QuickBooks® for Law Firms

Smart Techniques That Will Save Time and Money

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Chapter 1
Getting Started

Perhaps you have been running your own firm or managing a legal office for years, or perhaps you are preparing for a new job in a law office. Whether your first day or your thousandth, there are some key concepts to consider when using QuickBooks in your firm.

Before we discuss the proper way to set up and use your QuickBooks files, you will need to have the right version of QuickBooks to meet your needs. This chapter discusses factors to consider when choosing a QuickBooks version. We also discuss how to set up the proper security settings, and which version is right for your security needs.

Part of preparing your QuickBooks files is knowing who to call when you have questions. Having the right consultants at your side can make a world of difference, so we discuss where to find a qualified accounting professional.

Finally, we include a list of terms so you are good to go with understanding the accounting needs of a legal firm.

Choosing the Right Version of QuickBooks

There are multiple versions of QuickBooks available: QuickBooks Desktop (for Windows), QuickBooks Online, and QuickBooks for Mac. Each version is unique and provides different features. In this book, the focus is on QuickBooks Desktop (for Windows), which is the version best suited for law firms.

Within QuickBooks Desktop, there are several variations, including QuickBooks Pro, QuickBooks Premier, QuickBooks Accountant, and QuickBooks Enterprise Solutions. Each has different features and the prices vary, with Pro being the least expensive and Enterprise Solutions the most expensive.
To complicate matters, QuickBooks Premier and Enterprise Solutions have different editions, such as Retail, Professional Services, Nonprofit, and more. Again, each provides a different set of features.

In general, we recommend law firms use the QuickBooks Premier Professional Services edition or QuickBooks Accountant.

While QuickBooks for Mac can be used by attorneys, there is only one version. QuickBooks for Mac’s feature set differs somewhat from the Windows version, but it is most similar to QuickBooks Pro. If you have a Mac and want to run a Windows version of QuickBooks, you can use virtualization products like Parallels or VMware Fusion, or you can set up QuickBooks in a hosted environment.

Similarly, firms that want the convenience of anywhere, anytime access but prefer a desktop version of QuickBooks can also turn to a hosted environment. Learn more about working in a hosted environment in “Still Addicted to Desktop Software? Get it Hosted in the Cloud,” an article by Doug Sleeter on the QuickBooks and Beyond blog (www.sleeter.com/blog/2013/02/moving-to-hosted-virtual-servers).

Lawyers and firms should look carefully at their needs to decide which version will work best. The first deciding point is how many licenses (users) are needed, as this may limit a law firm’s options. QuickBooks Pro is limited to 3 users, QuickBooks Premier is limited to 5 users, and Enterprise Solutions is limited to 30 users.

Additional factors to consider when determining what version your law firm requires include:

- The volume of transactions expected and the number of customers and vendors needed. QuickBooks Enterprise Solutions can handle more than Pro and Premier.
- QuickBooks Premier and Enterprise Solutions offer Batch Invoice for time and expense.
- QuickBooks Premier and Enterprise Solutions industry-specific editions for Contractors and Professional Services offer custom billing rate levels. This allows you to assign different billing rates to employees and subcontractors for the work performed.
QuickBooks Enterprise Solutions has the ability to assign default classes to names, accounts, and items. This can be useful in a firm with multiple locations.

QuickBooks Enterprise Solutions is supported in a Terminal Services environment.

Many legal billing and practice management programs that link with QuickBooks only support QuickBooks Pro or Premier.

Evaluating these factors can help you determine the best version of QuickBooks for your firm. For smaller firms, the QuickBooks Premier Professional Services edition is usually sufficient if the firm will be doing billing within QuickBooks. If the firm is doing billing outside of QuickBooks, then QuickBooks Pro may suffice. As the firm grows, migration to QuickBooks Enterprise Solutions can be an efficient way to increase capacity and functionality with a minimal learning curve.

Please note that all examples and instructions were created using QuickBooks Accountant 2014, unless specifically noted. If you are using an older version or a different edition, some screens may look different and some features may not exist.

Access Areas and Security Rights

Another factor to consider is security. While QuickBooks Pro and Premier are chosen by most law firms, those with more extensive security requirements might need to consider QuickBooks Enterprise Solutions. It offers more extensive options for limiting the access rights of individual users. In Enterprise Solutions, you also can set up groups with specific rights and then assign each user to one or more groups. In a large law firm, this can save substantial time as well as enhance the privacy of financial information. To learn more about user rights in Enterprise Solutions, see pages 16–19 in “QuickBooks Enterprise Solutions 14.1: White Paper 2013” (http-download.intuit.com/http.intuit/CMO/qbes/resources/pdfs/QBES%2014%20White%20Paper.pdf).
QuickBooks Pro and Premier Access Areas

The areas where access can be controlled are as follows:

- **Sales and Accounts Receivable**—Access to this area includes creating invoices and sales receipts, recording payments on invoices, and creating statements. Users without access to this area will not be able to access the Customer Center or accounts receivable reports. If a user has access to sales and accounts receivable transactions in full or in part, you can decide whether the user can view complete customer credit card numbers. If this access is not given, the user will only be able to see the last four digits of any stored customer credit card number. Within QuickBooks, you cannot store credit card security codes. This is a credit card processing security requirement; therefore, it is not recommended that you set up custom fields for this information.

- **Purchases and Accounts Payable**—Access to this area includes entering and paying bills and entering credit card charges, but does not limit the ability to write checks. However, users without access to this area of QuickBooks will not have access to the Vendor Center or accounts payable reports.

- **Checks and Credit Cards**—Access to this area includes writing and printing checks, entering credit card charges, and making deposits. In QuickBooks Pro and Premier, access is to all checking and credit card accounts or to none.

- **Time Tracking**—This section includes access to timesheets and reports.

- **Payroll and Employees**—Access to this section includes the creation and review of employee paychecks and pay stubs, payroll tax forms, and reports. If a user does not have access to this area, he or she will not be able to access the QuickBooks Employee and Payroll centers. Payroll capabilities will depend on whether you are using QuickBooks payroll solutions and which payroll product you are using.

- **Sensitive Accounting Activities**—This area includes making general journal entries, making transfers between accounts, and having access to online banking. (Note that online banking capabilities vary, depending on your bank.)
• **Sensitive Financial Reporting**—This area gives a user access to all QuickBooks reports, regardless of report creation limitations set in other areas.

• **Changing or Deleting Transactions**—As an added precaution, in this area, you can give a user access to create transactions in an area, but not allow the user to change or delete transactions he or she has created. A user can also be allowed to change or delete transactions recorded before the closing date of the firm’s books.

There is also a special type of user, called an *External Accountant*, who can be assigned. This user has access to all areas of QuickBooks, except credit card information, and also can execute special accountant-related functions. It is recommended you set up your accountant with this security setting.

**Setting QuickBooks Pro and Premier Access Area Rights**

Although QuickBooks Pro and Premier are limited in the number of users, you can set up additional users, they just cannot get into the program at the same time. Even if security within the program is not a concern, each user should have his or her own user ID and password. This provides an audit trail that can be helpful in making changes and prevents unauthorized people from accessing QuickBooks.

There are three levels of access that can be set for the areas discussed in the previous section:

1. **Full Access**—The user can perform every task in an area of QuickBooks, except ones reserved for the administrator.

2. **Selective Access**—The user can be limited to creating transactions, creating and printing transactions, or creating transactions and generating associated reports.

3. **No Access**—The user has no access to perform tasks in an area of QuickBooks.

Access is set up by clicking on **Company → Set Up Users and Passwords → Set Up Users**. You must be logged on as the administrator, and you will want to know what username and password you want to set for each user. To add a new user, click **Add User**. If the user already exists and you want to make changes to the person’s access rights, click on the **user’s name** to highlight it (Figure 1-1), click **Edit User**, then follow...
the prompts through the windows to assign the appropriate rights. Once a user has been set up and has used the program, it is recommended the user not be deleted, as it can cause issues in audit trail reports.

Figure 1-1 User List

Consulting Help Available

If you would like help setting up QuickBooks or training your staff on how to use QuickBooks, contact the author at Caren@timendcents.com or visit the Find a Consultant web page (www.sleeter.com/user/consultant) on The Sleeter Group website to locate a Sleeter-Certified Consultant near you.

Sleeter-Certified Consultants are practicing bookkeepers, accountants (often CPAs), EAs, and IT consultants who work with small to midsized businesses on a daily basis. To become certified, one must take an assessment exam on QuickBooks for which the potential consultant has only two chances to pass. Passing the exam requires a deep working knowledge of QuickBooks that can come only from years of experience. Sleeter-Certified Consultants can customize your QuickBooks files to meet your unique needs, answer specific questions, or conduct one-on-one training sessions in your office.
QuickBooks Terms Used in Law Firms

- **Customer:** A client of the law firm.
- **Job:** A matter, case, or project. Note: If you typically have only one matter per customer, you may use customers without jobs. In this case, the client and matter are one, and each matter is completely separate in terms of client. If using jobs, then the client will be the customer and each matter will be a job under the client customer.
- **Vendor:** A vendor paid by the firm, using money from the firm’s checking account or from a client’s trust account. The firm itself is also a vendor, because a client’s trust account may pay the firm for fees and costs.
- **Trust:** A trust account, an Interest on Lawyer Trust Account (IOLTA), or any account designated to hold client funds under the rules of a state’s bar association.
- **Operating Accounts Payable (A/P):** An A/P account used to record bills to be paid by the firm, using the firm’s operating funds.
- **Trust Accounts Payable (A/P):** An A/P account used to record bills to be paid by the firm from trust or IOLTA funds. The use of a trust A/P account is optional, as you may choose to pay bills directly, without tracking with the QuickBooks A/P system. If you use a trust A/P and you have multiple trust accounts, you may want to set up a trust A/P account for each trust account.
- **Advanced Client Costs:** An asset account used to track costs paid from the operating account on behalf of a client. These costs will be billed to the client, and the firm will be repaid by the client directly or from the client’s trust account or IOLTA.
- **Client Trust Liability:** A liability account used to track the funds held in trust for each client. Each trust or IOLTA bank account must have its own Client Trust Liability account. The balance of this account should ALWAYS be equal to the sum of the trust A/P account and the trust bank account.
Law firms have unique business processes and very specific rules and regulations for how they keep their accounting records. They also use specific terms for clients, cases, bank accounts, and retainers.

This 150-page, full-color book developed by The Sleeter Group and Caren Schwartz offers step-by-step instruction that will help lawyers save time and money immediately by implementing best practices for your firm.

- Save time and money by setting up QuickBooks the right way so that it works properly for a law office.
- Learn to produce the reports needed for IOLTA compliance.
- Learn how to customize reports so you have the information you need.
- Understand how to track time and expenses so you can generate bills easily.
- Understand what to look for when making decisions about choosing and using software add-ons.
- Learn how to capture time so you can accurately bill your clients.
- Learn about “items” in QuickBooks and how to use them.
- and more...

Start Using Accounting Best Practices in your Law Firm Today