

Law Firm Escrow Accounting and Process

A Small Business CFO Case Study

COMPANY

Martin Sanderson is an attorney with one other lawyer and two support staff specializing in medical malpractice lawsuits.

BACKGROUND

Within a two year period, four different individuals including two certified public accountants failed to correctly account for escrow transactions. Since escrow funds belong to outside parties, the Bar is especially keen on ensuring that accounting is accurate for escrow transactions. SBCFO was asked to resolve the issue.

SBCFO'S ROLE

- ☑ **Fixed the escrow account**
 - Checked deposits on bank statements in the escrow and compared them to fees taken. This verified which clients were involved.
 - Reviewed checks written to match payments made on behalf of Sanderson's clients.

- ☑ **Established a procedure for future escrow transactions**
 - After studying the process flow, SBCFO set up a procedure to guide staff on escrow compliance, from recording the initial bank deposit through record keeping and filing.

- ☑ **Developed a transaction record / request transmittal form**
 - With staff executing transactions while SBCFO was not on the premises, SBCFO created a form that anyone could use to communicate the completion of the transaction in order to ensure that data entry was completed.

- ☑ **Recruited a trained bookkeeper**
 - SBCFO advertised for a part-time bookkeeper, screened candidates on technical skills, and conducted HR review including a background check.



Law Offices of
Martin Sanderson, LLC

Business Need

To bring the firm into compliance by correcting escrow balances and establishing procedures to ensure accurate accounting in the future.

Solution

Reconciled past escrow transactions to correct account balances, then documented and implemented proper escrow controls.

Results

Compliance attained.



Small Business CFO, Inc.
Financial tools for small business
www.sbcfo.com

Jonathan Ankney, President
jda@sbcfo.com
212-372-7770

© 2012 Small Business CFO, Inc. All rights reserved. Client name and other specifics have been changed to maintain client confidentiality. Fact patterns are the same and other information, activities, and benefits are accurate.

Law Firm Escrow Accounting and Process

(Continued)

BENEFITS

☑ **Attained escrow compliance**

All escrow accounts were reconciled and had proofs of balances.

☑ **Ensured future compliance**

The client now has tools available to control activities in his escrow accounts.

☑ **More for less**

The bookkeeper was an additional resource available to handle financial operations at a lower cost than by using a high-level financial consultant.

“

If my father had you available for his own law firm, he would have been more successful.

”

- Martin Sanderson, Esq.



Small Business CFO, Inc.
Financial tools for small business
www.sbcfo.com

Jonathan Ankney, President
jda@sbco.com
212-372-7770

© 2012 Small Business CFO, Inc. All rights reserved. Client name and other specifics have been changed to maintain client confidentiality. Fact patterns are the same and other information, activities, and benefits are accurate.