

Really Simple IOLTA Accounting

A November 2010 discussion on SoloSez, the email listserv for general practice, solo and small firm lawyers

A week or two ago there was a thread about IOLTA accounting. I've been using a one-page spreadsheet to do mine since I don't have a really active IOLTA account (meaning that it's not worth it for me to invest the time to learn how to do it in Quickbooks). Although it works, it wasn't particularly elegant. That prompted me to revise how I was doing it and share it with you, a few thousand of my closest friends. It's still not elegant, but it's better.

The link to the file is <http://tinyurl.com/27bb6mq>

It's just a dummy file with made up names/numbers.

It's a multi-sheet book. . . which is probably a good way to think of the account. The first sheet is a summary that just lists how much is in the account (calculated from the other sheets) and has a field where you can put in the latest statement from your bank and the date you checked the balances.

There are two dummy client sheets in the sample. On the left of each one is a simple register where you punch in money in/out of their account and a space for notes. To the right of the sheet is a summary for their account. The total deposits and withdrawals are the column totals from that client's register. I thought this looked cleaner than taking totals at the bottom of the deposit and withdrawal columns, plus doing it that way allows for as many deposits and withdrawals to be added as needed, without having to move the location of the "totals" columns, which is needed for the summary page.

When you set up a new client (a new page in the book), the easiest thing to do is to make a duplicate of an existing client page and just edit out the specifics in the register. Then you need to edit the summary page to make sure their page's column I2 gets captured. To do that, go to the first page (summary) and click on A2. In the formula that pops up, add "+'[name of page]!I2" or just add the plus sign and then navigate to the new page's I2 cell. I'm not sure how to set up a formula so that values in any later added sheets show up without having to be manually entered. If you know how to do that, please share.

Enjoy!

Steve

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Steven O'Donnell, Pennsylvania

It is too early on the left coast for Eyechart to respond, but reading what you most kindly shared with us about your spreadsheet tracking, I can't fathom that it was less work to create than it would have been to use, and yes learn, Quickbooks. Some state bars provide a customization for QB for IOLTA accounts (PMAers, please jump in. I think Minnesota is one.) In Virginia, ALPS has trust account software it provides to potential customers.

In QB if you create a category/account for "Client Trust - O'Donnell", you will know instantly by printing one standard report (as in click on the report title) what funds have been paid into and out of that category and what remains. Doesn't get much easier than that, IMHO.

Deb Matthews, Virginia

If that tinyurl doesn't work, try [this link](#).

Steve O'Donnell

I have a very simple billing program I have been using for several years. Each client matter has a separate "account" within the program and it will not print a check if it shows that client matter does not have a sufficient balance to cover the check I am attempting to print.

Pretty much foolproof, but also out of business (the software designer).

It also automatically takes any checks written on OA and applies the proper amount to a client matter.

Robert M. Louque, Jr., Louisiana

I'm with Deb on this. Your spreadsheet is cool, and it was really nice to share it with everyone.

But trust accounting in QuickBooks is *super* easy. It takes a little thinking (or copying from others) to get the initial accounts setup. But after that, it's a cinch.

My practice is high volume, so I'm setting up new client trust accounts every week. It literally takes less seconds. At the end of the month when I reconcile everything, I quickly go through and mark all \$0 balance client accounts as "inactive." I still have the records, but they don't clutter up my screen.

The basics are:

Checking account - This is akin to your actual trust account at the bank. I call mine "IOLTA".

Liability account - This is where you track which client the money belongs to.

Under the liability account (I call mine "Trust Account Liability"), you setup a sub-account for each client.

When a client makes a deposit, enter a deposit in IOLTA, just like you would for your operating account. The money is in the bank. But for the "account," select Trust Account Liability : Doe, John. Now your checking account will be credited. The liability account for that client will be debited. All is good with the world.

When you earn funds or pay expenses, do the opposite to write yourself a check. Debit the operating account (just like you're using your *debit*card). Credit the client's sub-account. Then you deposit the check in your operating account (in the bank AND in QuickBooks), and attach it to the account "legal fee income" (or whatever you want to call it).

Setting up a new client sub-account is as easy as typing the name in the account field in the IOLTA register. QB asks to setup the new account. I hit "enter." Done.

It's all about the debits and credits baby!

Andrew

PS: Just remember, $A + L = OE$.

PPS: Non-accounting-nerds can disregard that equation. :)

Andrew Flusche, Virginia

Sure, I don't disagree with you or Deb. If you have QB set up, there's no reason to play around with my spreadsheet. Last time I tried to set this up in QB I wound up killing a day and was left with something that still didn't do what I thought it would (that was about a year ago with the then-current version of QB for Mac, which usually

significantly lags behind Windows QB--although I haven't tried the newest version).

The spreadsheet only makes sense for low volume IOLTA accounts that have otherwise been managed with a single page Excel document or on paper.

Steve O'Donnell