



Don't Let Your Legal Department Waste Time with Legal Invoicing

Law Department Management





Legal invoicing is an unavoidable part of law department operations. Law firms provide services to law departments, and they bill for their time and expenses. In case you have not heard, attorneys do not enjoy reviewing invoices. They typically have much more important work to perform. Yet properly analyzing invoices is critical to managing and controlling outside counsel spend. This column will focus on methods to manage legal invoicing, with a specific focus on reducing the administrative burden of in-house attorneys.

Outside counsel guidelines should be the basis for any system implemented. The guidelines outline clear expectations and direction for law firms. Some examples of typical business areas include:

- Engagement — define expectations with internal counsel as well as experts and vendors
- Invoicing — invoice due dates, ledes file type, permissions, and restrictions for certain tasks and expense codes
- Accruals — When are they due, what should be included?
- Budgeting — Annual or life of matter? What requires a budget?
- Staffing and diversity — articulate diversity expectations for staffing matters
- Fee agreements — agreement type and implementation
- Conflicts of interest — outline expectations and process
- Security — include expectations for data management and security review

Once you have your guidelines in place, it is helpful to have a way to automatically enforce the newly established rules. E-billing applications systematically enforce rules so invoices do not flow to

attorneys for approval if they do not meet established guidelines. An e-billing system can handle the guidelines in several different ways. First, entire invoices can be rejected if they do not meet the requirements to begin. Another option is to have the invoice flow to the approving attorney if certain line items are flagged and adjusted. The approving attorney can override the automated adjustment if they want. Lastly, warnings can be included on line(s) that violate rules to draw the attorney's attention. Ultimately, it is up to them to manually adjust the line item(s) or reject the invoice. Luckily, e-billing systems are flexible and you can implement a hybrid environment where some rules trigger a full invoice rejection and others simply include a warning. Take time when making these decisions to ensure you do not create an administrative mess by automatically rejecting too many invoices or leaving all the decisions to busy attorneys.

Traditionally, invoice review fell on in-house counsel. Now, there is a trend to lessen the burden of invoice review while still maintaining the level of quality needed to review outside counsel and vendor work. One option may be to have invoices that are under a certain dollar amount auto-approved. Analyze departmental spend and identify if there is a set of invoices that is low risk and high volume that can be auto-approved. If you implement this option, you will need to include quality control measures and the ability to override the auto-approvals if needed. Another alternative is engaging a third-party service to provide review services. These providers are incentivized to analyze line items because they are typically paid a percentage of the line item adjustments and rejections they find. Yet another option is for a law department to hire an internal full-time invoice review expert who reviews invoices and collaborates with in-house counsel.

If you do have attorneys reviewing invoices, provide them some basic tools to analyze the invoice. Some invoices are simple to review but others contain hundreds of line items. Making thoughtful decisions about what should be approved can be difficult. Basic tools you can provide are reports or dashboards to support invoice review. You can embed a dashboard/widget into the actual invoice to provide them a quick view of important information such as matter budget, overall spend, or existing discount agreements. Another option is to generate simple reports to help analyze invoices, such as timekeeper hours spent by day across all matters, timekeeper summary by invoice number, task code summary by invoice number, or role-based work assessment by invoice number.

Putting guidelines, reports, and rules in place is great but if you do not train your internal counsel, your efforts are likely to fall short of your goals. Interview your inside counsel and ask different attorneys how they approach invoice review to establish best practices. Train internal counsel on the outside counsel guidelines, company account codes, and practices. Cover general topics like best practices for how to review an invoice and what tools are available to support invoice review.

Lastly, do not forget about collaborating with your law firms — they are submitting invoices to possibly hundreds of different clients, all with different invoicing rules. Do not just send an email with your new outside counsel guidelines and expect every law firm billing contact to fully comprehend every nuance. Actively train your firms on your outside counsel guidelines. Offer WebEx training sessions to go over the most important aspects. Allow firm contacts the opportunity to ask questions during the training or directly after.

With some of these changes in place, the sheer volume of invoices flowing to attorneys can be reduced or, at the very least, the process of reviewing the invoices will be easier. Free your attorneys to be the legal warriors they are.

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