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# LAW FIRM MANAGEMENT

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# Ramp up your referrals

## HOW TO TAKE AN ACTIVE ROLE IN GENERATING NEW BUSINESS

Referrals are typically the leading producer of new business for law firms. In other words, referrals mean revenues. Coming as they do from third parties, referrals might seem to be out of your control, but you can actually take an active role in generating more referrals. Several steps in particular can pay off when practiced regularly.

### DO GOOD WORK

The best way to generate referrals is to provide a strong work product. Satisfied clients who can personally attest to your work quality give the most credible referrals.

But it's important to realize that "good work" extends beyond merely achieving the desired outcome in a matter. It also includes superior customer service. If you don't respond promptly to client inquiries or keep your clients up to date, they may not recommend you — possibly because they fear your poor customer service will reflect negatively on them. Attention to details can mean a lot to your clients and, in turn, affect referral volume.



### ASK CLIENTS FOR RECOMMENDATIONS

Get in the habit of asking your clients for referrals at appropriate junctures — when you're conducting intake, receiving compliments on your work or concluding a matter. Also include a referral request in your email signature line, such as "We always appreciate referrals."

*Ideally, a referral will mark the start of an ongoing relationship that includes numerous referrals over a long period of time.*

Why do this? Won't clients naturally send business your way if they're pleased with your work? Not necessarily. It might not even occur to many clients that you're continually looking for new business, especially if they've visited your bustling law offices. That's why it never hurts to remind them that you value their business and would love the opportunity to work with other clients like them.

When you request referrals from clients, be specific and clear. By explaining the type of work you're looking for (for example, divorce cases or individual bankruptcy proceedings), you're less likely to receive referrals you can't use. Also provide clients with business cards that they can share with potential referrals.

### NETWORK SMART

Every attorney knows how essential networking is to building and sustaining a practice, but not every

networking opportunity is created equal. It can make more sense, for example, to speak at a small seminar with an audience full of potential referral sources than to deliver a keynote address for a major convention with attendees who are unlikely to provide many referrals.

You might find, therefore, that you can get more from being active in your local bar association than a national bar association (or vice versa, depending on your practice area). You should also consider joining sections for practice areas other than your own if those attorneys work with clients who could use your services. For example, business attorneys might benefit from networking with intellectual property lawyers whose clients are launching new ventures. This strategy works with nonlawyer referral sources, as well. Forming relationships with CPAs, financial planners, bankers and real estate attorneys can lead to new work.

### NURTURE REFERRAL RELATIONSHIPS

Resist the temptation to think of a referral as a transaction. Ideally, a referral will mark the start of an ongoing relationship that includes numerous referrals over a long period of time.

To nurture these relationships, always thank sources for every referral, regardless of whether they translate to new work for you. Thank your source when you receive a referral, when you're hired and when you complete the matter. This will both show your sincere appreciation and keep you front of mind with the referral source.

Finally, when the opportunity arises, refer business back to people who have sent work your way. The best personal relationships are two-way streets, and referral relationships are no different.

### WORTH THE WORK

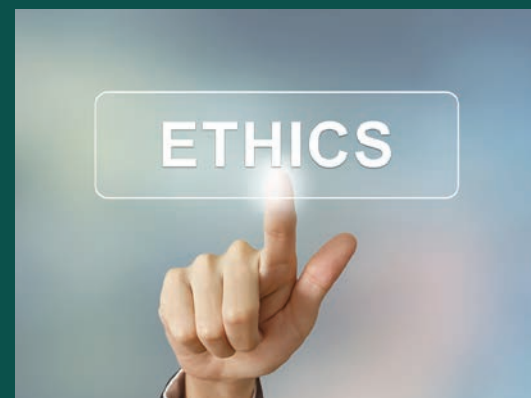
Even in this digital age, there's simply no replacement for word-of-mouth when it comes to landing new clients. Making the practices discussed an integral part of how you work can help increase the odds of receiving referrals that grow your business and your bottom line. •

## DON'T FORGET ETHICS ISSUES

The rules of professional conduct don't prohibit attorneys from seeking and accepting referrals, but they do impose some restrictions on what you can and can't do in this area. For example, you generally can't:

- Enter into exclusive referral agreements whereby you and a referral source refer clients only to each other (in other words, the referring party must be able to recommend more than one attorney to its client),
- Neglect to disclose reciprocal referral relationships to clients,
- Promise gifts or referral fees in exchange for referrals, and
- Share fees with a nonattorney.

You *can* enter fee-sharing agreements with an attorney in another firm as long as the total fee is reasonable, the fee-sharing is proportional to the work involved (or both attorneys are jointly responsible for the representation), and the client agrees to the arrangement in writing. Ethics rules vary by jurisdiction, of course, so always check applicable local rules when in doubt.



## FRAUD PREVENTION

# It's time to update your firm's internal controls

Fraud in corporate America is nothing new. Yet many law firms overlook the issue in their own organization. Does your firm have internal controls to prevent fraudulent activities? And if so, when was the last time those controls were reviewed and updated?

### IDENTIFYING RISKS

Law firms enjoy certain protections from fraud, but they also harbor specific risks. For example, on-site management by a team of professional owners can make it more difficult for thieves to carry out elaborate and costly schemes. But law firm partners also are more likely to override internal controls. Even if you have internal controls, you must enforce and regularly update them. Otherwise, your firm may be just as vulnerable to fraud as firms that have taken no precautionary measures.

What's more, work environments where there's considerable pressure to meet ambitious financial and performance goals can turn normally upright employees into lawbreakers. And it doesn't help matters that some firms are lax in punishing perpetrators because of the fear of bad publicity.

### TRAINING STAFF

The first step in any internal control program is to make sure attorneys and staff members understand what constitutes fraud — and how they can steer clear of it. Describe and provide examples of illegal and unethical behavior, and explain how employees can help prevent and deter them by adhering to your firm's internal controls. Also specify the consequences of



breaking the rules. For example, an employee who falsifies timesheets may be immediately terminated.

Train partners and managers in spotting potential perpetrators and suspicious behavior. People who commit occupational fraud may exhibit control issues, such as an unwillingness to share duties, files or billing records, irritability or defensiveness when confronted about irregularities, or unusually close associations with vendors. Provide reporting guidelines and a process for investigating such suspicions.

### PREVENTING FRAUD

So where to start? Study your firm's policies, procedures and processes for potential vulnerabilities. This includes hiring, payroll, billing, collections and IT security. At the very least, ensure your firm:

**Screens employees.** When you hire anyone (including lateral partners), perform credit and criminal background checks and verify résumé items related to past employment, education,

military service and professional certification. The federal Fair Credit Reporting Act generally requires you to obtain a person's permission to run a credit check, and some states allow credit checks only for positions with certain financial responsibilities.

**Separates duties.** Make sure no single employee is in charge of purchasing and approving vendors or receiving payments *and* depositing them. It can be difficult to spread duties among several employees in a smaller firm, so consider outsourcing some accounting functions. Also, never let a nonpartner sign checks: This is perhaps the easiest avenue for fraud. You may even want to require that two partners sign checks above a certain amount.

**Reconciles records.** Periodically reconcile overlapping financial records. For example, compare receipts that are recorded in your billing system to revenues recorded in your accounting system and

then cross-check those numbers with your bank deposits. Review paper and online bank statements regularly, looking for inappropriate transactions.

**Conducts surprise audits.** Audits don't have to be top-to-bottom reviews of your firm's finances — they can focus more narrowly on areas of concern such as accounts payable. To discourage fraud, let employees know that unannounced audits are possible at any time, but don't let them know what data or records the auditors will review.

## AVOIDING SURPRISES

You may think that fraud happens only in the nonlegal sector at other law firms. To avoid any unpleasant surprises — such as damaging financial losses — at your firm, ask your financial advisor to perform a thorough risk assessment. Use your advisor's findings to create or bolster a comprehensive internal controls program. Then make sure that these rules are enforced consistently. •

# What do Millennial lawyers want?

Millennial employees — generally defined as those born after 1980 — became the largest generation in the workplace in 2015, surpassing both Baby Boomers and Generation X (born from the early 1960s to the late 1970s). They now account for more than one-third of the U.S. workforce and as much as 21.5% of U.S. attorneys.

As their predecessors move closer to retirement, Millennial attorneys are poised to play a critical role in the survival of law firms. But they bring different experiences and expectations to the workplace, so you might have to make some adjustments to successfully recruit and retain these attorneys.

## ENTREPRENEURS AND TECHNOLOGY

Millennials tend to be entrepreneurial and risk takers. In the workplace, that means they're quite comfortable job hopping, which can be worrisome for law firms, which often make significant investments in their younger attorneys. Fortunately, you can reduce the risk of losing good associates by appealing to their desires as employees.

For starters, your firm must be up to date with technology. Millennials are the first generation to grow up with the Internet, and they came of age as social media was taking off. Staying current with technological developments will help attract and retain these attorneys and can also help you attract Millennial clients.



### COLLABORATION AND FLEXIBILITY

Millennials also value flexible and collaborative workplace cultures. Some law firms have responded by providing open spaces where attorneys can work alongside each other on their laptops and mobile devices. Enabling lawyers to telecommute or perform remote work is also becoming more common.

The desire for flexibility is closely tied to the expectation of a good work/life balance. The idea may be anathema to older attorneys who “paid their dues” as associates with 80-hour work weeks and who still spend much of their “off-hours” time with clients. But Millennials — both male and female — expect to have time for family, leisure and volunteering activities. They might not even aspire to become partners — in part because of the lifestyle traditionally associated with partnership-track positions. But don’t make the mistake of thinking Millennials aren’t hard workers. Many are accomplished high achievers who plan to stay that way.

### MENTORS AND CHARITABLE INTERESTS

While they resist hierarchical or authoritarian structures, Millennials also crave feedback and mentoring. The traditional annual or semianual performance review may not be enough for

attorneys accustomed to constant validation.

Many younger attorneys are looking for frequent and specific feedback from their older colleagues, whether through evaluations, peer review or one-on-one meetings with their supervising attorneys. And research has shown that Millennials consider mentoring as integral to success — so much so that those with mentors are more than twice as likely to stay with their employers. Professional development and training are important,

too. These lawyers aren’t interested in being micromanaged, but they welcome solid training.

Finally, Millennials look for organizations where the work is about more than just profitability. They seek firms whose missions include a greater good than hefty partner distributions. Your firm, therefore, needs to keep younger attorneys informed about pro bono work opportunities and other firm initiatives to give back to the community.

*Staying current with technological developments will help attract and retain Millennial attorneys, and can also help with obtaining Millennial-driven clients.*

### DO OR DIE

Attorneys from older generations might at first be reluctant to make the changes necessary to attract and hold onto Millennial attorneys. But as the saying goes, the times they are a-changing, and firms that don’t change with them are likely to find themselves without the talent they need to survive and flourish. •

# 3 best practices for more effective budgeting

Do you dread the budgeting process at your law firm? It may seem tedious and time-consuming, but you can't deny its importance. Your firm's budget is more than a financial document — it's a roadmap that demonstrates goals, sets expectations and benchmarks, and guides decision making on critical issues related to partner distributions, resource allocation, financing and more. To make the most of your budgeting, consider adopting three key budgeting best practices.

## 1. INVOLVE RELEVANT PEOPLE.

Budgeting shouldn't be the sole domain of your accounting staff. Particularly when projecting expenses, include all of the relevant players, such as human resources, marketing and IT managers.

Have each of these areas (as well as individual practice areas) develop their own detailed budgets. In addition to providing more accurate data, expanding participation will make everyone take ownership of the budget and become more invested in meeting it — or even coming in under budget.

## 2. DRILL DOWN INTO EXPENSES.

Expense projections generally are easier to develop than revenue projections. But it's a mistake to treat them lightly by, for example, taking the previous year's figures and adding a flat percentage increase of 5% or 10% across the board without examining trends and other related data points. Rather, assess your firm's current spending, identify your goals for the coming year and determine the amount of spending that will be required to accomplish those goals.

For example, you may plan on moving to a new office space within the next year.

Determine how this will affect expenses such as rent, utilities, insurance and taxes. Many firms benefit from greater expense detail, too. Instead of just putting expenses into broad categories like marketing, allocate them to subcategories such as digital marketing, publications, seminars and advertising.

## 3. REVIEW AND REVISE REGULARLY.

Treat your budget like the living document it should be. After all, no budget is ever perfect. Review it regularly throughout the year, not only at year end or when the annual budgeting process starts up again.

Check every line item to ensure that it matches expectations and market rates. If necessary, make adjustments accordingly, on both the revenue and expense sides.

## LAYING THE CORNERSTONE

Budgeting isn't easy — it takes considerable (nonbillable) time and effort. Properly developed, though, your budget can provide a solid foundation that allows your firm to take advantage of new opportunities in an increasingly competitive marketplace. •





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