How to Document Client Expenses and Attorney's Fees

Introduction

In order to accurately account to your client, you should keep track of client expenditures, your fees charged and fees paid. There are very few, if any, courses in law school that teach you to keep track of time and client expenses. Gathering information for billing purposes is, however, important to the survival of a law firm. It is imperative that effective systems are in place to make sure that all expenses and fees are documented.

Time Keeping Tips

Everyone in the firm should be taught to keep time and time records should be kept consistently.
It is helpful to have a written timekeeping policy. Your policy should standardize timekeeping methods, let your staff know what is expected of them and what repercussions will result for noncompliance with the policy.

It is important that you have a way to track each client and case. You should assign each client a number that is uniformly used by every timekeeper to designate all time spent on a specific client's case and all expenses associated with that same case. If you have several cases for different clients, you can assign each a client number and a case number. With a two number system you can differentiate fees and expenses between the different cases for the same client.

Document all your time. If you want to give a discount, give it after you have seen your real time investment. This will help you make an informed decision about discounting clients' bills.

Document time as you perform the work. Do not wait until the end of the month to reconstruct your work schedule. You will lose time & money!

Time Keeping Methods

Manual System - If your firm is not automated, or does not have the technology available to track the costs related to each client, then you may choose to:
Have a client progress sheet placed in the front of all client files. Make certain all time and expenses are logged onto the progress sheet.

Have all staff members keep a daily record of any incoming or outgoing telephone calls performed on a particular client/case file. This would also include the length of time spent on the telephone call. A daily record will assist in an accurate reflection of expenses and fees.

Automated System - If your firm is automated, there are numerous software programs available that can track your client's fees and expenses for you. This can be very cost and time effective in managing your cases, especially in a small firm. The savings in time can enable your staff to spend time on other tasks.

Calendaring, tickler systems, case management, timekeeping and billing functions can sometimes be found in one software program.

Tracking Client Expenses

You can track client expenses manually by writing down each time you incur an expense. You can create your own log (log - document that lists certain information) that associates the date, client name, client number and/or case number with client expenses. You can use one log to track copy expenses, one log to track postage expenses, one log to track facsimile transmissions and one log to track long distance expenses.

You can also track client expenses using add on devices that attach to office equipment (i.e. copiers). Such a device will not allow you to use the equipment until you enter a client number.

You can track long distance calls by using a manually kept log or a "forced account code" system that is offered by long distance companies. You can use the client number and/or case number as the account number. You cannot make a long distance call without entering an account code. Make sure your client number and/or case number can be accommodated by the long distance carrier's system (i.e. your client number is 9 numbers and the long distance carrier's system allows for at least a 9 number code).

Document Checklist

New matters should always be assigned a Client Number and/or Case Number. This number should be utilized by all staff members when any work is done on the case.
Create a case progress sheet for each case and keep it attached to the file. The case progress sheet should have the date of any activity done on the case, a description of the activity, and the staff member's initials.

Implement a system where all members of your staff keep time records for their time spent on each case.

Copying Expense - In the event your copier does not have a system that automatically records the client number and/or case number with the number of copies made, provide a "copy log" at the copier where the following information can be logged: date, client number and/or case number, number of copies and staff member's initials.

Facsimile Expense - This is usually determined per page, however, if your facsimile machine does not have a system that automatically records the client number and/or case number with the number of facsimile pages sent, provide a "fax log" where the following information can be logged: date, client number and/or case number, long distance facsimile number, number of pages and staff member's initials.

Courier Expense - Keep a log of courier expenses available for the following information to be logged: date service requested, when envelope/package was picked up, client number and/or case number and staff member's initials.

Postage Expenses - Keep a "postage log" centrally located in your office where the following information can be logged: date envelope/package sent, client number and/or case number, amount of postage and staff member's initials.

Overnight Charges (Federal Express, Airborne, UPS) - Placing the client number and/or case number on the air bill for your reference is important. At the end of the month you can accurately factor in these expenses to individual matters.

Conclusion

Regardless of how your firm is setup, you should implement a method of tracking client expenses and have the ability to charge appropriately.
Several methods have been suggested to help you set up a fees and expenses tracking method.

Be reminded that, even if your cases are contingency fee based, the Courts may require an accounting and/or justification of client costs and attorney's fees.

This brochure is intended to give you options and alternatives for tracking client expenses. Whatever method you choose, you need a detailed accounting of what your client expenses are, and how your attorney fees have been formulated.