other human error are also built into TrustBooks.

ZolaSuite, launched as a full function practice management solution. As such ZolaSuite provides a three-way reconciliation feature and overdraft protections.

Because each attorney has a different level of knowledge and experience in handling client funds and lawyer trust accounts and because the nature of each legal practice is different, there is not one right tool for all attorneys. Use of your carefully selected tool will help you with the efficient management of your trust account(s) and practice and will leave more time for you to focus on the representation of clients.

The OBA Management Assistance Program in conjunction with Continuing Legal Education anticipates offering additional CLE classes regarding trust accounting and trust accounting tools beginning in 2017.

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4. id.

