

IOLTA Deposits from an Accounting Standpoint for the Client

Hello Friends:

Funds placed in attorney IOLTA accounts are still client funds. On a monthly basis or when service is rendered, law firm issues an invoice and deducts amount from IOLTA account.

I have some client ask for an invoice for the deposit (which I don't think is proper), but I'm not sure how to address it with them (outside of the explanation above).

From an accounting perspective, how are IOLTA deposits to lawyers treated?

How have you explained this issue to clients?

Thanks.

Timeslips shows the funds on account deposit and any withdrawals.

Shell Bleiweiss, Illinois

I give my clients a receipt, noting that I am holding it in trust for them.

Corrine Bielejeski, California

Clients are entitled to know the balance on trust and at times when the balance gets low there is a line item on the bill to make an additional deposit. Is that what is wanted: A bill demanding funds for the IOLTA?

I do not see the issue.

All my billing statements include a Trust Statement to show all money in and out and the balance.

Phil A. Taylor, Massachusetts

I use Time Matters and Billing Matters. The invoices show a deposit to my attorney trust account as a credit to the client's trust account. I also enter the check number as additional documentation.

Deb Matthews, Virginia

I've seen this before. Technically, IOLTA is not an amount that is "owed"

to the firm yet, so it is not an Account Receivable and you don't want to create a receivable by actually billing the amount.

However, the client wants to get an "invoice" for the retainer so that they can process it through the corporate accounting department. (Most corporate accounting departments want an invoice to pay, rather than just entering a check. Gives them a good audit/paper trail.)

What billing software are you using? Many of them have a way to add a "Replenish your funds with \$X" line to an invoice that should give the person you are working with the right "looking" document to forward onto the payables department to get you paid. The replenishment does not count towards their Account Receivable; it is just a request. The A/R remains the same.

Hope that helps.

Nancy Duhon, Georgia

Some clients need a piece of paper that says Invoice at the top that they can hand to their accounting department to pay. Often they don't care about this level of detail. If this is the case, just create a Word document that says "Invoice" at the top, your law firm's name and address, and what is billed is "Trust Account Deposit as required by Agreement for Legal Services dated ____" with the initial deposit amount as the billed amount?

Cynthia V. Hall, Florida

I sometimes will issue an invoice for the initial retainer fee if the client requests one or if the client wants to deposit the amount electronically; those who pay me in person with cash or check just get a receipt for the retainer. I use MyCase so I can set up an invoice for the initial retainer, they pay online, and it gets deposited into my IOLTA. I also list the retainer fee amount on my retainer agreement. If the person pays me directly, I do a "deposit to trust" entry in MyCase for the day the retainer was paid (sometimes different than the date it was deposited in the bank if paid by check or cash.) When I invoice a client for services rendered, I always click the box that will show the IOLTA history on the invoice so the client gets the full report of all IOLTA funds - all deposits and all withdrawals with the appropriate dates - and I do this for every invoice so I don't have an issue when someone can't figure out where the money went or when. I use electronic transfers from my IOLTA to my operating account with individual transfers for each client so I can easily identify which transfer goes with each client.

I do explain that any money they give me that hasn't been earned stays in the IOLTA account until I need it (fees for court) or I earn it, while any money paid against an invoice where there wasn't money in the IOLTA just goes into my operating account. Most of my clients don't seem to care what IOLTA is or why, and probably wouldn't care if I didn't include the IOLTA history on the invoice, but it makes me feel better to give them the information. I figure if I run into a problem with a client later, using the same process each time and having it all documented on each invoice will help me if I have to explain it to a judge, my malpractice carrier, or the bar.

Liz

Elizabeth A. Ferguson, Michigan
