



LAW FIRM POLICIES & PROCEDURES MANUAL



NO MORE LOST REVENUE!

A QUICK GUIDE TO LAW FIRM COLLECTIONS, AND AR PREVENTION



WHY YOU NEED A LAW FIRM COLLECTIONS POLICY

It is important for the Law Firm to follow a clear plan for the collection of outstanding accounts receivables (AR) to minimize the potential for lash-back by the client and to minimize wasted time to the Firm in collection efforts.

A consistent effort should be made to create a system for collections where the bookkeeper or an assistant manages the list and the initial attempts to collect and then escalates the issue to the Law Firm Owner as needed.

SAMPLE AR COLLECTIONS PROCEDURE:

When reaching out to a client about an AR balance it is important to take the call seriously, and handle the situation in a professional manner. Here are the basic steps and tone to take when tackling these calls. As you move through each phase of collections, it is important to keep calm and not allow the discussion to become emotional for you or the client.

PHASES AND “TONE” OF A/R CALLS.

Before you begin, be sure you have the most complete and up to date report of all clients with an AR balance, including the date of their last payment, amount past due, and total balance owed.

Phase 1: Play Nice

If they are only a few days behind, call and politely let them know that their payment has not been received and would they like to take care of that by phone credit card payment right now.

If they are several months delinquent, call and let them know that you are trying to resolve some old balances and would they like to take care of it today. Alternative A: send a letter with a copy of old invoice saying have waited 1 year as a courtesy but now must hear from them. Alternative B: let them know you that as part of some bank financing your business can not have any A/R and therefore you need them to take care of this immediately.

Phase 2: Be More Assertive

Call or write and say must hear from you and start a payment plan within 10 days or pursuant to the Firm's policy you will have no choice but to a) withdraw and/ or b) turn the matter over to collections.

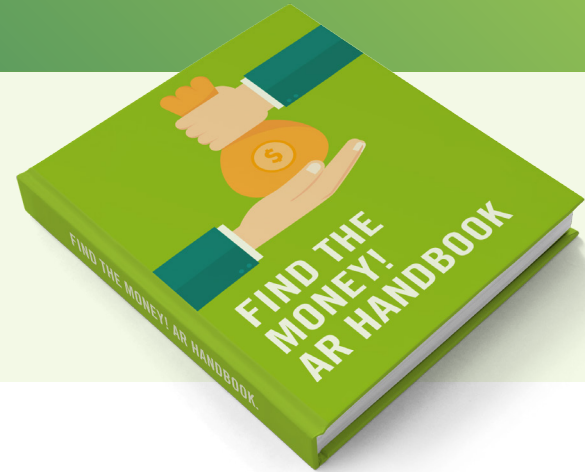
Phase 3: Get Serious

Send final letter indicating have not heard from them and if payment is not made by 5:00 pm in 7 days they will have left you no choice but to a) turn it over for collections or b) file an attached litigation document (depending on case you may be able to do a Motion to Reopen and request the judge order fees, or may need to file litigation).



COLLECTION PROCEEDINGS:

There is a point when it no longer makes sense to spend you or your staff's time chasing money. Law Firms who work with a reputable and respectful collections agency not only recapture lost revenue, but also find themselves able to focus on providing a higher level of service to their current clients.



FIRST NOTICE

The Owner, or delegate such as bookkeeper, shall contact the client(s) on any outstanding 30 day A/R and discuss an immediate payment plan. Care should be taken to prepare for the call by understanding the following aspects of the matter:

1. Status of the case,
2. Any leverage on work still to be performed and on the client's actual motivation for hiring the Firm such that the conversation can focus on those issues to leverage the client to bring the account current immediately and assist the client in reaching their goals.
3. Amount outstanding.
4. Last Payment.
5. Written fee agreement in file?

The caller shall document whether they reached the intended recipient and notation of such discussion or shall note that a message was left regarding intent to call the next day.

The caller shall place a second call as necessary.

SECOND NOTICE

The Owner shall contact the client(s) to re-engage the client in a sales conversation, remind the client of the commitment the client made to pay when retaining the firm and to discuss an immediate payment plan. If client is not willing to enter payment plan Owner shall arrange for full withdrawal from the case.

The Owner shall document the results of the call.

THIRD NOTICE

The Owner shall determine the appropriate plan of action to finalize collection efforts and shall instruct the Secretary to send a final letter.

Options:

Send Letter indicating if have not heard from client and if payment is not made by 5:00 pm in 7 days the matter will be

1. Turned it over for collections
2. File an attached litigation document (depending on case you may be able to do a Motion to Reopen and request the judge order fees, or may need to file litigation).



BONUS! **AR TRACKING POLICY AND PROCEDURE:**

In order to operate as a business, the Law Firm must ensure that the legal services being rendered are being timely and fully paid for by the clients of the Firm. Careful review of all Accounts Receivables ("A/R") must be had to identify any matters of concern and to rectify any non-payment issues immediately.



PROCEDURE

TRACKING A/R

The Bookkeeper shall track all A/R.

The Bookkeeper shall have the tracking information available to Owner at all times.

ADDRESSING A/R

The bookkeeper shall keep the Owner apprised of the status of any A/R via the use of an A/R Report and an Aged A/R Report.

The Owner shall review the A/R Report to get an overview of the status of outstanding balances for work performed. The Owner shall give a detailed review to the Aged A/R Report to identify funds which should be paid in the next 15—30 days, client matters which were not timely paid within the normal 20-30 day course, and client matters that are more than 45 days due and for which all work has been halted or is about to be stopped.

The Owner shall triage a plan to contact and resolve any A/R that is beyond the 30 day pay mark.
(See also, PSP re: Collecting A/R)

The Owner, or delegate, shall contact the client(s) on any outstanding 30 day A/R and discuss an immediate payment plan. Care should be taken to prepare for the call by understanding the status of the case, any leverage on work still to be performed and on the client's actual motivation for hiring the Firm such that the conversation can focus on those issues to leverage the client to bring the account current immediately and assist the client in reaching their goals.



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BONUS! AR COLLECTION LETTER TEMPLATE

Feel free to use this collection letter template in your law firm to initiate payments on past due balances. Collections letters are most effective, when combined with the call campaign outlined on page one.



EXAMPLE COLLECTION LETTER

[Client Name]
[Client Address]
[Client Address]

Re: Your Case Balance / Account Number [case / account number]

Dear [Client Name]:

We have made several attempts to contact you regarding your balance for legal services. We understand that life happens and circumstances may influence your ability to pay.

At this time your account is _60_ days delinquent and currently has balance of [\$2,500.00]. Our office has several payment options available to address the above balance.

A complete account statement is attached. Please review and take this opportunity to contact us if you have any questions.

Our team worked diligently to address your legal need and advocate for you as our client. We would appreciate your immediate payment on this account, and at a minimum an update on your financial standing if you are unable to pay the entire balance at this time.

In the event that you are unable to pay this balance in full, please contact [Accounts Receivable Coordinator] to make alternative arrangements we have several options available and wish to work together through this issue.

We appreciate your prompt attention to this matter.

Sincerely,

[Name of Accounts Receivable Coordinator]