



Accounts Receivable Management for Law Firms in 2020 and Beyond

No one has to tell you that the rest of 2020 is going to be a tough year, unlike anything we have ever experienced. There will be plenty of challenges, and collecting your accounts receivable will surely be one of them. If your firm has an accounts receivable management strategy, now is the time to re-evaluate that strategy – from top to bottom – in light of the economic climate. If you do not yet have a strategy – how can we say this tactfully? – what in the world are you waiting for?

We would venture to say that no firm has planned adequately for such hard times. And the reality for so many firms is that if they have not done a good job managing their A/R in good times, how can they expect to manage them when times are tough?

Having a tight A/R program in place – implementing processes to get paid - is really nothing new. This should have been done, regardless of the effects by COVID-19. It's just that now – with the changes in the economy – there is much more urgency. Demanding real accountability can be tough, but pursuing payment of ageing receivables in unprecedented economic times is much tougher. Therefore, the right people must be in place, who will devote the necessary time and perform the requisite follow-through.

Expand your efforts to make sure that clients can pay. Remember, managing accounts receivable for a

law firm is a step-by-step process that must be closely monitored. While past collections experience should not be ignored in these changing times, firms will need to address best practices for these economic times.

Start building your firm's A/R management by taking the following steps:

Get Everyone Moving Forward on What Needs to be Accomplished

- Acknowledge to everyone handling A/R that it's hard to ask to be paid. Make it clear to attorneys and staff handling accounts receivable efforts what your A/R management expectations are; this includes details on how they are performing their work. Everything is not black-and-white and there needs to be a fair amount of latitude for decisions based on individual circumstances. But to improve payment results,

establish and communicate guidelines on how to manage day-to-day efforts when contacting clients about unpaid bills.

- Get everyone on board, as soon as possible, to determine whether accounts have become payment problems, what the chances are that you will get paid and whether particular receivables are simply not collectible. The message should be for your firm not to wait for a build-up over 60 or 90 days before you decide that you have a collections problem. More often than not – and especially now – the truth is that you had a problem sooner, but you did not address it quickly.

Understand Where Changes Need To Be Made

- Ask the questions that will help you determine if your firm is making the adjustments necessary to deal with the current environment:
 - *Determine if you have the right management team in place to move forward*
 - *Assess whether you have the right people, with the right skills, in place to do the job*
 - *Understand how attorneys are managing their A/R remotely and if they are making progress*
 - *Evaluate your administrative staff, specifically whether they are doing the right work the right way*
- Stop discussing collection strategy endlessly with your attorneys and recognize that there are times when it is most effective to make your attorneys aware of what needs to be done and timeframes on when collection efforts should be completed.
- Recognize the difference between implementing A/R management policies, processes and procedures and spending time creating and revising collection rules. Often policies are not effective because leadership of the firm gives attorneys too much professional courtesy, allowing them to make exceptions to the rules. It's one thing to commit procedures to

paper, but it's quite another to ensure attorneys are following the rules.

Implement Strategies and Tasks That Are Essential to Getting Paid

- Don't mistake a few quick successes for a sign that collection efforts are working. Take a hard look at receivables you are not collecting and how you are dealing with issues that are preventing timely payment, particularly for those receivables ageing too far. Such receivables take more time to pursue, are more of a challenge to collect, and can consequently be left to the side.
- Follow up regularly and timely with your clients to determine when they will pay. Recognize that your firm is not the only one contacting them for payment status. Institute regular, steady professional communication of unpaid bills to secure dates of when payment can be expected, to help guide future follow-up. By showing your clients that the firm is regularly contacting them and monitoring their payment status, they will know you are well-aware of their bills and that you expect payment or if payment will be delayed.
- Educate your attorneys about various payment scenarios, plans and options before they contact clients. Because clients may not be able to pay as they have in the past, get attorneys to be prepared to recommend a few payment solutions that can be tailored to their cash flow issues.

Having a plan for clients that are faced with an unexpected, ongoing cash flow dilemma is one thing; putting it into action, monitoring it and making sure it works is quite another. It is a new beginning for all of us.

Client Connection assists law firms of all sizes throughout the United States by furnishing accounts receivable management services and developing practical receivable programs.