

# Refining Firm Processes: Avoid Becoming the Bottleneck in Your Firm

American Academy of Attorney-CPAs  
Annual Conference

Date & Time: June 13, 2025, 9:45 a.m. – 10:45 a.m.

Location: The Westin Georgetown, 2350 M St N Unit W, Washington, D.C.

Format: Live | In Person



***“The Accounting & Money Movement  
Solution for Law Firms and Their Leaders”***

# Meet Our Speaker:

## Knight Lancaster, CPA, JD, M.B.A.



Accounting & Tax in a Boutique CPA firm (prior to practicing law)



Commercial Lending & Underwriting in a Community Bank (prior to practicing law)



Practicing Attorney in Law Firms of 1, 40, 400+ Attorneys



Primary Practice Areas: M&A, Securities, Estate Planning, & Tax



The Law Firm's "in-house" CPA



Today: Law Firm Accounting & Financial Operations "the back office"

# Practices Served



Tailored accounting & money movement services to law firms with the following practice areas:

- Estate Planning
- Real Estate
- Corporate
- Civil Litigation
- Criminal Law
- Personal Injury (contingency)
- Full Service

# Actual Attorney Responses To: “Why are you looking for accounting support & what is your criteria?”

“We’re pretty tech savvy; we just need help with additional volume.”

“My accounting is too complicated. It could never be done externally.”

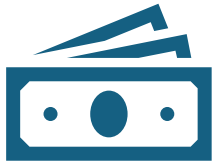
“We do not work with CPA firms anymore.”

“My assistant/office manager does the accounting, but she can keep doing that. I just need someone to review her work.”

“We don’t really need accounting help, what I really need is a CFO to help me figure out which bills to pay.”

“My firm is different than all the other firms.”

# Three Components of A Law Firm



Money coming in the  
door

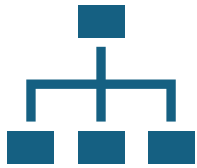


People to do the fee  
generating work



Financial operations  
processes that  
support the money  
coming the door and  
requests from people  
doing the work

# The Three Categories of Operational Breakdown



Lack of Process or  
Authority

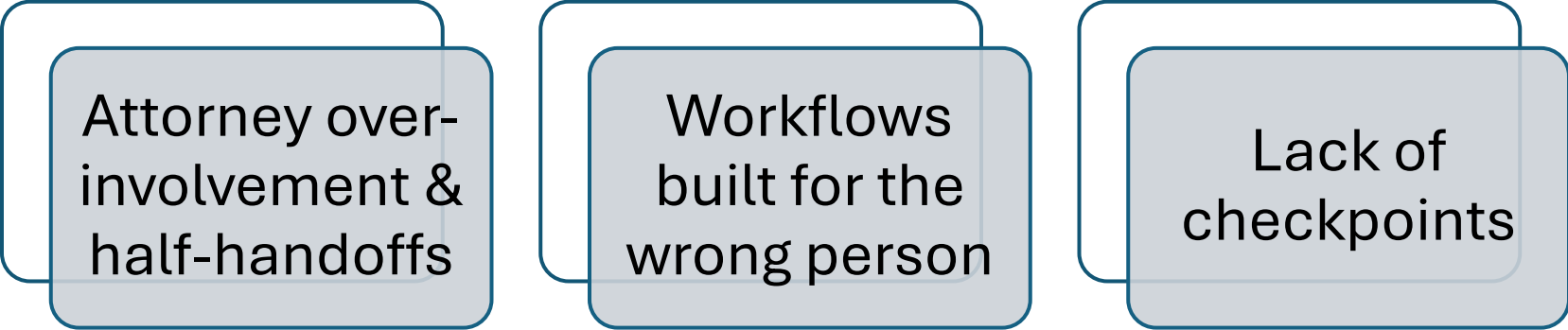


Software Integration  
Limitations & Failures



Firm Development &  
Succession Gaps

# Category 1 — Process Failures



Attorney over-  
involvement &  
half-handoffs

Workflows  
built for the  
wrong person

Lack of  
checkpoints

# Process Types & Creation

Variables	No Instruction	Full Delegation	Half-Handoff	Reasonable Process
Level of Instruction	None	Clear and Specific “If X, then do Y unless 1, 2, 3, then do A or B, unless 4, then do C.”	Vague or Failed Full Delegation “Do X unless something looks weird.”	Handles the vast majority of situations “If X then Y, unless 1, 2, or 3, then reach out to [Person].”
Outcome	None	Scalable* and efficient*	Confusion, errors, monitoring trap	Known “Knowns” Known “Unknowns”
Responsibility	Attorneys	Attorneys	“We’re a team”	Process
Ongoing Supervision Needed	Full	“None”	High	Minimal
Ongoing Workflow Impact on Attorney	High	Low*	Inconsistent	Low
Ability to Evaluate Person	None	Unrealistic in many cases	None	High



# Illustration A: File Opening “Best Practices”

**Conflict Check**

**New Client-Matter Created**

- All (20) inputs required to open a client-matter
  - Phone number, email, practice area, responsible attorney, separate contact information for billing purposes, alternate email address, preferred method of communication, billing structure, source of business, mailing address, etc.

**Engagement Letter & Trust Request**

**File Opened**

# Illustration A: File Opening Result of Forcing “Best Practices”

## Conflict Check

## Engagement Letter & Trust Request

- Attorney sends engagement letter and trust request and firm receives money prior to having a matter open.
- Result: Accounting has no idea what to do with the funds received.

## New Client-Matter Created

- All (20) inputs required to open a client-matter:
  - Client Name, Phone number, email, practice area, responsible attorney, separate contact information for billing purposes, alternate email address, preferred method of communication, billing structure, source of business, mailing address, etc.

## File Opened

# Illustration A: File Opening Minimum Requirements

**Conflict Check**

**New Client-Matter Created**

- **Minimum Inputs Required**
  - **Client Name & contact information for billing purposes**

**Engagement Letter & Trust Request**

**File Opened**

# Illustration A: File Opening Final

## Conflict Check

## New Client-Matter Created

- Minimum Inputs Required
  - Client Name & contact information for billing purposes

## Engagement Letter & Trust Request

## File Opened

## End of Month

- Phone number, email, practice area, responsible attorney, separate contact information for billing purposes, alternate email address, preferred method of communication, billing structure, source of business, mailing address, etc.
- Result: Now all the client information you need for future marketing, business development, etc. is in your practice management system.

# Illustration B: Expense Approvals

## “Best Practices”

### Form Request:

- Different Forms for Every Type of Outflow (checks vs. digital payments & operating vs. trust)
- Single Form for Every Type of Outflow

### Form Inputs include:

- Dollar Amount, Vendor Name, Client Name (if billable), cost codes for accounting purposes, purpose of expense person requesting expense, person completing the form

### Approvals:

- All expenses need (2) approvals

### Processing:

- Payments are processed (1) day a week. Rules are rules.

# Illustration B: Expense Approvals

## Result of Forcing “Best Practices”

### Form Request:

- Different forms for each type of outflow (checks vs. digital payments & operating vs. trust)
  - Result: Person completes the incorrect form by mistake.
- Single form for every type of outflow
  - Result: Incomplete forms, operating vs. trust selected by human error or lack of understanding

### Form Inputs Include:

- Dollar Amount, Vendor Name, Client Name (if billable), cost codes for accounting purposes, purpose of expense person requesting expense, person completing the form
  - Result: Incorrect cost codes & incomplete forms due to “We don’t have time”

### Approval:

- All expenses need (2) approvals
  - Result: Bottleneck in approval and lack of approval happens more than full approvals.

### Processing:

- Payments are processed (1) day a week. Rules are rules.
  - Result: “Urgent” items/checks printed almost daily.

# Illustration B: Expense Approvals

## Minimum Requirements

### Form Request:

- Different forms for Operating vs. Trust
  - Result: The “miss” is someone filling out the wrong form, not simply checking the wrong box

### Form Inputs Include:

- Dollar Amount, Vendor Name, Client Name (if billable), cost codes for accounting purposes, purpose of expense person requesting expense, person completing the form
  - Result: Incorrect cost codes, incomplete forms due to “We don’t have time”

### Approval:

- All expenses need a single approval but any attorney can approve expenses
  - Result: Attorney ends up approving their own requests or the person required to approve the request is the reason the backlog exists in the first place.

### Processing:

- Processing returns to daily based on the most urgent items and ‘being busy’.
  - Result: Lack of consistency/efficiency. Guessing of urgent vs. not urgent returns.

# Illustration B: Expense Approvals

## Final

### Form Request:

- Different forms for Operating vs. Trust
  - Result: The “miss” is someone filling out the wrong form, not simply checking the wrong box

### Form Inputs Include:

- Dollar Amount, Vendor Name, Client Name (if billable), purpose of expense, person completing the form
  - Result: Avoids asking an attorney or non-accountant to try to figure out which cost code to use

### Approvals:

- Billable expense/Client requests < \$350 are approved on submission
- Billable Expense/Client Requests > \$350 and < \$5,000 require (1) approval
- Billable Expense/Client Requests > \$5,000 require (2) approvals

### Processing:

- Routine processing occurs on Tuesday and Thursday, with urgent processing as needed.
  - Result: You have time for Friday emergencies (or closings) and Monday is the lowest transaction volume and urgency day of the week



# Expense Approvals

## Digital Payments

Digital vs. Paper/PDF Expense Approval Methods

Expense Control via Digital Card Issuance – Ramp

Employee Card Controls

Digital or physical employee cards vs. “passing around the credit card”

## Category 2 — Software Integration Limitations & Failures

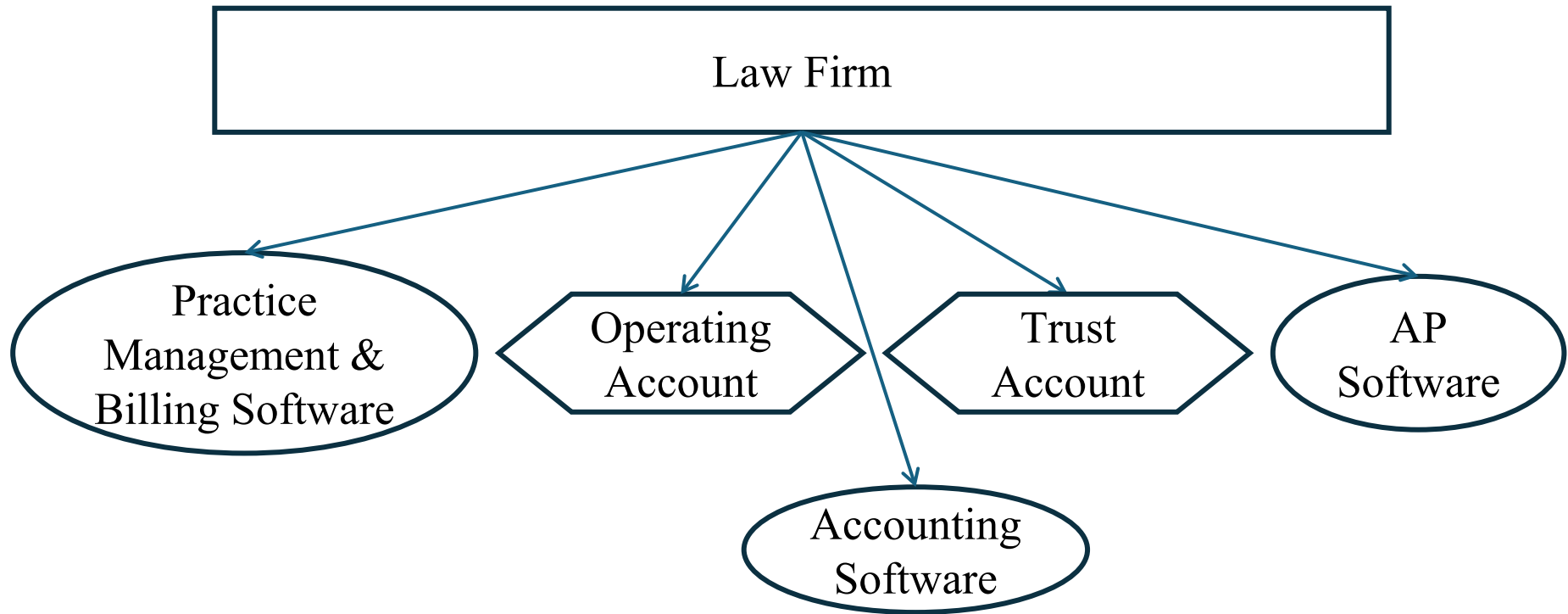
Reconciliations are still your root control

Trust accounting & income misclassification

Practice Management & Accounting  
Software limitations & errors

# Software Stack – Pre-2010

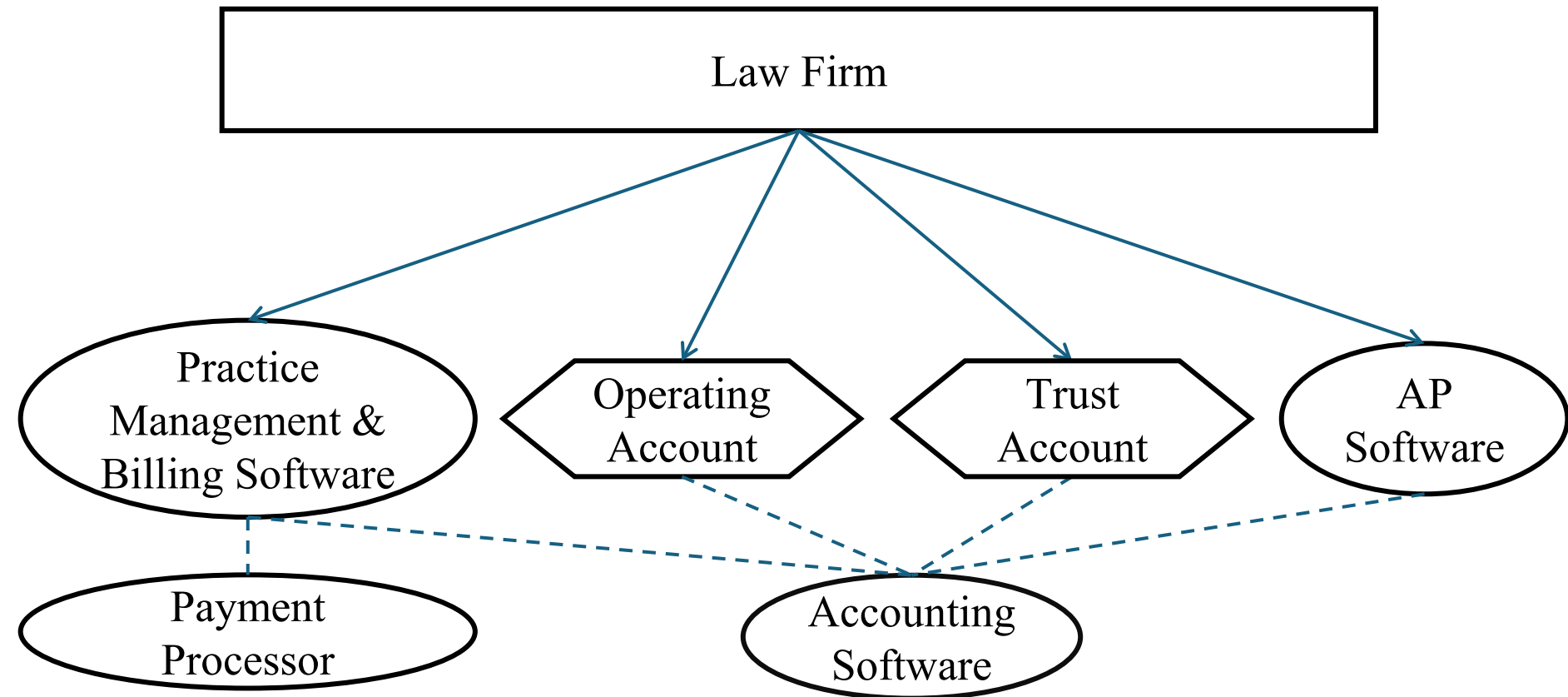
Effectively No Integration  
Biggest Problem Was Siloed Information



# Software Stack – After 2020

## “Full” Integration

Biggest Issues Are Duplicate Information, Integration Limitations, or User Error



# Core Accounting

## Original Purpose

- Look for errors
- Look for fraud
- Look for unauthorized transactions
- Keep up with money in transit

## Added Purpose – Avoiding duplicate information

- Look for transaction matching (invoice/bills)
- Look for uncleared transactions
- “Transfers”

## Added Purpose – Ensuring Billable Expenses Are Recorded As Billable Expenses

- Look for billable expenses not billed to clients
- Review other top-line data to ensure that expected numbers for financial activity match your billing software (within reason).

# Common Software Issues With “Correct” Setups: Duplicate Financial Information

## Duplicate Outflows

- **Example:** After an inflow to trust account for a settlement, firm inputs the outflow (to zero out the client trust account balance) in Clio/MyCase/Smokeball/Filevine and fails to select the correct option for method of printing the check and then writes checks to the client and other third parties in accounting software.
- **Result:** A journal entry from PM and manual check in accounting software will both exist as separate transactions. Accounting software reflects the outflow as (2) separate transactions.

## Duplicate Inflows

- **Example:** Firm sends invoice to client which triggers a journal entry to be pushed to QBO. When the client pays the invoice, the inflow shows up in the bank feed and entire amount is “added” as Legal Fee Revenue instead of “matched” to the journal entry.
- **Result:** A duplicate invoice total amount and your legal fee revenue is overstated. Correct mapping makes this even worse because, if the mapping records billable expenses as an asset, you did not expense the billable costs on the front end and then recorded the repayment as revenue (I.e. billable expenses that should be a wash are actual firm revenue...)

# Common Software Issues With “Correct” Setups: Software Limitation/Failure

## Software failure results in no journal entries

- **Example:** Invoice sent to Client for \$10,000. For a pure technology reason, the transaction does not populate in accounting software.
- **Result:** If the full amount is shown as legal fee revenue, there is almost certainly an error as some portion of the fee is likely for billable expense recovery

## Software limitation results in no journal entries

- **Example:** Firm integrated their timekeeping with their accounting software. Attorneys measure their production by a combination of hours and collections, all calculations are performed in the accounting software. Attorney 1 and Attorney 2 have the same collections numbers, but Attorney 1 booked all his non-billable time as billable, with a rate of \$0 and attorney 2 booked all his non-billable time as... non-billable time.
- **Result:** Attorney 2's non-billable time does not show up at all in accounting software as the software views non-billable time as informational data that does not affect accounting records. Attorney 1 will receive higher compensation unless someone sees this.

# Common Software Issues With “Correct” Setups Payment Processor Limitation & Quirk

## Software limitation causes no journal entries

- **Example:** Client pays invoice/trust deposit via ACH/bank account, but inputs incorrect payment information. Payment processor subsequently claws back the money advanced to your firm.
- **Result:** No journal entry is pushed to trust accounting software for the transaction where payment processor pulls back (from your firm) the advanced funds due to software limitation between billing software and payment processor.
- **Result:** Client trust account balance is overstated in billing (trust accounting) software.



# Root Cause of Software “Issues”

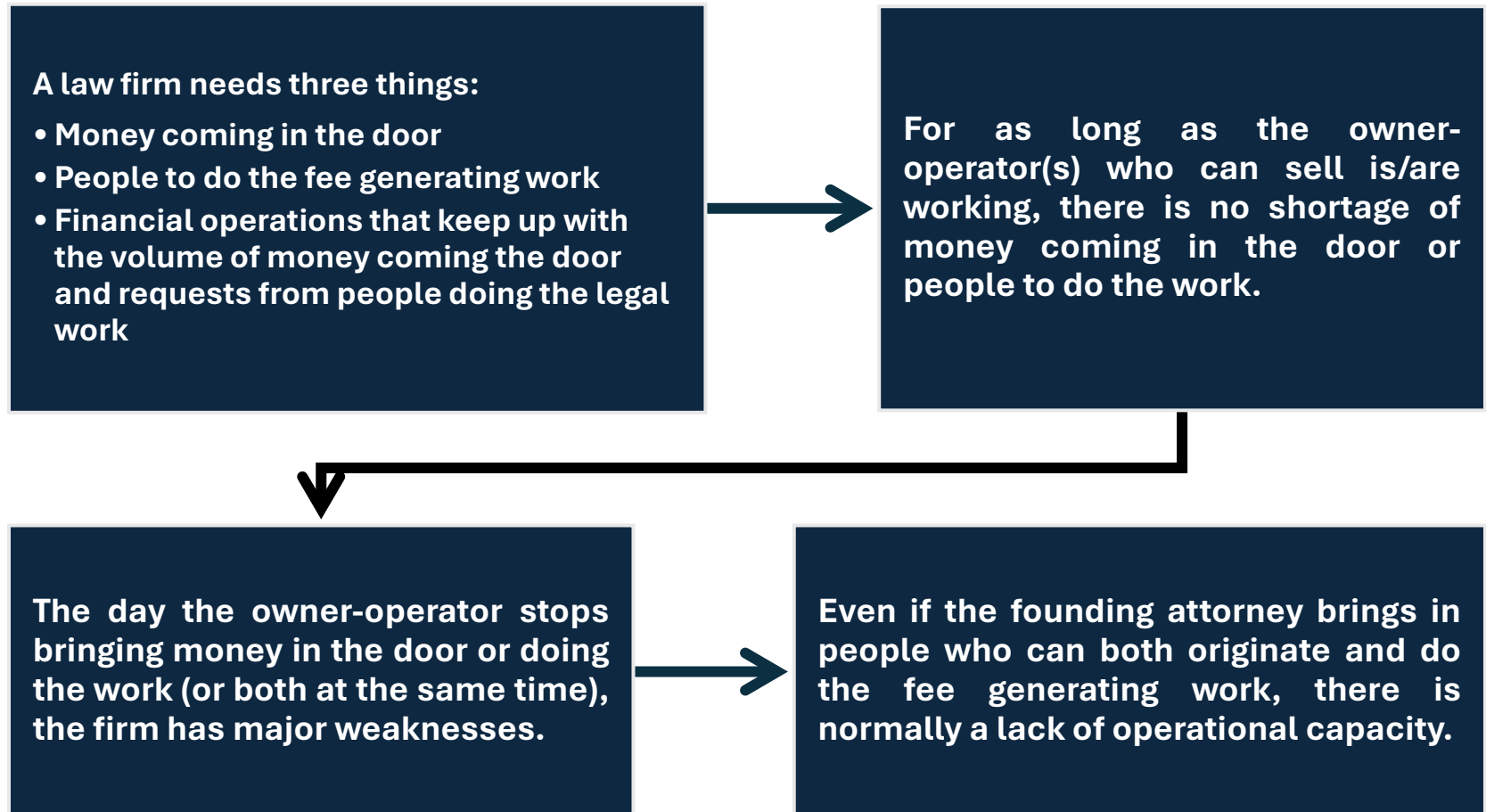
What does  
“Integration”  
Mean

- **Clio, Filevine, MyCase, LeanLaw, Smokeball**
- **Original Purpose of each was Client-Matter management & billing, not integrating with accounting software**
- **One-Way vs. Two-Way Syncs**

Timekeeper  
Specific  
Adjustment or  
Invoice  
Adjustment

- **Line-Item Discounts, General Discounts, Write-offs**
- **Non-billable vs. billable classifications**

# Category 3 — Firm Development & Succession Fundamental Issues



# “The practice of law is not a business, but practicing law with others very much is”

**If you are 55+, the sole or majority owner, and working on how to transition your firm to the next generation of attorneys, you can not transition your firm the same way you built it.**



**Law Firms need 3 things:**

**Money coming in the door**

**people to do the work**

**financial operations to support the needs of both**



**If you're the founding owner-operator attorney looking to retire, there is a good chance your operations support leader is not far behind you.**



**If you do nothing, this means the people you want to buy your equity are buying a firm where:**

**the primary fee generator is no longer generating fees**

**the financial operations that support the firm have no leader.**



**This means that you're attempting to sell your firm to attorneys who are good at practicing law, but the firm they are buying has no more predictability for fee origination or operations than if they established their own firm.**

Instead of trying to build the perfect solution, create the worst outcome, what would cause the worst outcome to occur, then avoid those issues.

“How would I have a high chance of failure trying to transition my firm?”

- **Have no method for consistent fee generation other than myself and 1-to-1 relationships (who are close to my age).**
- **Have the leader of the financial operations that is close to retirement with no successors.**
- **Have a compensation structure that does not heavily focus on certain people (via firm resources) being heavily responsible for originating new work.**
- **Create a buyout structure for your equity that is (1) not feasible from a firm cashflow perspective and (2) not tied to some methodology of (i) new predictable revenue (brand recognition / access to exclusive opportunities) and (ii) existing work you originated (origination payout).**

Now that you see the 4 issues, remember that you're not building a firm for you to work in, but one that can be transitioned in a way that makes sense to all parties.

Instead of trying to build the perfect solution, create the worst outcome, what would cause the worst outcome to occur, then avoid those issues.

How would you create a bad expense approval and money movement process?

- A process where people do not know if they have authority.
- A process where people do not know what the process is.
- A process where people have no support if the following the process provided a 'weird' result.
- A process where people do not know when payments need to be made.
- A process where it is impossible to evaluate human error vs. lack of understanding.
- A process where it is impossible to distinguish between whether there is a yes/no answer or judgement is required.

Now that you see the (6) issues, write down how to avoid them and remember that you're not building a firm for you to work in, but one that you can hire people to do functions without compromising quality.

# Use Common Sense

I do not know an attorney that finds the raw data from accounting or billing software helpful.

The total balances and in accounting and billing software is used to create the custom summary reports attorneys do find helpful. This means you make high(er) confidence decisions on data that has not been reviewed for accuracy (or you don't review financial information).

Law firms must take a fresh look at how they handle incoming information from the first point of contact so that the compliance work can be done accurately, efficiently, and in a way that leads into creating your custom/manual reports.

In 9/10 situations I see, attorneys say that their accounting issues can be solved by adding more people and that could not be any further from the truth as more people using the current process/workflow will only increase errors and confusion.



## Q&A / Wrap-Up

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- Website: [www.LancasterFirm.cpa](http://www.LancasterFirm.cpa)



***"The Accounting & Money Movement  
Solution for Law Firms and Their Leaders"***