

# IT'S FEBRUARY. DO YOU KNOW WHERE YOUR RECEIVABLES ARE?

*If yours is like most law firms, you make an all-out push to collect outstanding receivables in November and December, then breathe a collective sigh of relief come January. And you don't give collections all that much thought again until well into the third quarter. Consequently, billings are down during the first quarter, which, of course, slows collections.*

*This is the way it's always been done, you say, and both the attorneys and their clients expect it to be that way. But it clearly does not serve the firm's best interest, and it need not be that way. Which is why we're talking to you in February.*

## Okay, You've Got Our Attention

By and large, attorneys tend to make the easy collections during the course of the year. When there are problems, they let the receivables sit. And sit. And sit. Which is why there are so many receivables over 120 days. In fact, a startling number of receivables are over 360 days old, and experience has taught us that approximately 50% of those receivables are uncollectible. If a firm is serious about cleaning up old receivables, the first quarter is the best time to do it.

The fact is that most of the receivables collected during the November/December crunch are less than 120 days old. Because receivables over 120 days are usually

more problematic, attorneys realize they can't resolve them by year-end. So they don't bother. In the effort to get as much money in as possible, they focus on more current billings and avoid dealing with unhappy clients, clients who are unable to pay, situations in which the attorney did not get a good result for the client. With the pressure off in the first quarter, the attorneys are even less inclined to face the older receivables.

Actually, the first quarter is the best time to focus on cleaning up old receivables precisely because the pressure is less intense and because the effort will take time.

## Oh, all right. We'll start dealing with our receivables now. What should we be doing?

- ▲ Sit down with each billing attorney. Ask them if they need help dealing with their accounts receivable. Ask when their receivables will be collected. Ask for a specific date when they expect accounts to be collected or otherwise resolved. Ask point blank if aged receivables should be written off.
- ▲ If the attorneys offer to write a letter to their clients, beg them not to. Collections require direct contact with the client. It is a process that must be approached diligently and timely. Once again, ask if they need help (you may be wearing them down).
- ▲ Prepare a spreadsheet listing all receivables over 120 days past due

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## What should we be doing? (continued from front )

that you have discussed with the billing attorneys. Include the client name, amount due, amounts of unbilled time and expenses, date when payment is expected (or when something will happen that will increase the likelihood of collection) and brief comments on the status of the receivable.

- ▲ Update the spreadsheet on a weekly basis for firm management. And make sure attorneys know that management will see this information — that they are being held accountable. Management also should be informed whether attorneys are willing to accept assistance with their collection efforts.
- ▲ Project realistic timeframes for collecting receivables. Ensure that the attorney agrees on an ultimate deadline. If it appears that a given receivable will not be collected by this deadline, let management know. And let the attorney know that you're letting management know.
- ▲ Process any write-offs the attorney requests be made. Don't wait for the attorneys to do it themselves.
- ▲ Attorneys must be told to stop doing work for non-paying clients at 120 days. The bleeding has to be put to a stop.

**Client Connection assists law firms of all sizes throughout the United States by furnishing accounts receivable management services, developing practical receivable programs and training law firm staff in effective collection methods.**

## CLIENT CONNECTION

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## Now What?

*Give serious thought to who will take responsibility for managing the receivables process. Typically, the attorneys have neither the time, training nor inclination. Administrators and accounting staff have too many hats to wear without adding the collection hat. Who is best able to manage the process? Do you need outside assistance?*

*Now that it's February, make sure your firm knows where its receivables are. Take action now. It may disturb your first-quarter peace, but it will ensure greater peace of mind next December.*