



Top 10 Legal Billing Pitfalls

By Rick Kabra

The health of any business, including a law firm, depends on good cash flow. The success of your firm may have less to do with anyone's skill as an attorney or firm administrator and more to do with how you run your office. Avoid these common billing mistakes and you can thrive while other practices are struggling.

1. **Improper Tools** — Using the wrong tools makes any task slower and more prone to error. Standard office accounting software is not equipped to meet the unique needs of a law practice, such as matter-based billing, multiple billing models and retainer administration. And speaking of retainers ...
2. **Poor Retainer Management** — Retainers are a great idea, in principle. However, unless you monitor retainer balances, the funds may run dry. You must track each retainer so you know when clients need to be prompted to provide additional funding or what to apply to client bills as retainers are earned.
3. **Unrecorded Charges** — Cloud-based tools allow attorneys to document hours and expenses immediately from their smartphones, tablets or laptops rather than giving them the chance to forget details by the time they get back to the office.
4. **Confusing Invoices** — Clients often want an itemization of every task performed on a matter. A client should look at an invoice and be able to see instantly what is owed, and when. Firms can still itemize, but the top of the invoice should be a simple statement of the client balance.
5. **No Situational Awareness** — How much money is owed to your firm? If you don't know that answer, and can't find it within a minute, then you have already lost the battle. Stay on top of your billing to achieve the cash flow you need to survive.
6. **Inefficient Billing** — Batch billing sends all outstanding invoices at once and saves you hours every month. Payment reminders greatly increase your collection rate, but you need to be able to generate those notices quickly each month.
7. **Trust Fund Mismanagement** — You will need documentation of each transaction in case of audit, and most U.S. states requires monthly three-way reconciliations that correlate the book balance, the bank balance and the trial balance. Make sure your billing software includes trust account management features.



8. **Bad Bookkeeping** — Reconcile your bank accounts every month to find errors quickly, and to know your practice's financial health. Document everything to provide a good audit trail. This protects both your firm and your clients.
9. **Lack of Mobility** — One technology you should be aware of is cloud-based billing. By keeping your billing software on the cloud instead of on an office computer, you have access from anywhere.
10. **Insecure Data Storage** — How safe are your client records from viruses, spyware, hackers, fires and the N.S.A.? Data stored in well-designed cloud software is significantly more secure than data stored on an office computer. Large datacenters provide digital and physical security, redundant power systems and storage, and regular backups in case of disaster.

You don't need to dread the billing cycle each month. A little time spent deploying a specialized legal billing software gives any legal professional the opportunity to avoid all of these common billing mistakes.

Dr. Rick Kabra is CEO of CosmoLex, developer of a cloud based-legal billing and trust accounting system specifically designed for solo and small law firms. Kabra has a Ph.D. in Electrical Engineering and more than 10 years of experience in the legal software industry catering to the specialized technology needs of small to mid-sized law firms.

Reprinted with permission from ALA Currents newsletter, May 8, 2014 issue,
published by the Association of Legal Administrators, www.alanet.org.

© 2014 CosmoLex