How to Document Client Expenses and Attorney's Fees

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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 consistently keep time records. Regardless of how you set your rates—even in flat fee cases--you should still keep up with your time and your firm's work on each case. Many reasons exist for this, the least of which is so that you can document later to your client (or to the State Bar Grievance Committee) if the client ever complains that you did not "do anything" on his/her case. Even if your cases are contingency fee based, the Courts may require an accounting and/or justification of client costs and attorney's fees. If you have a system in place, one click of the computer can create a report effectively rebutting these types of claims.

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. One way to do this is to 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. You should do this even in a flat fee arrangement as this information will help as you make future decisions on the amount of the flat fee.

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

Although you can try to manually keep up with your time by keeping a "progress sheet" in front of all client files, this system alone is not recommended. With the advancement of computers and technology, you should be able to quickly and effectively keep up with your time. There are many ways to create a format for timekeeping, but the key is for **everyone** in the office to use the same system. Although you may be able to come up with your own computerized system, legal software systems exist such as Time Matters, Abacus, and others can simplify your practice in keeping up with your time as well as recording and organizing client events and documents. Calendaring, tickler systems, case management, timekeeping and billing functions can sometimes be found in one software program.

Everyone, including all staff members, should keep a daily record of any incoming or outgoing telephone calls performed on a particular client/case file, including the length of time spent on the telephone call. Everyone in the office should be trained that **any time anyone does anything** on a particular case file, the **act should be recorded**.

Tracking Client Expenses

Keep a log that indicates each time you incur an expense. You can create your own log that associates the date, client name, client number and/or case number with client expenses. You can divide the log into particular topics (copies, postage, facsimile transmissions, experts, consultants, couriers, etc.) if you desire, but just make sure you set up a system to keep up with these expenses as they occur. Keep or scan copies of all receipts, invoices and other proof of client expenses in the client file. All bank checks written by your office or received by your office regarding a client's case should be copied and placed or scanned in the client's file. The "paper trail" should be very thorough and documented.

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

Regardless of your decision to use paper files, computer files (including Cloud computing), and/or a case software program, new matters should always be posted to the particular client's case. As mentioned above, a numbering system for each client's case works well. Most important is that everything done on a particular case is documented in one, systematic, place.

Conclusion

Regardless of how your firm is setup, you should implement a method of accurately tracking your time and your client's expenses.