

## Ten Steps You Can Take Now for a More Profitable Year-End

Many law firms are paying more attention to accounts receivable issues, but this does not necessarily translate into more successful collections. Lawyers still have too much autonomy concerning how and when their receivables are collected. And while many firms believe that open dialogue between management and attorneys will result in effective collection efforts, they have not always demanded accountability.

As firms move into year-end, they end up scrambling to collect their receivables. And while most firms pride themselves on their sophisticated practice management systems and their dedication to client service, it is surprising how many continue to take a step back in time and apply old-fashioned techniques and approaches to year-end collections.

Coupled with these internal issues, law firms must also address clients' preferences for paying at year's end. Remember, clients have their own issues that impact when – and if – they pay their legal bills.

Don't let collections mistakes and mishaps ruin what is shaping up to be a relatively good year. Review the following 10 steps that you can employ to help your firm have a profitable year-end.

### **1. Ask the right questions about your accounts receivable management program.**

- Are you doing everything possible to add dollars to the bottom line, through better accounts receivable management and collection efforts?
- Do you know what kind of collection follow-up is being performed?
- Do you know what you can expect in payments on your older receivables?
- Do you have a good understanding of why your clients are not paying?

If you can answer yes to all these questions, you will have collections under control. However, don't be surprised if the results are not what you expected. Many firms have higher opinions of their collections efforts than they should.

**2. Honestly and objectively evaluate your firm's current collections efforts.** If your firm already has an accounts receivable management program in place, step back and determine how well it is functioning – and identify ways it can be improved. These areas include:

- *Effectiveness of the firm's current accounts receivable management strategy.* The firm must first have a proper, functional business infrastructure that deals specifically with accounts receivable management before its leaders can measure the effectiveness of the firm's collection efforts.
- *Analysis of how well the attorneys are managing and collecting their own accounts.* This is a critical area when reviewing the success or failure of a firm's collection efforts and can explain why receivables age too far without being paid.

- *Reduction of accounts and balances of older receivables.* Firms should not be content only to collect more current receivables. They must address the collection of older receivables, particularly those well over 90 days past due. For most firms, this translates into "found money" and should not be taken lightly. Receivables that age past 120 days have a 50 percent chance of being collected, and the success rate diminishes significantly after that.

**3. Make the most of your committee.** Committees can be unproductive. But if ever there was a committee that could offer the firm real value in terms of increased revenues, it's the one that deals with receivables and collections. Consider the following:

- The committee must meet monthly, know what to do when it meets and be prepared to take as long as necessary to perform its duties at the meeting.
- Its meeting agenda should focus on reviewing accounts and discussing collection efforts.
- The right people must be on the committee – people who will devote the necessary time and perform the requisite follow-through when working with the various billing attorneys.
- The committee must take a roll-up-your sleeves attitude and spend time reviewing collection efforts for certain accounts at certain balance levels.
- It must have reports that detail the status of collection efforts and be able to monitor progress.

If your firm is too small for a committee, ensure that the leadership understands its role in collections oversight and the need to stay proactive in working and monitoring attorneys' collections efforts.

**4. Ascertain whether the firm has the right administrative staff in place, and whether they are doing the right work in the right way.** Are these staff members reporting weekly on the accounts they are working on, the age of the accounts, how much they have collected and what they have in line for payment? Do you know how much time they are working on actual collections, as compared to other duties that only relate to collection work (i.e., generating reports, sending out reminder statements, providing information that the attorneys request)? Are they knowledgeable enough to provide the right reports that will explain the progress of collections efforts?

**5. Examine trends and patterns that will help identify clients with payment problems.** Take time to review clients' billing and payment histories, including the dates and amounts of last payments, how much billable work is still being performed and the age of unbilled time. Some clients may be dictating to the firm their payment terms simply because the attorneys have not properly taken control of the collections efforts.

---

Don't delay **taking action** on problem accounts. Your delay in **confronting the problem** allows a client to do the same. The sooner you act, the **sooner you will learn** why a client is not paying, and the sooner you can discuss solutions.

---

**6. Take a hard look at each practice area and why**

**clients are not paying their bills.** Collection strategy cannot be generic and often requires insight into how clients, practice areas and transactions are set up. For example, receivables associated with intellectual property clients often have overseas and domestic issues, while insurance areas have third-party payers.

**7. Project realistic timeframes for collecting receivables, especially older ones.**

If the lawyers offer to write letters to their clients, beg them not to. Inform them that collections require direct and diligent contact, and it often takes time for clients to pay.

**8. Identify lawyers who have difficulty managing their receivables.**

Ask your firm's lawyers to provide realistic projections of how much they expect to collect by year's end. Offer to provide any assistance they need, but also let them know that the firm will not turn a blind eye on collections mismanagement.

**9. Identify bills that will get paid, and start using your collections software to help.**

Make honest assessments and categorize receivables as collectable, problematic or uncollectable. Such classifications will allow you to focus on accounts, attorneys and transactions needing attention.

**10. Keep bills coming regularly and consistently.**

Clients may delay payments as a result of cash flow problems. If the lawyers are too busy (or too disorganized) to get their bills out on time, offer assistance. \*

*about the author*



**Jake Krocheski** is President of Client Connection, which provides accounts receivable management solutions to law firms. Contact him at (800) 236-8232 or [clientc@earthlink.net](mailto:clientc@earthlink.net).

## LEARN MORE

### ALA Resources

These titles are available through ALA's Web site, [www.alanet.org/bookstore](http://www.alanet.org/bookstore).

- *How to Draft Bills Clients Rush to Pay*, by Jay G. Foonberg and J. Harris Morgan
- *Minimizing Risk: How to Structure Law Firm Internal Controls*, edited by Rosemary Shiels
- *Results-Oriented Financial Management: A Guide to Successful Law Firm Financial Performance*, by John G. Iezzi

The following articles are available in the ALA Management Encyclopedia (ALAME), [www.alanet.org/alame](http://www.alanet.org/alame).

- "A Cost Accounting Tool To Enhance Profitability For Law Firms"
- "E-Billing Management"
- "Profit Planning: Creating A Profitability Component For Strategic Plans"

The following are accessible via ALA's Legal Management Resource Center, <http://thesource.alanet.org>.

- "How to Teach Your Lawyers Billing and Collection

Skills" by Joel A. Rose – Type keyword "collection" in the search engine

- "Collection Procedures" – Type keyword "collection" in the search engine
- "Calling to Collect" – Type keyword "collection" in the search engine

### On the Web

- Law Practice Today, "Getting Paid: A New Look at Fee Collection" – [www.abanet.org/lpm/lpt/articles/fin09061.shtml](http://www.abanet.org/lpm/lpt/articles/fin09061.shtml).
- RJH Consulting, "Accounts Receivable Collection" – [www.rjhconsulting.com/legal\\_consultant\\_article\\_Accounts\\_Receivable\\_Collection.htm](http://www.rjhconsulting.com/legal_consultant_article_Accounts_Receivable_Collection.htm).

### On the Shelf

The following titles are available for purchase or download through many online retailers, including [www.amazon.com](http://www.amazon.com).

- *Collect Your Money: A Guide to Collecting Outstanding Accounts Receivable for Your Business*, by Cody Flecker