Legal Bill Review Essentials:

A Comprehensive Checklist for Legal Operations Teams

Introduction

Last year, law firms set record billing rates. And as litigation demand stays strong and deal-making enthusiasm climbs, don't expect these numbers to ease up anytime soon. In fact, according to the latest law firm surveys, 86% of firms in the U.S. and U.K. are eyeing billing rate hikes in the next year, with nearly one in five predicting increases between 41% and 60%. [1]

And rate changes are just one of the changes that legal operations teams will need to keep track of — factor in adherence to billing guidelines, compliance with shifting regulations, and more, and legal bill review can quickly start to feel overwhelming.

Luckily, technology is stepping in to rapidly transform legal operations, driving improvements in efficiency and scalability. But most legal departments lack the specialized expertise needed to fully leverage these advancements — after all, lawyers excel at practicing law, not managing tech systems

To achieve optimal performance, legal teams must align technology, processes, and people, ensuring everything works together to maximize impact.

[1] Billing rate hikes not slowing down as latest data show expected surges in 2024," The American Lawyer, June 26, 2024. Accessed from Law.com.

But where do you start?

A comprehensive checklist approach can help streamline your bill review process (and know what to look for in your technology), making it easier to stay organized, catch potential issues early, and apply a consistent approach across all invoices.

Let's dive into the steps needed to start saving your time and resources while building confidence in the financial integrity of your legal department.
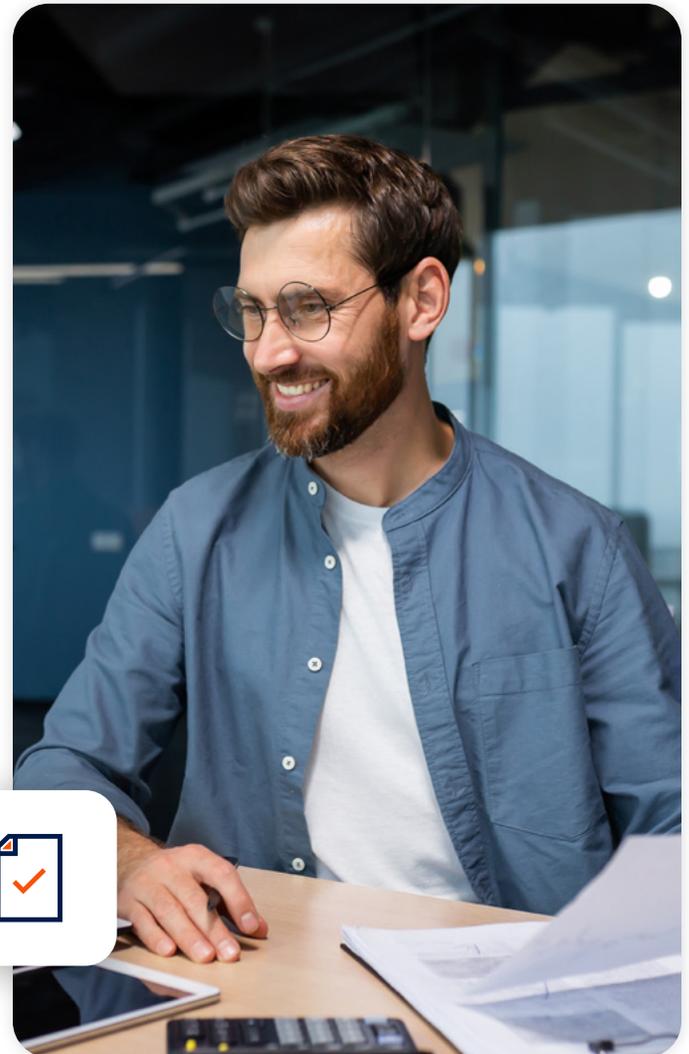
Step 1. Establish Clear Billing Guidelines

The first step in your bill review process should be to ensure outside counsel and vendors are aware of — and adhering to — to your billing policies.

This could include (but is not limited to):

- ☐ Specific rates by role (with caps included)

- ☐ Disbursement and expense rules

- ☐ Staffing expectations

- ☐ Detailed task descriptions

Including these items in billing guidelines ensures a transparent, efficient, and fair billing process that aligns with the organization's financial and operational goals while fostering accountability and trust with outside counsel. Be sure to be specific here.

Step 2. Perform Initial Invoice Verification

Next, once you receive invoices check for any immediate discrepancies. Verifying invoices at the outset can prevent unnecessary costs from slipping through the cracks and escalating to larger issues when they could be quick fixes.

Common things to look out for include:

- ☐ Incorrect rates

- ☐ Billing errors

- ☐ Deviations from the approved guidelines or scope of work

- ☐ Approved vs not approved team members billing time

By addressing any obvious errors right away, the review process becomes more efficient and effective, saving time and money in the long run and reinforcing trust and accountability with outside counsel.

Step 3. Review Task Descriptions and Time Entries for Trends and Irregularities

After you have verified the invoice, examine entries to confirm that all billed hours are necessary, adequately described, and that tasks align with the scope of work. Clear and accurate task descriptions also allow reviewers to understand the nature of the work and assess whether it could have been handled more efficiently or at a lower cost.

Tip:

Watch out for vague or overly general descriptions such as "research" or "case review" as signs of potential inefficiencies or points worth addressing about the appropriateness of billing rates.

Bills are not a one-and-done document, either – they can provide insight to you later down the line. Use historical data from previous work to compare your current invoices. By doing this, you can detect unusual patterns, such as billing spikes or repeated tasks, which may indicate inefficiencies or potential overbilling.
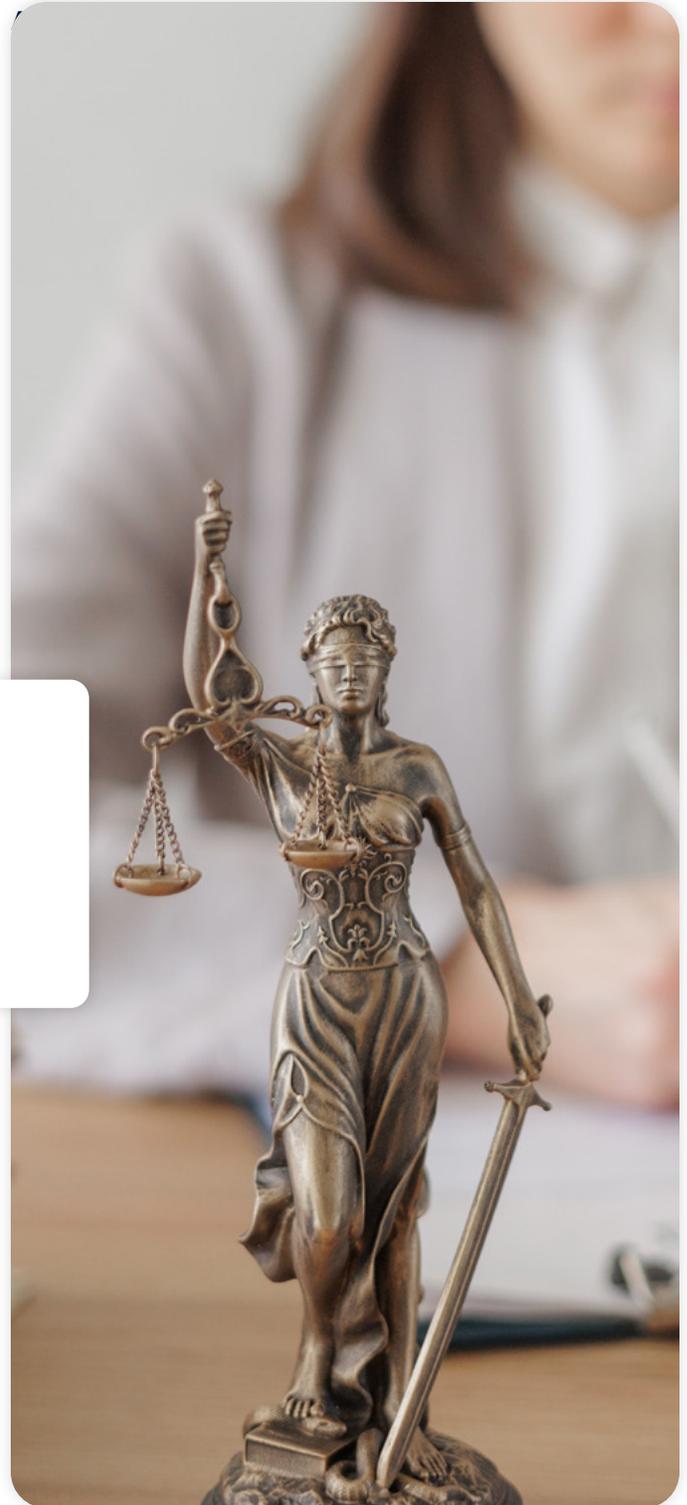
Some examples to look out for are:

1. **A sharp increase** in billable hours or costs compared to previous months without a clear reason

2. **Repeated charges** for "case research" or "document review" that appear in multiple invoices for the same matter

3. **Excessive hours billed** for tasks that should take less time, such as reviewing straightforward documents or brief meetings

4. **Overtime work charges** that were not pre-approved

5. **Different rates for the same person** across invoices or rates higher than pre-approved amounts

Trend analysis is a proactive approach to identifying areas for process improvement and ensuring cost predictability. By closely examining time entries, legal ops teams can catch overbilling, identify repetitive tasks, and evaluate whether outside counsel or vendors are handling tasks that could be managed by in-house teams.

Tip:

Combine AI-powered categorization with expert oversight during invoice reviews to ensure entries align with your guidelines. This approach helps identify inefficiencies like vague descriptions or excessive charges for repetitive tasks, saving time and reducing costs. (See step 7).

Step 4. Assess and Reallocate Budget as Needed

It's important not to lose sight of your initial targets. Regularly evaluating budget use allows your legal operations teams to maintain financial oversight and adapt to shifting priorities, ensuring that resources are allocated to the highest-value activities.

Here's a closer look into how to action this step:

1. **Track Budget vs. Actual Spend:** Establish monthly or quarterly reviews comparing actual spend to the targeted budget. Track spending across various categories, such as litigation, transactions, and compliance, to see where deviations occur.

2. **Identify Patterns and Cost Drivers:** As mentioned above, use historical data and billing software analytics to identify trends, like high-volume matters or frequent use of certain services. Categorize these costs to understand the root causes and anticipate future budget requirements.

3. **Allocate Resources to High-Priority Areas:** During your regular budget assessments, identify areas that need more funding—such as new regulatory compliance efforts, for example—and reallocate resources accordingly. This can prevent critical projects from stalling due to lack of budget.

4. **Forecast Future Budget Needs:** Use spend data, upcoming case timelines, and input from outside counsel to forecast costs for ongoing and new matters. Share these forecasts with leadership to support budgeting requests and set appropriate financial expectations.

5. **Implement Cost-Saving Strategies Where Possible:** When over-budget areas are identified, implementing cost-saving strategies like alternative fee arrangements (AFAs), **increased use of technology**, or renegotiating rates can help bring spending back in line. Using technology can drive savings beyond compliance—leverage tools for rate negotiation, managing alternative fee arrangements, and benchmarking rates across industries to implement effective cost-saving strategies. (See step 7).

By assessing and reallocating budget as needed, legal operations teams stay agile, keep spending under control, and align financial resources with the organization's strategic goals. This approach not only supports effective legal operations but also builds a foundation for long-term cost management and financial transparency.

Tip:

Bringing in analytics tools that not only detect discrepancies in real-time but also analyze historical billing data to identify trends (such as recurring inefficiencies or cost drivers) can help you get proactive about budget adjustments or process improvements. (See step 7).

Step 5. Document and Communicate Feedback

Effectively documenting and communicating feedback is key to maintaining accurate billing practices and fostering a transparent, collaborative relationship with outside counsel and vendors. This approach ensures that issues are addressed promptly and helps counsel align with organizational expectations over time.

Take initiative with feedback by:

1. **Documenting Billing Issues Systematically:** Use a centralized tracking system to record each billing issue, noting the date, specifics of the problem, and any follow-up actions taken.

2. **Providing Constructive Feedback to Outside Counsel:** Schedule regular reviews or share written feedback, pointing out specific invoice concerns with actionable recommendations included. Be sure to also acknowledge compliance areas to reinforce positive practices alongside adjustments.

3. **Sharing Trends and Areas for Improvement:** Your outside counsel is an extension of your team so that means their success equals your success. Take the time to summarize your findings in a feedback report and discuss the trends during review meetings. Use examples from recent invoices to illustrate areas where adjustments could help.

4. **Establishing a Resolution Process for Billing Issues:** Progress doesn't happen overnight. Outline steps and timelines for issue resolution, sharing these expectations with outside counsel. Include this process in billing guidelines (back to step 1!) and revisit it periodically as part of onboarding or review discussions.

Following these four steps encourages continuous improvement by regularly reviewing and updating practices fosters a culture of improvement, **reducing billing issues over time.**
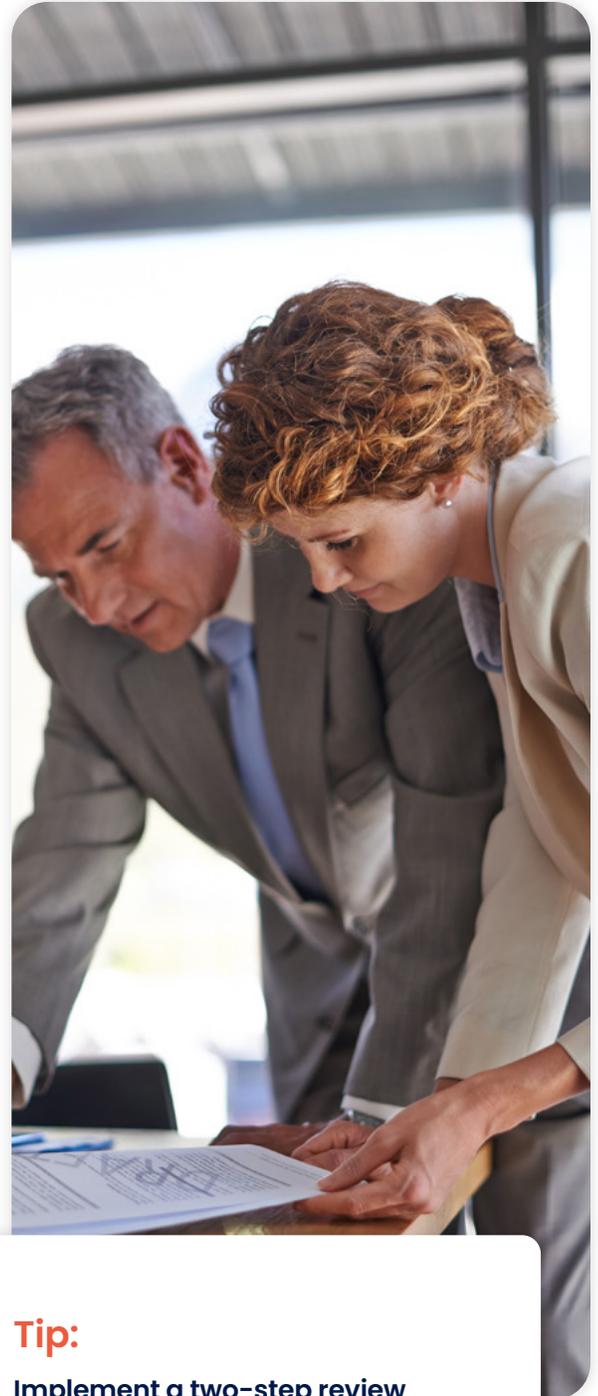
Tip:

Implement a two-step review process that provides detailed, actionable feedback for outside counsel, tailored to your specific guidelines and goals. (See step 7).

Step 6. Conduct Regular Audits of Billing Practices

Regular audits of billing practices help ensure adherence to guidelines, identify potential issues, and support budget compliance. Routine audits provide a structured way to catch discrepancies, keep spend in check, and improve the billing process.

Here's how to perform effective billing audits:

☐ Set an Audit Schedule

☐ Evaluate Compliance with Billing Guidelines

☐ Review Audit Insights with Finance and Leadership

☐ Update Guidelines Based on Audit Findings

This step supports financial transparency, ensures compliance with billing policies, and helps identify areas for optimization.

Step 7. Look Ahead: Leveraging Technology to Automate the Bill Review Process

From verifying compliance to documenting feedback and conducting audits, the legal bill review process can be daunting. Luckily, investing in technology to automate and streamline bill review can significantly reduce this burden.

Leveraging legal billing software or e-Billing platforms streamlines the review process, **automatically** flagging inconsistencies to save time and reduce costs. This means you could **save up to 80%** of time otherwise spent on the above tasks by integrating bill review technology.

When selecting technology that will help take your productivity and review process to the next level, remember to look for:

☐ **Enhanced Analytics for Trend Identification:** Choose a solution that offers advanced analytics capabilities to detect real-time discrepancies while also reviewing historical billing data to uncover patterns, such as frequent inefficiencies or key cost drivers. An ideal platform will use these insights to suggest proactive adjustments to budgets or improvements to processes, helping your team optimize resource allocation.

☐ **Expertise in Task and Time Entry Review:** Look for AI-powered categorization paired with expert reviewer oversight, which can help identify inefficiencies like vague descriptions or excessive billing on repetitive tasks to ensure your entries meet your billing guidelines.

☐ **Customizable Feedback Mechanisms:** Your software should be able to deliver detailed, actionable feedback for outside counsel, tailored to your guidelines and goals. Highlighting this process in one centralized system for tracking and documenting feedback could further enhance transparent, collaborative relationships with outside counsel.

☐ **End-to-End Cost Optimization:** Technology's role in driving savings can go beyond compliance, including negotiation strategies for rates, managing alternative fee arrangements, and benchmarking rates across industries.

☐ **Scalable Automation with Human Expertise:** You need to ensure resourcing for long-term scalability, which means having the right people in place to do the work in a uniform way. Look for solutions that come backed by both human experts and intelligent automation, helping you bring the uniformity in your data and systems into the future alongside the rest of your organization.

And don't forget: the best legal spend management programs aren't set-it-and-forget-it — they need regular upkeep and a focus on what's working and what's not. True spend management is part art, part science: it's about balancing the big-picture goals and company philosophy with the hard numbers and analytics that drive real savings and performance.

Getting that balance right is what turns good programs into *great* ones.

Ready to take away the manual labor and know this checklist is met with ease?

Connect with our team today!

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