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Client Trust Account - Last Activity “Aging” Report

We all know the client trust accounting rules inside/out. No comingling. Prompt withdraw of funds earned by the firm. Report all activity to clients. Investigate uncashed checks. Do reconciliations. Keep good records. Make sure everything balances. But as accountant-administrators we tend to defer to the lawyers the task of ensuring trust accounts are “closed” and everything disbursed when the matter is completed.

An interesting story was told during last month’s User Group Meeting. An administrator reported being “grilled” by an examiner from the State Bar as to why certain client trust accounts had no activity (deposits or withdrawals) over the last six months. Why were these funds still being held by the firm? That got me thinking.

After the conference, I went to the Orion accounting system in search of a report capable of identifying client trust balances with no activity since X date.

The data can be found in a report located here:

Go to the **Reports Menu**

Select: **Client-Matter Trust Ledger**

Sort Order: **Responsible; Client Code; Matter Code**

Style option: **Summary with Date of Last Activity**

What you get is all of the current balances, by responsible attorney with the date of last activity (i.e., last deposit or disbursement). I decided share the User Group Meeting story and run the report for the “responsible attorney” at each of the 42 firms for whom 4L provides outsourced accounting services.

I didn’t ask for an affirmative response from anyone, but received quite a few. Most explained away older items as security deposits for ongoing matters. But there were several “oops; thanks for the heads-up” type responses as well.

We do a lot of reporting to our client; a lot of it concerns client trust accounting including: account balances reported on pre-bills; account activity summaries on most invoice styles; copies of bank statements, reconciliations, check registers and detailed activity reports to senior management. However, no pre-bill will be generated if the matter is closed or no new work is performed, and an old trust account could easily fall through the cracks.

We’ve decided to incorporate this new Client Trust Account – Last Activity Report format into our routine reporting repertoire – not necessarily on a monthly basis; maybe every 3-4 times a year just as a precautionary reminder. When it comes to client trust accounting, the stakes are very high (there are licenses at stake). Better to err on the side of TMI (too much information) now and again.

***Michael R. Marget** is the Senior Managing Director of 4L Law Firm Services LLC, an affiliate of Orion Law Management Systems, Inc. 4L performs outsourced bookkeeping and billing services and provides a managed IT solution for small and midsize law firms. These services utilize Orion’s financial management and practice management software and later decided to delegate some billing and other back office accounting tasks to 4L. Mike is a former law firm administrator - COO and CFO - and can be reached via email at mmarget@4L-Law.com.*