

ACCOUNTING GUIDANCE FOR YEAR END SUCCESS

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That's right....another year has passed, and oh what a year it has been. Regardless of the pressures and changes you were forced to navigate, some things remain the same - the need to properly wrap up your year and get organized for the year to come. Here are some tips you should follow every year to set your firm up for success.

COVID-19

Covid 19 – We said it. But the reality is, the pandemic caused many businesses (and your law firm is a business) to make changes to the way we work. Think about what your firm changed and determine if those changes are “sticking.”

For example, are your remote workers staying remote? Has that impacted whether or not you need the same physical real estate footprint? Review your lease agreement and prepare for any notice you may need to give in the coming months, or in 2022.

INVENTORY...TAKE ONE

There is a good chance you invested in equipment to accommodate work from home employees and the new ways you had to serve clients over the past year. Does that equipment need to be returned? Repurposed? Did you update your insurance policy when you added it?

Did you add remote meeting subscriptions or similar to accommodate for multiple team members running meetings? Do you still need all of those accounts? Do a “subscription” inventory and be sure you are not tossing money out the window.

Another good idea as the year wraps up is to take a look at the programs you use and review the permissions that each user has. Often firms install software and then 5 years later, realize that they have never gone back to make sure all of the access each user has still makes sense. You may have created new users “based on” another user and inadvertently inherited permissions that don't fit that person's role at the firm.

Further, you might find that you still have active users in your systems that no longer work for the firm, and might be costing you money, or license bandwidth. Take inventory of who is using what.

BUDGETS

If you have a budget for this year, how are you doing? If you don't have a budget, now is the time to get started on one. And don't just create a budget by looking at last year's expenses - plan for any personnel changes, equipment purchases, lease renewals or office moves, conference attendance, etc. I mentioned above reevaluating office space, equipment, and services, which were potentially under-utilized unalterable costs (rent) or new, added expenses (mobile technology or Zoom subscriptions). There are also costs that greatly declined or disappeared during COVID; big things like in-person conferences and associated travel and small things like restocking breakroom snacks. Your view of a potential reopening in 2022 can affect your budget as much as what you actually spent in 2020 and 2021.

Make sure your accounting system is properly configured to track expenses in a way that makes reporting easy and that can provide you with real insight as to where your money goes each month. Take a deeper look at expenses – did the pandemic add or remove any expenses? For example, your travel budget may have taken a giant dip in 2020 and 2021, but do you expect that trend to continue? Do you need to add travel back into the budget?

Review your aged Work in Progress (WIP, unbilled time and unbilled costs). Your time and billing system should be able to report WIP by responsible attorney so that you can bill out any files that can be billed. If there are files with time that should be written off and closed, do that now. There is no sense carrying over WIP or balances you will never collect to the new year. And remember (and confirm with your CPA), you can't expense fees and costs you can't collect unless you have deemed them unrecoverable.

ACCOUNTS RECEIVABLE

What does your 30-60-90 day aging report show you? Are there receivables older than 90 days? Is it truly uncollectable, and if so, why? Maybe you need to employ stronger collection efforts? Of particular importance here are the costs advanced that you may need to write off - and don't forget to use the [IRS Attorney Audit Technique Guide](#) to understand the implications of writing these types of things off. And of course, consult with your CPA!

STALE BANK ITEMS

Review any stale items on your bank reconciliations - no uncleared deposits and no stale uncashed checks greater than 6 months old. Review and balance your unallocated payments or credit balances. Make sure any money that should have been refunded or moved to trust has been appropriately handled.

Review your trust account to be certain that you transferred any amounts to operating that you have rightfully earned and can transfer, and confirm there are no amounts due to be returned to a client or disposed of in accordance with your state's rules of professional conduct (e.g., sent to the Lawyers Trust Fund of Illinois (see [Ill. R. Prof'l Conduct 1.15\(i\)](#))). You should do this every month - but make sure you do it before the year's end.

DATA ENTRY

Finish any data entry for the year - make sure all client payments are posted, all bills are finalized, accounts payable are handled, and payroll is posted. Reconcile all of your bank accounts, including the three-way reconciliation for your trust accounts.

TAX FORMS

Review your list of vendors and send W-9s as needed. Review the requirements (basically anyone who is not incorporated should get a W-9). LLCs require 1099s unless filing as a corporation (if filing as partnership they are required to get them), so best to send W-9s to them too if uncertain. When in doubt, put the onus back on the vendor by sending them a W-9, or ask your CPA about the rules.