

## Law Department Management

# Practical Tips on E-Billing

*Implementation involves intricate steps and hurdles.*



**Rees W. Morrison**, co-head of law department management consulting for Hildebrandt International, hosts the blog [www.LawDepartmentManagement.typepad.com](http://www.LawDepartmentManagement.typepad.com). He can be reached at [rw Morrison@hildebrandt.com](mailto:rw Morrison@hildebrandt.com). A list of e-billing vendors is on the blog.

### BY REES W. MORRISON

**M**UCH HAS been written about the benefits of electronic billing by law firms to law departments; little is available about the practical steps that a department must take to achieve those benefits.

This article will explain some of the implementation travails.

The term e-billing covers the receipt and review of invoices for the work performed by law firms. The benefits of receiving invoices from law firms electronically is that a law department will save time, increase the accuracy of the data it saves, reduce administrative review, and better control its outside counsel costs. The implementation steps, however, to enable those benefits, include a fair amount of preparation, set-up, testing, and decisions, followed by ongoing maintenance. E-billing will require some time and effort on both sides to ensure the process runs smoothly.

To set the stage, this article assumes that the law department has licensed and installed a matter management system. The electronic billing function may be a module within the matter management system, used to maintain records and processes, or it may be a separate application that feeds data into the matter management system. In either case, the law firm sends its invoices directly to the e-billing system.

Each matter management system or third-party application has variations. This article presents a generic model of the steps that a law department must follow.

### Components of the System

The law department needs to decide how many law firms, and which ones, will submit their invoices electronically. Most law departments choose the five or 10 law firms that they use most consistently. A few law departments try to have nearly all their domestic firms on the e-bill system. The e-billing system may charge for each law firm that takes part, so the decision comes down to balancing that cost plus the time and effort of starting up the process against the benefits of the e-billing. The cost of the e-billing function varies widely, with different arrangements available from vendors.

A challenge for all these systems is to accommodate any billing arrangement other than hourly billing. Fixed-fee work, phased billing, incentive payments, holdbacks—each of these presents a challenge.

The law department must decide on the rules of the e-billing system, which means what kinds of characteristics of the bill the system will check and when it will alert the bill reviewer to unusual items.

The law department needs to make a number of decisions regarding which rules it will invoke and the parameters of those rules. For example, one rule might be that the software will “flag”—bring to the attention of the bill reviewer—any instances where a timekeeper (lawyer, paralegal or other person who charges their time to a client) has charged more than 10 hours to the matter in a day. That choice of 10 hours is a parameter; the rule is to look for billed hours greater than a certain parameter. At this point, consideration of what rules to invoke and their parameters might

lead you to revise your outside counsel guidelines to correspond.

Meanwhile, the law department needs to set up an e-mail address and directory to receive and store the electronic invoices. Periodically, someone in the law department must open those invoice files and process them against the rules of the electronic billing system.

Then the law department person responsible for the e-billing initiative must write to the law firm, in effect to the billing coordinator of the firm, and explain that the law department expects the firm to submit its bills through the e-billing process. It is also relevant how much the firm will be billing and how often it will submit bills. It is a good practice to prepare a detailed explanation of what the law firm needs to do and how the process will work as it applies to it. Send this to the person at the law firm responsible for e-billing. It is worthwhile to note that most large law firms are complying with the e-billing requirements of multiple clients. They are probably more experienced than you are.

Usually there is an exchange of information, such as the format specifications, and the law firm sends a test invoice.

The law department must tell the law firms the matter numbers that it wants to have appear on the invoices. Those numbers, a unique one for each matter, come from the matter management system used by the department. The department may also request that the law firm identify the billing rates of those timekeepers who will appear on invoices. The e-billing software can then check whether the proper rate has been charged for each timekeeper.

Sometimes, a law department may not care to receive its bills with Uniform Task-Based Management System (UTBMS) codes on the time entries. Many law departments do not make use of the UTBMS information, and to add

it is a nuisance for law firms. If so, the department may have to tweak the invoice format used by the law firms and advise them of it.

Once the tests have been run successfully, the bills arrive electronically from the selected law firms. There then follows a period of working the kinks out as the invoice coordinator at the law department learns how to process the invoices and correct for errors. The blips are usually small, like an incorrect taxpayer number or two timekeepers with the same initials. One choice for the law department is to send an incorrect invoice back to the law firm to be resubmitted. Alternatively the law department can make the correction at its end. For instance, an invoice might have an incorrect matter number.

With the e-billing flow smoothly underway, there are always additional maintenance steps. One regular maintenance update is the addition of new matters, while another one is the addition of new timekeepers and approved rates.

### **Other Key Steps**

Having surmounted all of these implementation hurdles, it remains for the law department to nail down the process of bill review. Most of the systems route the reviewed invoice—where the software has expunged errors—to the lawyer who must approve the bill. Those lawyers must learn how to understand the electronic format of the bill and how to give their approval. They must learn how to move around on the screens and how to indicate their approval, but the training for this is minimal.

A final step is not commonly thought of as part of e-billing. The term e-billing covers the receipt and review of invoices for law firms. But part of e-billing should be to transmit electronically the approved bill

information to the accounts payable system of the company. If the law department can integrate that function, it negates the irritation of preparing check requests, it saves time and effort both at the law department sender and the accounts payable receiver, it speeds processing time, and it cuts down on errors. The tail on the dog is that the accounts payable system ought to notify the matter management system of the date of payment, the amount paid, and even perhaps a check number. The electronic flow of information between law department financial systems (e-billing or matter management) is not common, yet, but the trend is toward full integration.

Despite the streamlined electronics of e-billing, the law department might still have to retain hard copies of the bills it receives. Thus, the law firms might have to prepare bills in precisely the same way as they did before. This requirement to keep a hard copy may be a result of Sarbanes-Oxley and similar requirements for audit controls.

Thus ends our saga of the reality of electronic billing. The decision to implement e-billing and the choice of software to do so are but the first parts of a long process. The many steps described in this article have to be followed and done effectively for a law department to claim victory. Over time, however, with improvements in software and increasingly widespread acceptance of the techniques, more and more invoices of law firms will flow electronically. Even small law departments will in the coming years take on e-billing.

---

This article is reprinted with permission from the March 15, 2007 edition of the GC NEW YORK. © 2007 ALM Properties, Inc. All rights reserved. Further duplication without permission is prohibited. For information, contact ALM Reprint Department at 800-888-8300 x6111 or visit [www.almreprints.com](http://www.almreprints.com). #070099-11-07-0001