# Key Demands for Your Next Cloud-Based Law Firm Billing Program

By Seth G. Rowland, Esq. 35*45 Consulting on Behalf of

**CENTERBASE**

Run Your Law Firm in the Cloud

Are you considering switching to a cloud-based billing program?  On first blush, billing seems simple: set your hourly rate, record your time, print a bill, collect your money, and distribute it to yourself and your partners. Nothing could be further from the truth.

Have you evaluated how you currently bill for your services, collect your money, and divide it among your partners?  How can this process be improved?  Will the service you choose meet those needs?

This white paper describes some key elements for you to consider.  Have this paper in hand when you are having your demo.  You have a right to demand that the person selling you this service demonstrate how their program will meet your requirements.

## First, Demand Support for Enhanced Time Keeping

Hourly rates are variable.  They vary based on staff doing the work, the time the work is done, discounts for certain types of work, and other special arrangements. Timekeeping records need to serve multiple purposes:

First, they are used for "simple billing" in which rate times hours equals the charge.  There needs to be a set of global default hourly rates.  At the very least, these rates should be set at the staff level, and vary depending on the person doing the work.  There may also be a single blended rate for attorney or paralegal work.  You should be able to set a different set of rates for a particular client arrangement.  And, in some cases, you should be able to make a further variation for particular matters.

Second, there should be support for budgeting and do not exceed arrangements.  A good system should allow you to review the matter and determine how close current billing and WIP are to the budget.

Third, certain clients require advanced reporting of time and expense by uniform task based billing codes known as UTBMS.  The ability to properly categorize and manage the allocation of time to these UTBMS codes is a key factor in how much the law firm gets paid.

Fourth, time entries are key to determining profitability of flat fee billing arrangements and compensation for non-billable time for pro bono and administrative tasks.

Fifth, there needs to be a way to handle non-billable and no charge time entries, as well as entries that are to be deferred in the current billing cycle.

Sixth, there needs to be an easy way to enter narrative descriptions of your activity.  The use of quick codes or auto-text in which you type a few characters and those characters expand to text (e.g.  "CW" becomes "conference with") allows for rapid entry of time detail.

## Second, Demand the Ability to Bill or Not to Bill

The time you record is not necessarily the time you bill. You need to factor in judgments on whether the time slips were appropriate for work being done, whether the total bill is too high or too low; whether the

expenses exceed an explicit or implicit budget. This is before you bring in flat fees or phase-based billing. Just because you recorded your time doesn't mean the client will pay it or that you want to charge the client for the full value of that time.

First, the program should support a range of billing arrangements, not just variable billing rates. You should determine what arrangements you have made with your clients. At the very least, there should be support for flat charges, retainer charges, and bill in advance. You may also wish to have phase based billing, or split payments. Whatever your arrangements, you need to understand whether and how the program will support them. If you don't, you could find yourself spending hours each month adjusting your bills, and entirely lose the ROI for the billing system.

Second, you need a method to review the pre-bill before it goes out. You should be able to preview the invoice on screen and make direct adjustments and see how it affects the bottom line charge. In some cases, you may need to make a line item no charge, or remove it from the invoice. In other cases, you may realize that time was not charged and want to add a time or expense. In yet other cases, you may want to adjust amount of time or apply a discount, which could be a percentage or a fixed amount. You may want to apply a global discount on the invoice or apply an offsetting write-off amount.

Third, if adjustments are made to the WIP these should be reflected in the system so that write-offs and discounted time can be reported on. In flat fee arrangements, you should be able to use hours to determine profitability of the fee arrangement as against the standard hourly rate or as against some fixed hourly cost allocation for staff member.

Fourth, you may want to stage your invoices in a work flow. The principal attorney should review and approve the time entries. Then the originating attorney should review. Accounting should take a final look. If items or the invoice need flagging for others there should be a way to route the invoice to them for action and then return the invoice for final processing and sending out to the client.

## Third, Demand That Your Invoices Tell Your Story

The bill is more than just an inventory of hours and expenses. The bill needs to reflect the current trust account, any outstanding charge, the age of receivables, interest expense on late payments, and sales tax. The bill can be narrative with no time and a flat charge, or with great detail, including line item or

bulk discounts. There may be a breakdown by staff or by billing code.

No; invoices are not works of fiction. However, they do reflect the character of the law firm and their relationship with their clients. When I was an associate at an exclusive New York law firm, the bills were simple. They reputedly had a single line item: "For Services Rendered" with an amount due. If the client asked for detail, they were given a separate statement of time, and asked to seek a new law firm to represent them. Your invoices are likely going to be more detailed. Think of the bill as an additional way of communicating with your client.

First, the invoice layout should reflect how you wish the information to be presented. The varieties are infinite. So look for use of invoice templates that you can adjust by adding and removing columns, changing spacing, changing grouping. Something as simple as "word wrap" on a slips detail can make the difference between a professional looking invoice and one that looks like garbage.

Second, the choice of which invoice template to use should be a global, client, and matter level preference. And even within a matter, there may be different phases of the case that require different invoice templates. One size does NOT fit all.

Third, invoices are more than simple bills. They need to include carried balances, any payments or credit during the period between the last invoice and the current invoice. They should provide summary data. Allocation of time among different staff members is a nice option. If there are credits or discounts, there should be an option to place these on the invoice. There should also be an option for Invoices to just stand alone with no prior balance, payments or credits, but to be accompanied by a separate Statement that provides for A/R detail.

Fourth, the system needs to properly handle and account for WIP and billed time. Time on a pre-bill is technically WIP and should show up in WIP balances, but the time entries on the pre-bill should be locked when the invoice is in an optional Proof stage so you can't put that same time on a second invoice. Prior to that point you should be able to move a time slip from one matter to another.

Fifth, if you are generating a flat fee bill, you should still be able to show the time on each slip, but not the charge. The charge should show only in the total. It is dumb to show the time entries with a zero dollar charge. No one works for free.

Sixth, in some circumstances, bills are rendered at the Client level with details for each matter, but a grand total. In other cases, the invoice may be divided between two parties who are responsible for payment. In the invoicing system should be flexible enough to handle these circumstance.

## Fourth, Demand Your Invoices Be Paid

Collections are never easy. Bills can be sent to clients by snail-mail or email. They can include links for credit card payments, wire transfer or checks. Received payments often need to be split and allocated to either or both the law firm's operating account and the trust account, depending on whether the payments are for a retainer or trust fund replenishment or for WIP. Further, payments may be applied to expenses before WIP, or even sales tax. And then there are credit card processing fees to consider.

Your billing system should make the process easy and quick. Wouldn't it be great if the time between approval of the pre-bill, payment, and recording of the payment in the system was measured in hours, instead of weeks?

First, the invoice should be sent electronically. Postal mail is slow and costly. Some systems send Adobe PDFs. Sadly these Invoice PDFs have been a vector for some of the worst malware programs like WannaCry and CryptoLocker. Invoices sent as trusted links preserve confidentiality and are less likely to be confused with malware.

Second, invoices should include a method for prompt payment. A LawPay link on the invoice will result in faster payment by clients willing to use credit cards or direct bank transfer.

Third, the billing program should be able to receive the funds and properly allocate them between the Operating Account and the Trust Account. These payments should show up directly in the billing system and be properly credited. Some programs only allow you to allocate the funds to one account, and then you have to manually transfer the money and also account for that transfer, a time consuming process. It would be ideal if the software can allocate the funds to pay the WIP in the operating account first, and then apply the balance to the Trust Account.

Fourth, the billing program should support global, client and matter level billing preferences for allocating received funds between time, expenses, and even taxes, and whether they apply to older invoices first. In certain matters, expenses must be paid first. In other matters, all attorneys' fees must be paid first before the expenses are covered.

## Fifth, Demand That Your Partners be Happy

Distributions to partners are never as simple as my case, my money. There may be allocations based on originating partner or partners, and working partner. An outside referring source may be entitled to a share. Further complicating the originations may be differences depending on whether another partner, an associate, a paralegal, or even an outside contractor did the work. And there can be further differences based on matter-specific variations. The billing system should give you the data you need to make those distributions. This involves reports, lots of reports. It also involves the ability to set preferences on a global, client and matter letter with regard to originations and distributions.

First, the billing preferences need to be flexible and easy to configure. This does not mean simple. The system should be able to support allocation to an originating partner and to a working partner. It should differentiate between origination for time spent by partners on the matter and time spent by associates and staff.

Second, the origination reports should be accurate. They should be able to handle the allocation formulas and report based on different time frames. They should provide summary view and detail view with totals by partner.

Third, the system should support custom filters, to allow attorneys to view invoice status and act on workflow.

Fourth, the system should support custom firm-developed reports. No software company can anticipate all the reports a firm could want. There needs to be a report builder to let the firm develop, perhaps with a consultant, the management reports they need.

Fifth, dashboards and graphic charts give attorneys real-time information in a form that they can digest quickly. Personal dashboards and firm level dashboards let attorneys know whether they are on track on time entry, billing and collections.

## Sixth, Demand a Fully Integrated System with

Practice Management, Billing and Accounting Information does not belong in silos. The working attorneys want to know in real time whether the work they are doing exceeds the current budget. The marketing group wants to know if their advertising campaign was successful. The referral sources need to get their quarterly payments. The accountant needs to pay quarterly sales tax for services rendered in Connecticut.

The solution to meeting the various information requirements is a fully integrated system where the practice management system, the time and billing system, and the accounting system share a single database. Such a fully integrated system could revolutionize the reporting at the general ledger level, can support virtualized financial statements, and can allow allocating financial data based on information found in the practice management system.

For the attorneys, the financial data can be viewed in real-time directly on the matter home page. Attorneys can determine whether sufficient funds exist in the account to cover ongoing case expenses and time expenditures.

## Finally, Demand a Demo

Don't ever buy software based on the brochure and website. Demand a demo by a knowledgeable salesperson or an independent consultant. Be willing to pay for the time to get real answers to your questions. Print out a copy of this white paper and use it as your checklist. You are going to be living with this system for years; make sure it fits your needs and requirement. Make sure it makes you happy.

## About Centerbase

Centerbase is a full-service, cloud-based legal practice management solution that includes workflow, matter management, document management and document assembly, time and billing, and accounting. The platform is infinitely customizable, with support for unlimited custom fields and custom objects. It is also cross-platform, running on Windows and Mac systems, with special apps for iPhone and Android.
To learn more, contact sales@centerbase.com or give us a call at (214) 987-9000.

## About Seth Rowland, Esq.

Seth Rowland, Esq. (srowland@3545consulting. com) is an Associate Member of 3545 Consulting (www.3545consulting.com) with over 20 years of experience in legal practice management and work flow consulting. This article was made possible with the assistance of 3545 Consulting Team Members Kelly Plunkett, Kate Heath, Caren Schwartz and Nancy Griffing who have "forgotten" more about law firm billing and accounting than I could ever know.