

Use Reporting to Improve Your Collections

Whether you run a solo law office, operate a mid-sized firm, or helm a large legal practice, there's probably room for improvement in one area: collections.

Collections have improved in recent years—in 2021, [law firms experienced the highest average realization rates](#) since the Great Recession of 2008. But another average to consider? The average law firm still fails to collect approximately 10% of billable hours.

To improve your collection rates, you don't need to orchestrate a phone tree to resolve aged invoices or result in strong-arm tactics. In fact, the solution to improving your collections actually already exists within your legal tech stack: your time and billing reports.

When you run the right [reports](#), you can quickly pull up actionable insights into your collection and billing practices. In turn, that insight can help you pinpoint which collections and billing issues are the most pressing and improve billing and collection practices for the future.

Identifying issues in your law firm collection

The state of law firm collections are not ideal, but it's not just because law firms aren't getting paid. There are also operational factors to consider, including attorney utilization rates, realization rates, and a whole host of client expectation concerns to consider for [better law firm collection](#).

While it can be helpful to have transparent conversations with stakeholders about your collection rates and how to improve them, it's important to back up those conversations with data from reports. Consider starting with the following reports:

Allocation

Allocation reports help you understand which attorneys—and clients—are generating revenue for your law firm. By understanding where your revenue comes from, you can better solve where your money *isn't coming from*:

- Which clients are the most dependable, timely source of revenue
- Which clients require extra attention to get their bills paid
- Which attorneys need the most support with collections

You may also want to look for patterns in your allocation reports, such as which practice areas consistently fall behind on collections.

Billing realization

Billing realization reports look at the amount of time worked that gets billed to a client.

It may seem obvious that all work completed should be billed to clients, this can be difficult if you don't have robust timekeeping and billing practices to support it. (This is where an integrated, mobile-friendly [time tracking software](#) comes in handy for your law firm.)

Billing realization reports can be used to compare billable vs. billed by the following categories:

- Realization per client
- Realization per timekeeper
- Realization per invoice

As you dive into your billing realization reports, you can look for tasks that were completed but never billed for, as well as reduce the use of excessive write-offs.

Accounts receivable

Your accounts receivable (AR) report details all of your outstanding client invoices and how long they've been unpaid. Ideally, you should run your AR reports weekly or monthly so you can keep close tabs on overdue accounts

and make swift decisions on how to handle them. Remember that the longer an account is outstanding, the less likely it will be paid.

When you run AR reports, look for the following information:

- Open invoices
- Past due invoices
- WIPs
- Responsible timekeeper

You can also further drill down by client, billing category, and more to pull out all the information relevant to your legal practice and its collection concerns.

Next steps for better collections

Collections start before a client ever receives a bill. That means to improve collections, you need to start with clear internal policies for collections, strong staff buy-in, a commitment to making data-driven decisions, and a client-centered approach to encouraging timely payments.

Set a clear collections policy for your law firm

Setting a policy for collections is both common sense and impactful. Your law firm's collection policy should cover:

- When to contact clients
- How to handle disputes
- When to send accounts to collection agencies
- When to write off debt

Set your attorneys up for success with timekeeping, billing, and client service best practices

Attorneys play a big role in successful collections. After all, they are the ones doing the time tracking, reviewing bills, and communicating with clients. That being said, attorneys are trained in the law, not in business operations. Make sure they have guidance to support them in these aspects of the job. All attorneys should be trained on how to:

- Correctly [track time \(both billable and non-billable\)](#).

- Create an accurate invoice for the work they've completed
- Answer client questions regarding bills

To build a culture of accountability around timekeeping, billing, and client service, consider providing regular refreshers and reminders for all timekeepers.

Build better invoices

When a client receives an [invoice](#), do they see a detailed itemized list of services and fees, thoughtfully contextualized so that they clearly understand what they are paying for? Or are they left scratching their head and frustrated by seeing nothing more than a large sum of money that needs to come out of their pocketbook?

If it's the latter, it's time to update your invoices. Your invoices should include:

- Invoice number
- Date
- Full description of services rendered
- Any expenses associated with legal services
- Contact information
- Payment methods
- And, of course, the total

Keep up with the reporting

Reporting isn't a one-and-done activity. To get the most return on investment for your reports, make a date on your calendar every month to check in on collections. Don't just glance at the report and move on with your day, though. Distribute reports to attorneys so they can see progress on collection rates, and make sure to bring any new insights to stakeholders so you can discuss how to shift tactics when necessary.

Create a strategy for client communications

You want [your clients to pay on time](#). But bear this in mind: establishing a satisfactory collection rate takes time, and that's in part because it depends on your client relationships and how you communicate about collections.

The first place to start is your fee agreement. Your fee agreement clearly outlines your collection policy, payment options, and outcomes of outstanding bills. This makes it clear from the outset how your law firm operates and what your clients should expect.

You should also have a strategy in place for how you plan to communicate with clients in the event of overdue invoices. Your strategy should be tailored to your practice area, client base, and operational needs. Options can include implementing text and email reminders, phone calls, and other reasonable points of contact. Your legal CRM can help make this easier by sending automated reminders regarding invoice statuses.

Use TimeSolv's reporting to improve your collections

TimeSolv's deep analytics and reporting capabilities give your law firm the insight it needs for smart business decisions.

With a comprehensive lineup of law firm billing, time tracking, and reporting tools, you can capture more hours, set up consistent billing processes, and better understand your cash flow—and any bottlenecks that are keeping it from flowing.

[Sign up for a](#) demo today or [start a free trial](#).