

OSB Professional Liability Fund presents

Law Firm Accounting Demystified: A Practical Guide for Legal Professionals

Wednesday, July 23rd, 2025
12:00 pm – 1:00 pm

MCLE ID 122972
1 Practical Skills MCLE Credit

Speakers:

Sarah Prevost
Legal Accounting Specialist
Mintage Labs

Rebecca Cambreleng
Attorney
Cambreleng & Marton LLC

Rachel Edwards
Practice Management Attorney
OSB Professional Liability Fund



Professional
Liability Fund

CLE Materials

- [Speakers' Bios](#)
- [Additional Resources](#)
- [PowerPoint Slides](#)

Sarah Prevost

Sarah Prevost is the founder of Mintage Labs and co-founder of The Proper Trust, a firm dedicated to legal accounting and financial services tailored exclusively to attorneys and law firms. With deep expertise in process optimization and operational efficiency, Sarah helps firms streamline their systems and build strong financial foundations. She is an active member of the Multnomah Bar Association and a Clio Certified accountant, holding certifications as a Gusto Silver Tier Partner, LeanLaw Accounting Pro, and serving in advisory roles with both the Xero and Gusto Partner Advisory Councils. Beyond her client work, Sarah is also the co-founder of Accountants Law Lab, a mastermind group for legal accounting professionals, and co-house of the Accountants Law Pod, where she shares insights and leads conversations at the intersection of law and finance.

Rebecca Cambreleng

Rebecca Cambreleng is a co-founding partner at the employment law firm of Cambreleng & Marton. She assists employees with a variety of issues, such as sexual harassment, discrimination, separation agreements, noncompetes, whistleblowing, retaliation, and sexual assault in the workplace. She is an experienced litigator in both state and federal courts. Throughout her almost two decades as an attorney, she leverages her expertise in multiple fields to work for her clients. She also serves as a Judge Pro Tempore in the Washington County Circuit Court, and is involved in multiple legal organizations, including serving on the Board of the Multnomah Bar Association, a member of the Oregon Trial Lawyers Association, and a member of Oregon Women Lawyers.

Rachel Edwards

Rachel Edwards received her BA from the University of Washington in Seattle and her JD from Willamette University College of Law. She is a member of the Oregon State Bar, Oregon Women Lawyers, Multnomah Bar Association, Washington County Bar Association, and has been an elected board member of the Washington County Bar Association and a founding subcommittee member of the New Lawyers Division of the Washington County Bar Association. Prior to joining the Professional Liability Fund in 2016, Ms. Edwards was in private practice for four years. Her areas of practice included Social Security disability, family law, adoption, and estate planning. In her role as a Practice Management Attorney for the PLF, Ms. Edwards provides practice management assistance to Oregon attorneys to reduce their risk of malpractice claims and enhance their enjoyment of practicing law. Her assistance is free and confidential.

Additional Resources

- [Mastering Your Lawyer Trust Account](#)
- OSB Professional Liability Fund Practice Aids
 - <https://www.osbplf.org/> > Services > CLEs & Resources > Firm Operations > Trust Accounting
- [Unclaimed Client Funds](#)

Law Firm Accounting Demystified: A Practical Guide for Legal Professionals

Presented by :

Sarah Prevost

Founder, Mintage Labs

Rebecca Cambreling

Cambreling & Marton LLC



Professional
Liability Fund

Sarah Prevost

Accounting Services for Attorneys

Sarah's firm helps business owners with their accounting and workflow processes.

Her firm specializes in law firm accounting and advisory services for mid-sized law firms.

She is the co-founder of The [Accountant's Law Lab](#), a mastermind group for legal accountants.

She is also the host of the [Accountant's Law Pod](#) Podcast.



Rebecca Cambreleng

Attorney

Rebecca Cambreleng is a co-founding partner at the employment law firm of Cambreleng & Marton LLC. She assists employees with a variety of issues, such as sexual harassment, discrimination, separation agreements, noncompetes, whistleblowing, retaliation, and sexual assault in the workplace.

She is an experienced litigator in both state and federal courts. Throughout her almost two decades as an attorney, she leverages her expertise in multiple fields to work for her clients.

She also serves as a Judge Pro Tempore in the Washington County Circuit Court, and is involved in multiple legal organizations, including serving on the Board of the Multnomah Bar Association, a member of the Oregon Trial Lawyers Association, and a member of Oregon Women Lawyers.





Professional
Liability Fund

Rachel Edwards

Practice Management Attorney

Prior to joining the Professional Liability Fund in 2016, Rachel was in private practice for four years. Her areas of practice included Social Security disability, family law, adoption, and estate planning.

In her role at the PLF, Rachel provides practice management assistance to Oregon attorneys to reduce their risk of malpractice claims and enhance their enjoyment of practicing law. Her assistance is free and confidential.



Agenda

- 01 **Accounting Basics**
- 02 **Common Legal Accounting Pitfalls**
- 03 **Tools, Workflow, & Software**
- 04 **Best Practices for Success**



Why It All Matters

- Upholds ethical and fiduciary duties
- Avoids penalties and trust violations
- Promotes accurate decision-making and business growth





Bookkeeping vs. Accounting

- **Bookkeeping/Accounting:** Record financial transactions and balance financial accounts.
- **Tax Accountant:** Analyze, interpret, and summarize financial data. Also prepare tax returns.

*****Bookkeeping must take place before any accounting***

DO I NEED

A Bookkeeper or a Tax Accountant?

Bookkeeper

**Daily financial management & trust
account tracking**

Tax Accountant

Tax filing, high-level advisory

Bonus: Strong relationship = stronger compliance



How to Choose Bookkeeper and/or Tax Accountant

- **Qualifications? CPA?**
- **Word of mouth, listserv referrals**
- **Legal specialist is ideal**
- **Software preferences**



General vs. Trust Accounting

- **General Accounting:** Tracks firm operations
- **Trust Accounting:** Ensures client/third party funds are safeguarded

** “Legal accounting” is a combination of general and trust accounting



Why Legal Accounting is Different

- Attorneys face stricter compliance and ethical standards
- A single misstep can result in serious penalties and disciplinary action
- Legal accounting involves managing client/third party funds (trust) and general firm finances (general accounting)



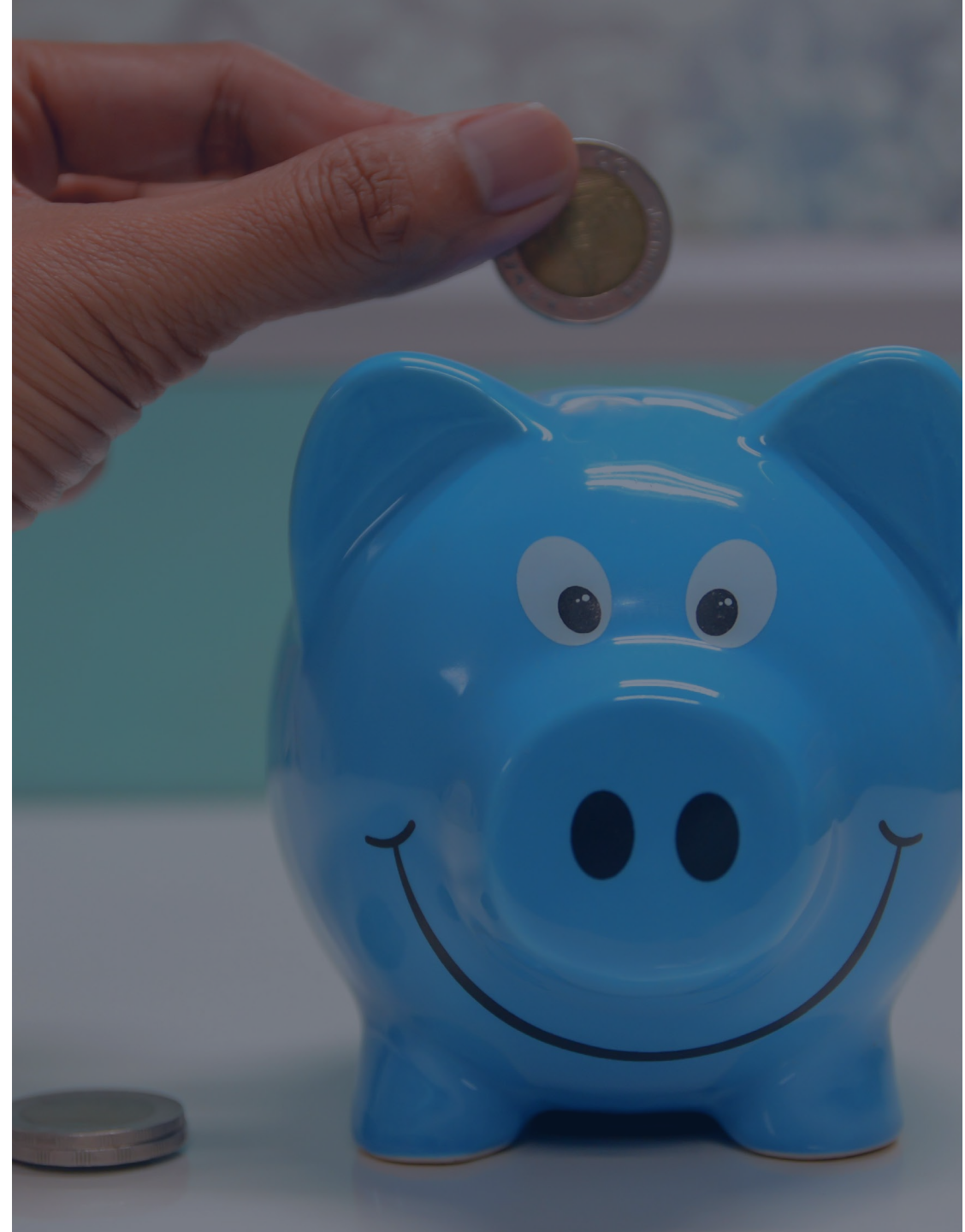
Definitions

- **Cash vs. Accrual Accounting**
 - Cash- records revenue and expenses when cash is received/paid
 - Accrual- records revenue when earned and expenses when incurred
- **General Ledger**- main recordkeeping system for financial data
- **Financial Statements**
 - Profit & Loss (aka income)- how profitable your firm was during a specific time period
 - Balance Sheet- overview of firm's assets (own), liabilities (owe), and equity (value) (Assets = Liabilities + Equity)
 - Cash Flow- how much cash is coming in and out of your firm during a specific time period
- **IOLTA (Interest on Lawyer Trust Account)**- funds that do not belong to the law firm
- **Trust Accounting**- practice of tracking and monitoring client/third party funds held in trust
 - **Trust Ledgers**- all funds deposited and disbursed for an individual client/third party held in trust
 - **Trust Journal**- all deposits and disbursements in and out of trust account
- **Reconciliation**- process of comparing sets of financial records to ensure they are correct and in agreement
 - **Three-Way Reconciliation**- verify that individual trust ledgers align with the trust journal and trust bank statements

Three Accounts

Every Firm Needs

- **IOLTA (Interest on Lawyer Trust Account)** (if holding client/third-party funds)
- **Business Operating (checking) Account** (for earned money)
- **Business Savings Account** (for taxes, reserves)



TRUST

- Maintain **IOLTA accounts** (Interest on Lawyers' Trust Accounts)
 - Track individual client balances
- Never commingle client and firm funds
- Record all deposits/disbursements with supporting documentation
- Reconcile trust account monthly
- Monitor unclaimed/deceased client funds
- Adhere to state bar and ethical compliance rules
 - Use trust-specific tools (e.g., Clio trust ledger, LeanLaw trust reports)

Require accurate record-keeping

Managed by a bookkeeper and/or CPA

Must be reconciled monthly at minimum

Use integrated software tools for efficiency

Documentation must be organized and accessible

Help ensure compliance and financial transparency

GENERAL

- Track income and expenses (rent, software, payroll, etc.)
- Maintain operating and savings accounts
- Reconcile all business accounts monthly
- Prepare Profit & Loss, Balance Sheet, and Cash Flow Statements
- Record and categorize credit card transactions
- Manage payroll and contractor payments
- Generate financial reports for internal strategy
- Use accounting tools (e.g., QuickBooks Online, Xero)

Task	Frequency	Responsible Parties
Set up proper accounts in software program(s)	Once	Attorney and/or Bookkeeper
Record all time and transactions	Daily	Attorney/staff
Three-way reconciliation	Monthly	Created by Bookkeeper and reviewed by Attorney
Review financial reports	Monthly	Attorney and/or Bookkeeper
Discuss financial planning and taxes	Quarterly	Attorney and Tax Accountant
Review accounting procedures for possible improvement	Ongoing and at least Annually	Attorney, Bookkeeper, and Tax Accountant

Profit & Loss Statement

Profit and Loss

Demo Law Firm File
March, 2021-December, 2022

Account	Total
▼ Income	
▼ 4000 Legal Fees Income	\$64,736.94
Billable Expense Income	445.00
Total for 4000 Legal Fees Income	\$65,181.94
Discounts given	-980.00
Total for Income	\$64,201.94
Cost of Goods Sold	-
Gross Profit	\$64,201.94
▼ Expenses	
> 6015 Auto	\$118.29
6020 Merchant Service Fees	1,707.67
6030 Billable Expense (offset income from above)	750.00
> 6080 Legal & Professional Services	\$300.00
> 6200 Office/General Administrative Expenses	\$2,327.84
8000 Interest Paid	-15.78
Bad Debt	728.19
Bank Charges & Fees	0.14
Billable Expense Incurred	-10.00
▼ Insurance	
Professional Liability	1,879.00
Total for Insurance	\$1,879.00
Total for Expenses	\$7,785.35
Net Operating Income	\$56,416.59

Balance Sheet (Assets)



Demo Law Firm File

Balance Sheet

... as of June 30, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1000 Operating Accounts	-1,877.50
Operating Checking - 7655	501,480.75
Savings - 7666	365.31
Total 1000 Operating Accounts	499,968.56
1100 Trust accounts	
IOLTA - 7654	143,959.77
R/E Trust Bank Account	-9,281.85
Total 1100 Trust accounts	134,677.92
Total Bank Accounts	\$634,646.48
Other Current Assets	
1230 Advanced Client Costs	-1,341.95
1700 Undeposited Funds	0.00
Total Other Current Assets	\$ -1,341.95
Total Current Assets	\$633,304.53
TOTAL ASSETS	\$633,304.53

Balance Sheet (Liabilities)



Demo Law Firm File

Balance Sheet

...as of June 30, 2024

	TOTAL
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Credit Cards	
2200 Credit Card	-4,208.27
BoA Business Card	14,013.09
Chase - Partner 1	3,012.12
Chase - Partner 2	-1,337.98
Total Credit Cards	\$11,478.96
Other Current Liabilities	
2300 Client Trust Accounts - Liabilities	-3,800.00
Aldrich, William	5,400.00
0012- Divorce	8,560.00
Total Aldrich, William	13,960.00
David, Seth	11,000.00
0008- Business Litigation	6,160.00
Total David, Seth	17,160.00

Balance Sheet (Equity)



Demo Law Firm File

Balance Sheet

...as of June 30, 2024

	TOTAL
Equity	
3200 Shareholder Distribution	100.00
Shareholder Distribution1	-38,100.00
Shareholder Distribution2	-17,400.00
Total 3200 Shareholder Distribution	-55,400.00
Opening Balance Equity	13,841.55
Partner Distribution-Alicia Florrick	-42,122.00
Partner's Equity - McBeal	
Partner Distributions- Ally McBeal	-12,000.00
Total Partner's Equity - McBeal	-12,000.00
Retained Earnings	445,084.51
Shareholder Distribution3	-19,000.00
Net Income	240,694.12
Total Equity	\$571,098.18
TOTAL LIABILITIES AND EQUITY	\$633,304.53

Client Trust Ledger Card

DATE	NAME	MEMO	CK. NO.	COST ADVANCED			FEES			TRUST		
				Advance	Received	Balance	Charged	Received	AR Bal.	Disbursed	Received	Balance
1/04/XX	Jones, John	Retainer	110								1,000.00	1,000.00
1/14/XX	Office	eFiling Fee		200.00		200.00						1,000.00
1/14/XX	Costs – Roberta	eFiling Fee	5024		200.00	0.00				200.00		800.00
1/15/XX	Sheriff	Service Fee	5025							20.00		780.00
1/21/XX	Office	Scanning Fee		5.00		5.00						780.00
1/31/XX	Fees – Roberta Long	Statement Sent					500.00		500.00			780.00
1/31/XX	Roberta Long	Fees & Costs	5026							505.00		275.00
1/31/XX	Dep. To Office Acct.	A.R.	5026		5.00	0.00		500.00	0.00			275.00
2/04/XX	Office	Delivery Fee		5.00		5.00						275.00
2/29/XX	Fees – Roberta Long	Statement Sent							300.00			275.00
2/29/XX	Roberta Long	Fees & Costs	5030				300.00			275.00		0.00
2/29/XX	Dep. To Office. Acct.		5030		5.00	0.00		270.00	30.00			0.00

Trust Account Journal

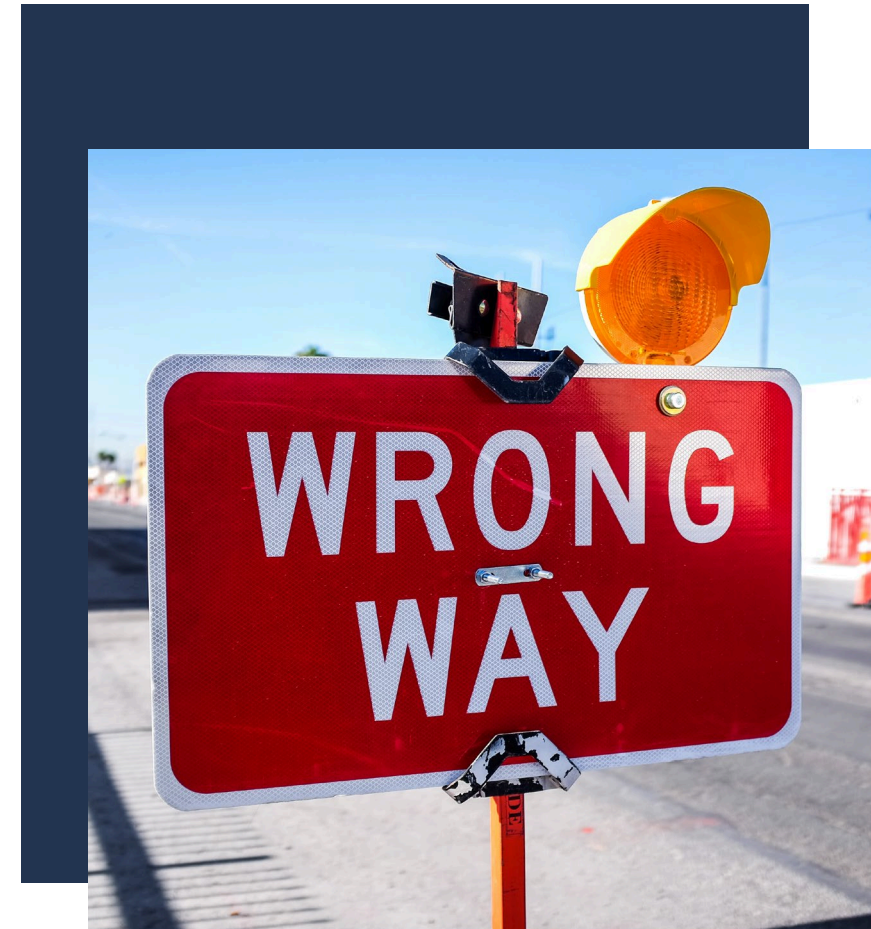
Date	Client	Source/ Payee	Receipts	Disburse- ments	Description	Balance
3/04/XX	Brown	Brown	500.00		Retainer	500.00
3/04/XX	Smith	States Ins.	30,000.00		Settlement	30,500.00
3/04/XX	Jones	Jones	1,000.00		Retainer	31,500.00
3/04/XX	Martin	Martin	250.00		Retainer	31,750.00

Three-Way Reconciliation

TRUST ACCOUNT RECONCILIATION SHEET		
For the Month Ended <u>September 30</u>		
Lawyer Individual Trust Account Ledger Balances		Amounts
Client	Adams, Arnie	\$6,325.00
Client	Barnes, Betty	\$6,500.00
Client	Cobb, Calvin and Kate	\$4,215.00
Client		
Client		
Attorney Funds for Bank Charges (if any)		\$0.00
1. Total Lawyer Individual Trust Account Ledger Balances		\$17,040.00
2. Lawyer Trust Account Journal Balance		\$17,040.00
Bank Statement Balance		\$17,040.00
Less Outstanding Disbursements -		\$0.00
Plus In-Transit Deposits +		\$0.00
3. Reconciled Bank Statement Balance		\$17,040.00

COMMON PITFALLS

- **Mismanaging Trust Accounts-** Mixing client funds with firm funds. Writing checks from wrong account. Failure to address unclaimed funds.
- **Skipping Required Reconciliations-** Leads to inaccuracies in financial records.
- **Commingling Operating and Trust Accounts-** Deposits incorrectly marked into wrong account from payment links, wires, and creates errors and compliance risks.
- **Legal Fee Income, Client Costs Revenue-** Not separating reimbursable client costs from actual income.
- **Loans and Financing Mistakes-** Treating loans as income instead of liabilities inflates profits inaccurately.
- **Improper Chart of Accounts Setup-** Hinders financial analysis and reporting.
- **Lack of Integration Between Billing and Accounting Systems-** Manual data entry causes errors and inefficiencies.
- **Wire Fraud-** Increasing risk with digital transactions without proper safeguards.



SOFTWARE TOOLS

Know Your Options

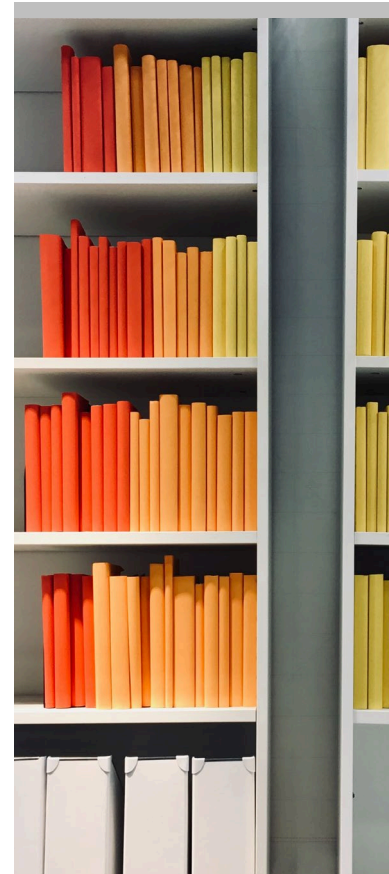
- **Non-Accounting Tools:**
Use SOMETHING!! (e.g., Microsoft Excel)
- **Practice Management:**
Clio, LeanLaw
- **Standalone Timekeeping/Billing:**
TimeSolv
- **General Accounting:**
QBO, Xero



CHOOSING

THE RIGHT TOOLS

- ✓ Legal-specific integrations vs. general tools (Clio + QBO = WIN!)
- ✓ Also need timekeeping/billing software (preferably integrate with accounting)
- ✓ Consider your practice area, workflow, team size, compliance needs, vet the vendor (see 2011-188)
- ✓ Get input from your bookkeeper



FINANCIAL CATEGORIES

INCOME



Fees Earned **Reimbursed Costs**

Revenue generated from services and reimbursable expenses paid by clients.

LIABILITIES



Client Trust Liabilities **Credit Cards**

Obligations including client-held funds and outstanding credit balances

EQUITY



Owner Draws **Retained Earnings**

Owner's equity including, withdrawals and accumulated profits.



ACCOUNTING SOFTWARE INTEGRATION



**Timekeeping/
Billing System**



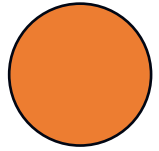
Operating Account



**Credit/Debit
Cards**

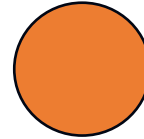
Seamless data flow from financial activities into accounting software for real-time tracking reporting

Who Does What?



Attorney

- Legal Work
- Billing Accuracy



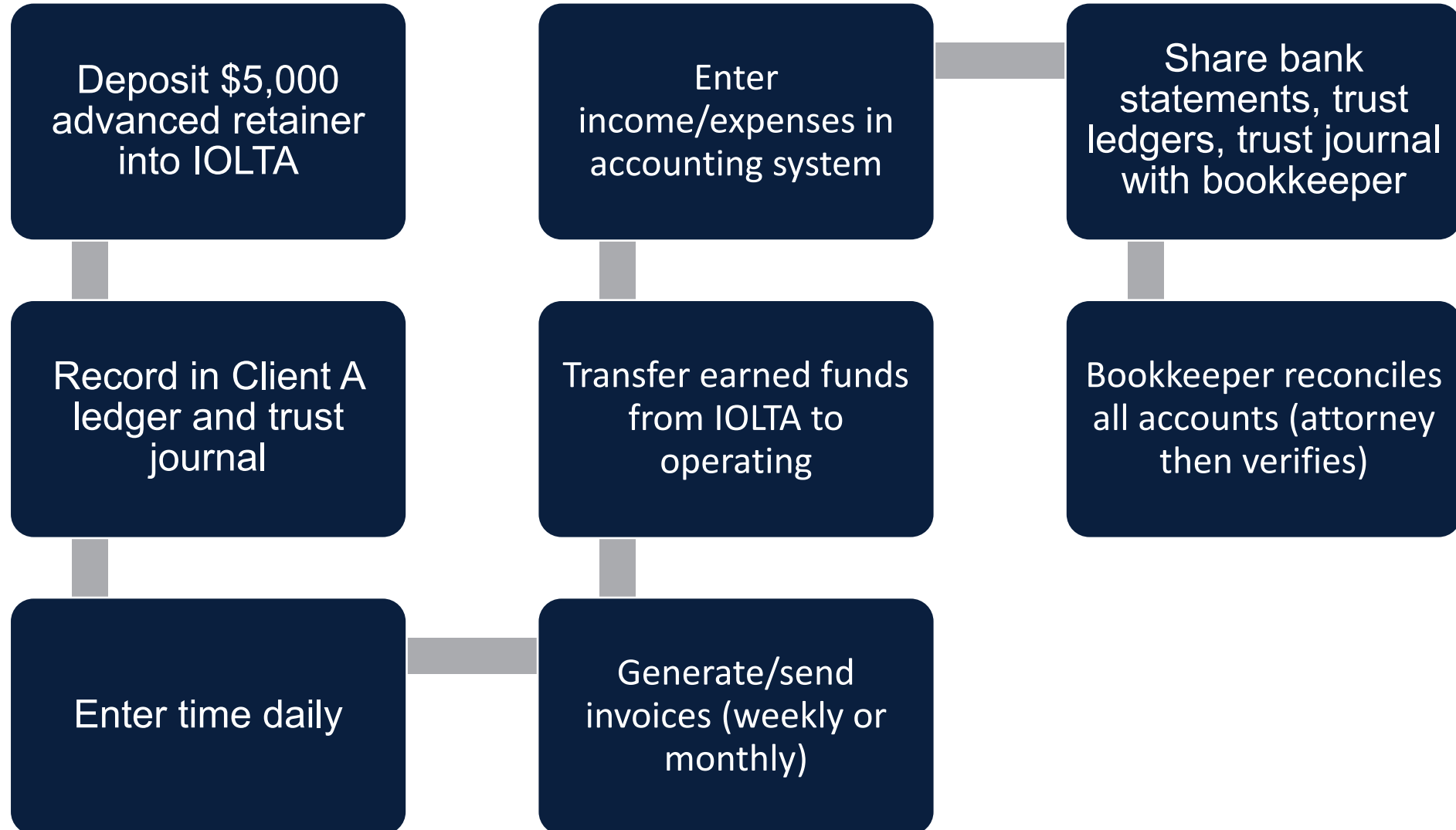
Bookkeeper

- Reconciliations
- Reporting
- Compliance

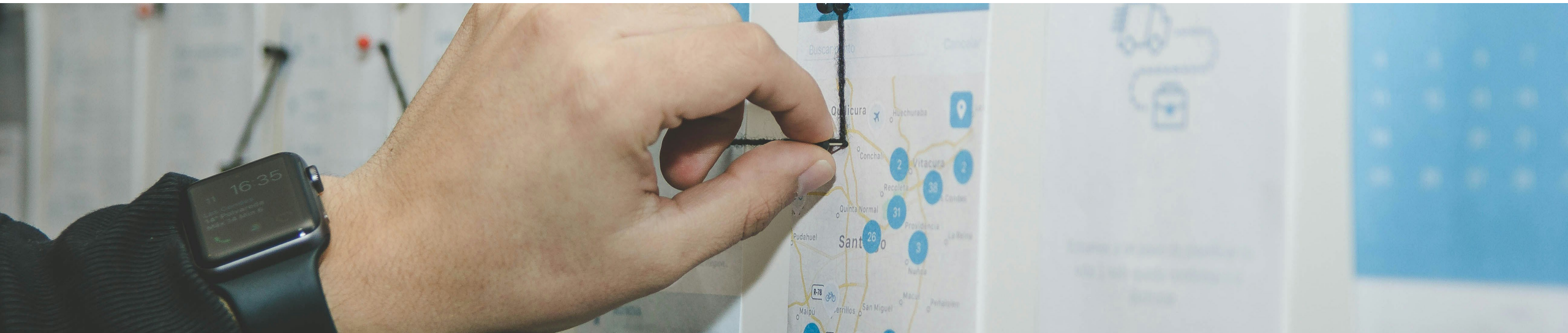
When The Bookkeeper Gets Involved

- From day one (ideal)
- At least monthly for reconciliations
- Provide clear, timely information

Sample Legal Accounting Workflow



Sample Accounting Workflow: From Setup to Annual Review



Step 1: Open the Correct Bank Accounts

1. Accounts to open
 1. IOLTA
 2. Business operating (checking) account
 3. Business savings account
2. Consider using a bank suggested by the Oregon Law Foundation (accounts don't have to be at the same bank)
3. Ensure online access for each account
4. Do not use personal accounts for firm transactions

Step 2: Choose Accounting Software

1. Try to use legal-specific accounting software
2. Ideally use software that includes trust and general accounting
 1. Otherwise, use trust accounting software that integrates with general accounting software
3. Use a tool that can perform 3-way reconciliation for trust
4. Vet the vendor to ensure proper security
5. Understand options for possible data migration

Step 3: Set Up Your Software Programs

1. Set up the chart of accounts:
 1. Assets
 2. Liabilities
 3. Equity
 4. Revenue
 5. Expenses
2. Determine possible customizability (examples below):
 1. Time tracking entries
 2. Invoice templates with payment terms
 3. Billing frequency

Step 4: Establish a Daily/Weekly Workflow

1. When a new matter opens, create a matter in the appropriate software program
2. Deposit funds to the correct account
 1. Unearned money- trust
 2. Earned money- operating
3. Record time and expenses

Step 5: Establish a Monthly Workflow

1. Create and send invoices for work completed
2. Apply trust funds toward invoices
3. Transfer earned funds from IOLTA to operating
4. Record transfer in software
5. Reconcile operating and trust accounts:
 1. Operating- Match transactions in accounting software to bank statement and confirm all income/expense categories are accurate
 2. Trust- Perform three-way reconciliation (ensure bank statement balance, trust journal balance, and sum of individual client ledgers all match exactly)

Step 6: Establish a Quarterly and Annual Workflow

1. Quarterly

1. Review overall financials with bookkeeper or tax accountant
2. Set aside funds for taxes

2. Annual

1. Generate profit and loss and balance sheet reports
2. Provide year-end reports to tax accountant for tax filing
3. Update software licenses and evaluate financial goals

Be Strategic in How You Set Up Your Workflow

- Each firm handles money differently
- Examples:
 - Family law- more trust account activity
 - Personal injury- less trust account activity and tendency to want to move earned money to checking quickly
- Understand nuances and adjust accordingly



KEY WORKFLOW TIPS

- **Don't DIY Unless You're Trained!**
- **Use Tools That Talk to Each Other (Integrations)**
- **Be Consistent in Documentation**
- **Be Consistent in How You Handle Funds**
- **Use timers or smart timekeeping**
- **Automate unpaid invoice and uncashed check follow-ups**
- **Set up alerts for low trust account balance and trust discrepancies**
- **Run income reports and assess unpaid balances end of month**

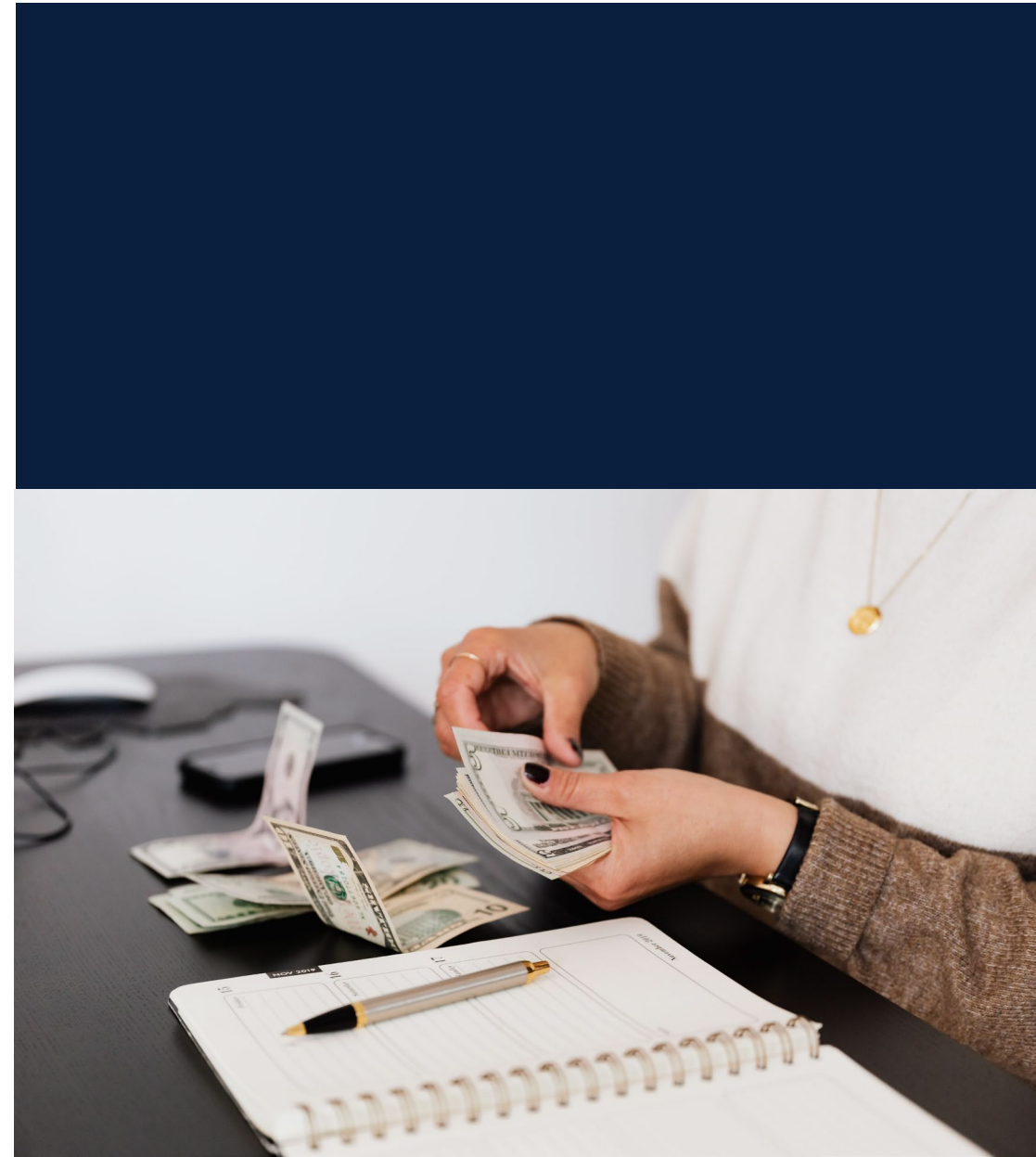


Remember:
Communication = Seamless Workflow

BEST PRACTICES

Trust Accounting

- Follow the **3-5-10** rule for disbursements:
 - 3 days: Minimum hold after deposit
 - 5 days: Check if funds cleared
 - 10 days: Safest window to disburse
- Consider each client as a separate account
- No commingling
- Cannot cushion trust account
- Use different colored checks
- Understand “earned on receipt” fees
- Create a wire transfer protocol



CREDIT CARD CONSIDERATIONS

Practical Tips



- **Know your processor's policies**
- **Understand how fees affect trust balances**
- **See OSB Ethics Opinion No. 2005-172 about passing surcharges to clients**

Additional Tips

- Assign roles clearly
- Implement written procedures
- Choose and use technology wisely
- Think about your firm's long-term goals



ETHICAL RESPONSIBILITY



- You are accountable—even if you delegate
- Transparency and good documentation = protection
- When in doubt: ask your bookkeeper or tax accountant

Final Thoughts

- **Legal accounting is manageable with the right systems**
- **Avoid pitfalls by staying proactive**
- **Build a trusted financial support team**
- **Be ready for firm evolution**



Questions

Slide 044



Contact Us

Rachel Edwards

RachelE@osbplf.org

Sarah Prevost

Sarah@thepropertrust.com

Rebecca Cambreleng

Rebecca@workplacelawpdx.com

Teaira Burge (Assistant)

Teaira@thepropertrust.com

