LeanLaw

How to buy billing and accounting software for a mid-size law firm

Create a process so your new software will delight you.

Contents

The agony

Buying new software for billing and accounting in your law firm is something that most firms put off until the existing software is on its last legs. Why? Three reasons:

1. Selecting accounting software can be painful and complex - lots of people need to have buy-in and there is not much guidance online. Who has time for that?

2. You don't believe that there's a good solution out there. Why haven't you heard of it?

3. If and when you do find a good law firm software solution, how on earth will you be able to transfer the whole law firm to this new solution?

The antidote

We wrote this guide for the people who have to select new financial software (timekeeping, billing, accounting and reporting) for mid-size law firms, which we define as firms with 5 to 50 lawyers. Many of you are law firm administrators or accounting managers, but you may be the managing partner, technology partner, partner who drew the short stick, outside accountant or bookkeeper or the IT manager. We hope this is useful for all of you. Let us know your thoughts if we missed something.

Introduction to LeanLaw

LeanLaw is a cloud-based, timekeeping, invoicing and reporting software that deeply integrates into QuickBooks Online Advanced, focused on mid-size law firms. A working lawyer founded LeanLaw and we have seen thousands of law firms go through the buying process. Following are the best practices we see on a daily basis. You will see our biases come through, but we figure you're smart enough to make up your own mind.

Step 1:
Understand
What You Need

Start with people

When you understand your users and their needs, they will feel seen and understood — this is crucial. Who needs to interact with the software? When you understand their roles, you can survey attorneys and support staff in your law firm. Here is a sample list of who needs buy-in:

- **Timekeepers** — associate attorneys, paralegals, etc. Those who just need to input time.
- **Assistants** — timekeeping for someone else. Maybe they proofread draft invoices.
- **Billing Staff** — invoice creation and delivery; collections
- **Accounting and/or Office Manager** — create reports, manage billing staff, payroll.
- **Partners** — input time, review pre-bills, review reports.
- **Managing Partners** — partners plus firm-wide reports.

Generational Issues

Not everyone is going to agree that you need new software. Usually, the people who have been using the status quo for most of their careers will be the ones who don't want to change. Don't let this stop you. You can find a work-around for those who oppose change.The rest of you can enjoy 21st Century law firm software. Aim to improve workflows for those who will get the greatest productivity gain.

Special Use Cases

Some of the attorneys in your firm may have clients with special use cases that affect decisions made about the software. Make sure you understand partner and client needs for:

- Client budgets
- LEDES
- Fixed fees
- Fee caps

- Special invoice formats
- Electronic invoicing and payment opportunities

Going deep on the needs of your users will help you differentiate must-have features versus nice-to-haves which you can work around if the feature is not available.

Step 1: Understand What You Need

Map Out Workflows

What are the steps, who does what? We call these workflows. It's the tasks you do on a daily basis. Sequence a few together and you get a workflow.

What are the current billing and accounting workflows for each user group you have defined? How do you map this? The goal is to document what you do so that you can assess how the new tool will accomplish the same tasks you're doing today.

Think in the context of the life cycle of a client:

- **How do you on-board the client?**
- **What data will you capture?**
- **Who keeps that data?**
- **How do you ask for trust money?**
- **How do you deposit and track the trust funds?**
- **How do you track time and expenses for this new client?**
- **How are invoices generated?**
- **Where will pre-bills be produced?**
- **Do you need paper or electronic review?**
- **How are invoices sent to the client?**
- **Can the client make an electronic payment?**
- **How is the payment received?**
- **If trust funds are used, how will they be applied?**

When you understand who needs what, you can prioritize features and keep those in mind as you investigate new software.

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Step 2:
Choose Your Software
Understand Solutions from 30,000 Feet

Practice Management?

A big decision to make early on is whether you want all-in-one practice management software or best-in-breed billing and accounting software. The best thing about practice management software is that it is fully integrated. The worst thing is it tends to be just OK at everything, not great at anything. With this mix, all-in-one software has a hard time meeting the needs of mid-size firms (our founder experienced this pain in years of using practice management software at his mid-size firm).

The reasons for this are not hard to understand. Remember the exercise you just went through mapping out your users' needs? Imagine you are now expanding that to document and email management, calendar and docketing, case management and so on. The bigger and more diverse your firm is, the less likely a practice management tool will fulfill all of your must-haves. This is not to say that some firms will not find the benefits of tight integration to outweigh the negatives, but understand it is rare. Most mid-size firms choose best-of-breed.

Accounting Platform or Built-In?

The next big decision is whether to choose an industry-standard accounting platform, like QuickBooks Online, or a tool with a built-in accounting system. A platform like QuickBooks has a lot of advantages (that's why LeanLaw relies exclusively on QuickBooks):

- 400,000 accounting professionals trained in QuickBooks Online in the QuickBooks ProAdvisor Network
- 7 million businesses rely on QuickBooks. It's a product of Intuit, a Fortune 500 company
- Connections to 5,000 banks to automate reconciliation
- Built-in payroll, payments. Invoice reminders and other automated functionality (some of this is only available in QuickBooks Online Advanced)
- Largest app ecosystem in the accounting industry, including many apps to improve the law firm billing workflow, e.g. LeanLaw, Bill.com, HubDoc, Expensify
- QuickBooks will be here for decades to come. QuickBooks Online Advanced works well for law firms and is only going to improve.

Accounting Platform or Built-In? (cont'd)

The built-in, boutique accounting system has two primary advantages: (1) it integrates well with the rest of the tool, and (2) the accounting system is customized for law firms, with features like built-in trust accounting. However, you will need to have a heart-to-heart with your accountant or bookkeeper who is not going to be happy about having to learn a proprietary accounting system compared to an industry standard like QuickBooks.

You should also look closely at whether you can offset most or all of the integration and customization advantages of a built-in accounting system by adding apps. To brag a little, LeanLaw's integration and legal features stack up well against our built-in competitors. We've been able to focus on those features rather than reinvent the wheel by duplicating the QuickBooks accounting platform.

Nonetheless, if you decide a built-in is for you, here are some options:

- CenterBase
- Cosmolex
- Zola Suite
- Surepoint

On-Premise or Cloud?

Another consideration is whether to choose an on-premise or virtualized on-premise cloud solution. To be clear: on-premise and virtualized tools are band-aid solutions. The world is going to the cloud. The list of advantages of a native-cloud solution is long:

- Open architecture and ability to integrate through APIs
- Continuous updating
- Any time, anywhere access
- Enhanced security compared to on-premise (who has better security, Microsoft or your IT person?)
- More appealing to younger attorneys and employees
- Usually less expensive

If you are considering an on-premise tool, ask hard questions about the company's commitment and ongoing investment in this solution. How many engineers are working on new features? Most investment goes into cloud solutions, not fixing legacy solutions.

Step 2: Choose Your Software

Keep the Lawyers Out of the Accounting

The second consideration is whether the software allows you to wall-off the lawyers from the accounting system. The managers of mid-size firms tend not to want the lawyers messing around in the accounting system or sending their own invoices.

Some of the billing software designed for smaller firms facilitates DIY invoicing and accounting by lawyers. If you're OK with that, good luck. If you want a more disciplined invoicing workflow, your choices are narrower:

- **LeanLaw + QuickBooks**
- **Surepoint (built-in accounting)**
- **Several on-premise and virtualized options like Juris, Timeslips, PC Law, Prolaw**
- **Centerbase**
- **Zola Suite**

Make a List of Options

Now you know what your users need and you've looked at the options from a high level. The next step is to make a list of options you think best fits your firm's needs. If you're going down the built-in accounting road, you can skip to the step of comparing features. Otherwise, you need to pick an accounting platform and then a billing and invoicing integration to go with it. To make this process manageable, we recommend you start with accounting.

Choose Your Preferred Accounting Software

The most complex and critical part of your law firm workflows is the accounting, so it should be your first priority in choosing your software. There is a lot to balance, beyond features, including:

- Industry acceptance - how easy will it be to find people who know how to use it or expert accounting support?
- Can you integrate the legal customization you need?
- Does it automate workflows like bank reconciliation, payroll and payments, or are those separate or add-ons?
- What other app integrations are available to fill workflow gaps like invoice reminders, expense tracking, documentation and collections?
- Will they be around in 10 years?
- Cost

Step 2: Choose Your Software

Software Options for a Mid-Size Law Firm:

- QuickBooks Online Advanced
- Xero
- Sage Intacct
- Sage50
- NetSuite

Billing and Reporting Tools

Once you identify the products that have the answers you need to this list of questions, you are ready for a detailed comparison. Start with a feature checklist (we provide one at the end of this eBook), and walk through the accounting feature list with a sales rep.

Ask Questions!

Next, demo the product with each of your law firm user groups (including billing) - have the software rep walk you through the workflow. Does it do what you need it to do? Ask to see the reports that you need. How does it work with the accounting platform? Really: In detail. Integration means a lot of different things - ask to see it.

Get a free trial or a sandbox account where you can play with the software. Test the customer support for knowledge and responsiveness. After this, you should have a preferred product or even better, a short list. It's a good idea to have a back-up in case you can't find the right fit with a timekeeping and invoicing tool.

Do a feature check comparison against your list: do you need customizations? Can they accommodate you? What's the work-around if the feature isn't available? Make sure you are clear about what the proposed software can accomplish.

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Step 3:
Migrate and Onboard Successfully

Onboarding and Data Migration Is Critical

Just when you think you've found the best solution for you, in terms of features and functionality, you still have more work to do. The ultimate question: how do I migrate from my current software to the new software? Who is going to help me? How do I know they know how to do it?

We spoke to the law office administrator for a 35 lawyer firm and she told us that their migration to a new software went pretty smoothly - they were going from one boutique software to another. It took about three weeks of on-premise work from the new software company's representatives. All for the low, low cost of $89,000. They still can't get some of the reporting they were promised three years ago when the migration happened. And they pay about $28,000/year for the privilege. Still, the administrator is pretty happy with the software. She manually creates the reports that the software still can't do. She either doesn't realize that there are solutions to her issues out there or, the heavy lifting involved in getting them to a better solution than where they are is now known to be expensive, time sucking and an overall burden - why would she opt to do it again, a mere three years later?

At LeanLaw, we think this is outrageous. Data migration isn't always easy, but it shouldn't cost an arm and a leg either. And your firm should get significant automation benefits from your new software at a reasonable cost.

Step 3: Migrate and Onboard Successfully

Migration Considerations

- Who is going to manage the schedule for the migration? The law firm, the accounting professional or the software provider / consultant?
- If you're relying on the software company, do they have all of the skill sets to do the migration? Who does? Also think about:

  a. Have they migrated another firm from the same software that you're currently using?

  b. Can they set up not only the app but also the customizations that your law firm will need?

  c. Who is going to train the team on the new software? Both at the high level and in the weeds of say, running a compensation report.

  d. Who is going to determine that the accounting architecture is set up correctly? The software company or the accounting professional?

  e. Who is going to export the data? Do they have the competency to do this?

  f. What is the aggregate cost of migration? Is that inclusive of all accounting work that might need to be done? Will accounting work be separate?

  g. Is there a clear process and workflow that the vendor can articulate on how to migrate?

  h. Do you have the right team in place internally to deal with migration? Take into account skills, time and expenditure.

  i. How will your law firm interact with the software vendor? This is some of your most highly confidential data - is communication secure?

Step 3: Migrate and Onboard Successfully

Onboarding Phases

You should think of onboarding and data migration in three phases and two different components.

- Setting up the billing application
  - ○ Users
  - ○ Roles
  - ○ Matter ID
  - ○ Minutiae of getting users trained

- Data
  - ○ Client matters
  - ○ Accounting Data

Phase 1

Setup: I want to get the application set up, get the users to create their online roles and be able to time track and enter expenses.

Data: There won't be much data in Phase 1 because you are just getting set up.

Phase 2

Setup: This includes the minutiae of managing the application: not just time tracking, but how you enter expenses, receive trust, payments, etc. This includes the narrow focus of how the firm learns to use the application.

Data: This includes fine tuning the accounting side.

Key note: Accounting data can always trail users because you won't bill for 30 days.

Phase 3

Setup: More fine tuning - reports, feature requests, issues that fully institutionalize the app into the law firm.

Data: Going beyond what you did in your previous software with reporting automation and transparency. Get more sophisticated in how the data is collected, collated, and shared with the stakeholders.

Why

LeanLaw + intuit quickbooks.

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LeanLaw, the top-rated legal app in the QuickBooks Online app store, customizes QuickBooks Online Advanced for mid-sized law firms.

In LeanLaw, you enter time once: anywhere, anytime and from any device. Time gets pushed automatically to billing, and then pushed to accounting in both LeanLaw and QuickBooks Online Advanced. When everything is connected, there is less manual work and more accurate data in real-time.

LeanLaw allows your users (attorneys, paralegals, support staff), to work in a billing app, and your accounting professionals to work in QuickBooks Online Advanced.

Our special sauce is our deep, two-way integration with QuickBooks Online Advanced: you don't sync because you ARE in sync, always with QuickBooks Online Advanced as the source of truth. This real-time, accurate data allows you to better assess the financial health of your law practice. These reports are where LeanLaw outperforms our competitors.

Consider QuickBooks Online Advanced — specifically for the mid-market law firm:

- o More automation and efficiency with QuickBooks Advanced workflows
- o Better reporting with tools like Custom Form Fields
- o More server horsepower to accommodate larger data sets with mid-market firms
- o More control over users with Custom User Roles - you only want a few people in your accounting software - everyone else can be in LeanLaw

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Conclusion & Checklist

Now that you have a foundation by which to examine new software, you have direction by which to determine what financial software will work for your law firm. Remember to do your due diligence. It's hard work to integrate new financial software into a law firm. You don't want to make a mistake and do it another time. Make sure you have all your questions answered.

We encourage you to create your own checklist or download LeanLaw's checklist and modify it to your needs.

The LeanLaw checklist is soup to nuts: maybe more issues to consider than you were originally thinking about, but you can modify the checklist to suit your needs.

SCHEDULE DEMO   FREE TRIAL

Articles to Consider

Is QuickBooks the Right Platform for Mid-Market Law Firms?

What is frustrating about your law firm software?

How QuickBooks Online Fits In Your Toolkit

WHY QUICKBOOKS ONLINE IS A GREAT SOLUTION FOR THE MID MARKET LAW FIRM

QuickBooks Online Advanced for Law Firms

Solutions: Lawyers Work at Home

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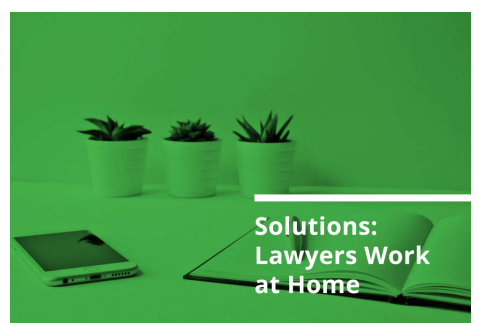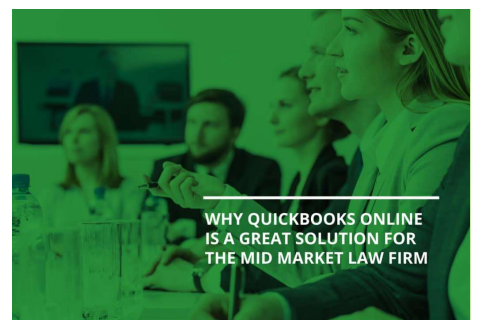
Law Firm Financial Software Requirements

	Must Have	Nice to Have	Notes
Timekeeping			
<u>Easy time entry</u>			
Ability to enter time in tenths of an hour, other increments			
Fee timers			
Calendar view of time entries			
Time entry on web			
Mobile app, Ipad, etc.			
Desktop app			
<u>LEDES codes</u>			
Spell check			
Non-billable time v billable time			
<u>Flat fees</u>			
Contingency support with time entries			
Short cuts			
Client matter / name search function			
Ability to dictate time into phone			
Auto fill based on standard entries (library of task descriptions, these should not be substitutes for detailed individualized description of work done, but a prompt to help get something on paper more consistently, a starting point for a description)			
Prompts to enter time—or anything else that promotes people compulsively and contemporaneously entering time when they actually do the work, e.g., a little nagging robot voice to enter time?			
Voice recognition			
Interface with Outlook (tracking of activities during a day from calendar, call log, emails?)			
Ability to quickly and easily see when other TKs are referencing me so that timekeeper can be consistent with entries			
Client/Matter			
Setup process for client/matter			
Designate responsible attorney			
Originating attorney including splits			
Mark file status - closed, closed with pending AR, bankruptcy, active			
Address options (mailing, email, multiple)			

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E-bill			
Department & section/practice area			
Setup wizard			
Standard rates			
Flat or retainer rates			
Client and matter rates			
Change rates from c/m to standard & vice versa			
Notes at client or matter level			
Track client referral codes			
Client matter number/name search			

Reporting

Attorney designation: Working, Responsible, Originating			
Data parameter: Fee or cost status: Work, Billed, Receipts			
Data parameter: Received & applied			
Data parameter: Timekeeper type (Partner, Associate, Paralegal, Summer)			
Date parameter: Fee type (billable, non-billable, firm)			
AR & WIP Aging by Originating, Responsible & Working			
Fee and Receipt Credits by work date & date received; split originations			
Fee and receipts by work date & date received			
Hours worked - time summary by month			
Fees worked - by month			
Adjustments			
Write offs			
Outstanding costs			
Trial balance			
Revenue Reporting: (billed and collected) Revenue by timekeeper/attorney/partner by a specified time period. Origination reporting by a specified time period. Underlying details of the report.			
Expenses			
Reports to sort receipts and other parameters by timekeeper #/GL # within timekeeper type			
Report testing before rollout			
Ability for attorneys to run fee and cost listings			
Ability for partners to run reports for their mentee			

Billing

Draft bills			
Invoice format options			
Split bills			

Electronic bills (e-bill)			
Discounted bills			
Manual bills			
Time adjustments v discounted bills			
Tracking time adjustments by timekeeper			
Write offs			
Internal costs			
Cash cost			
Add cost			
Late fees			
Time adjustments versus discounts			
Email bills			
Client/matter level special attorney billing notes			
Retainer billing (retainer + costs)			
Invoice format options and presentation			

Receivables

Payment allocation order (costs, fees, etc)			
Credit card receipts			
Wire receipts			
Account level notes for receivables			
Unapplied payments			
Date payment received v date applied			
Aged A/R			
Manage Collection Process			

Trust and Retainer

Deposits			
Withdrawals			
Wires			
Notes			
Bank reconciliation			

Accounts Payable

Pay invoices			
Scan invoices			
Manual check processing			
Void check process			
Track 1099 payments			
Search features			
Pay recurring invoices			
Weekly GL history of checks issue			

General Ledger

Search			
Trial Balance			

Post to prior period			
Journal entries			
Closing process			
Post non-client payments and wires			
Easy GL detail reports			
Budget			

Bank Reconciliation

Operating			
Trust			
Advanced Client Cost			

Conflict Checks

Name search functionality			
Capture: adverse party/adv. related/opposing principal/related principal			
Accuracy and full capture with database import			
Conflict check results - search text capability			
Permission restrictions - restrict who can edit CC data			
Ability to catalogue clients the firm has declined to represent (important if confidential info was obtained from perspective client)			
Update history (changes made to conflict check entries)			
Matter descriptions			
Customizable labels (e.g. "Related non-adverse")			
Ability to run a report by responsible attny with last activity/fee			
Flag files for closing			

IT

# Licenses available			
Device usability (phone, computer, iPad)			
Integration with related workflows, e.g. payroll, payments, CRM, etc.			
Worksite file setup			
Customer support			
Onboarding Assistance			

Other

Customer service for all functions			
Larger font size capability			
Malpractice insurance carrier requirments (if any)			
Ethical compliance			

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