



## Managing expenses in the legal sector

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The legal sector incurs constant expenses while working across a large number of clients. Allocating expenses after the fact can be problematic – for example, an attorney travelling from the East to the West Coast is likely to want to line up meetings with more than one client, yet allocating the travel and entertainment (T&E) costs incurred across a range of clients' needs to be dealt with quickly, fairly and accurately. Manual systems may result in errors, expenses being claimed back late from clients or having to be written off, complaints from the clients on amounts claimed with associated costs in reporting and proving the expenses incurred, and even in reputational damage as customers lose faith in the overall capabilities of the firm to serve them effectively as a client.

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<b>Managing expenses in the legal sector cannot be hit and miss</b>	The vast majority of expenses in the legal sector are cross-chargeable to clients. Being able to capture the item at the point of spend is important in order to optimise the amount that can be recovered, and mobile devices are key to helping achieve this. Even where expenses cannot be cross-charged, the person responsible will need to have the expense reimbursed, and expense systems must be able to deal with both billable and non-billable items at the same time.
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<b>“End-of-period” expense management is not effective</b>	If the expense can be captured at the point of being incurred, it takes a small incremental of employee time. However, if the employee or partner leaves expenses until the end of a week, month or quarter, the act of claiming expenses can become a significant time drain as they struggle to remember what the expense was, and for which client. This is time that could be better spent in servicing clients and so bringing in revenues. Again, this indicates a strong need for mobile devices to be capable of capturing the expense and helping allocate the expense – in whole or in part – to the right client.
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<b>Many expenses need to be split across multiple clients</b>	Many employees and partners will arrange travel and accommodation so that multiple clients can be met with during a single period of travel. This then leads to a need for T&E expenses to be split across these clients in a fair and transparent manner, using matter, phase or task codes and other identifiers. Manual means of dealing with such splits can lead to errors and sub-optimised recharging.
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<b>The use of assistants can lead to multiple problems</b>	In many cases, expense claims are completed not by the employee or partner involved, but by an assistant. However, the assistant has little knowledge of the full context of the expense, and errors will creep in regarding how expenses should be split and cross-charged. Fully automated systems, with the capability to use each client as a separate cost “bucket”, enables expenses to be easily and effectively dealt with.
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<b>Reporting is becoming increasingly important</b>	While clients expect to have expenses cross-charged to them, they are less likely to accept expenses as a single line-item on their bills. They now expect that a full break down of expenses is presented to them, and also expect to be able to question these and gain further clarity if required. May also want to see receipts as back-up for each expense. The need to be able to accurately, swiftly and securely report on the client’s portion of any expenses, while maintaining the privacy of other clients, requires advanced reporting capabilities.
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<b>On-line expense management systems offer the best solution</b>	For employees and partners to manage their expenses in the most effective manner, the expense management system needs to be available to them 24 x 7. By outsourcing the management and availability of such a system, the legal firm does not need the technical resources to run such a system, nor the domain experts required to keep up to speed with the complexities of expense management. By outsourcing expense management to an external, the firm’s bottom line can be directly impacted in a positive manner.
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## Conclusions

Expense management in the legal sector can be complex and burdened with problems. Expense errors in claims sent to clients can not only result in time being spent in sorting out resulting issues, but can also impact the trust relationship between the client and the firm. Ensuring that expenses are dealt with accurately, effectively and in a timely manner has to be a fundamental goal of any legal firm.



# Background

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Firms in the legal profession tend to have more complex travel and entertainment (T&E) needs than most other businesses. With a client base that requires considerable travel, the concomitant need for accommodation and other T&E expenses means that expense claims can soon become both large and complex. Ensuring that employees and partners are reimbursed for personally expensed items, and that clients are also billed for the correct expenses in a timely and accurate manner, is important to ensure that the legal firm, partnership or other entity (referred to throughout this document as a “legal firm”) does not find itself carrying a large amount of expense debt on its balance sheet.

It is also important to ensure that expenses are transparent. In the past, there have been cases where legal firms have charged multiple clients with the same expense but, as clients have become wise to this, many are demanding full disclosure of all expense items, along with timesheets detailing what work the partner, attorney, solicitor or paralegal was carrying out on their behalf. Any large gaps in the timesheet could well indicate that the person was working for another client – and that expenses should therefore be shared across all the clients involved.

Clients will also want to guard their information, and any system that shows details of other clients of the legal firm will be seen as a security risk and possible breach of confidentiality. Therefore, a T&E management system has to have the capability not only to be demonstrably secure in how it deals with data, but also provide highly granular reporting capabilities that can detail a single client’s expenses without divulging any details around other clients.

Failure to report fully, transparently and quickly to a client’s demands for information on expenses can result in arguments over whether the claim is valid, whether the invoice will be paid and even to a perception from the client that the legal firm is being underhand – which could impact the relationship between the customer and the legal firm irreparably.

However, legal firms need to maximise the reclaim of expenses. Therefore, they require a highly granular means of logging expenses that can be accessed by a highly mobile workforce, which could be moving not only from state to state but from country to country on a daily basis. This means expenses can be highly complex, having to meet the requirements set down not just by the legal firm, but also by the client (and set out in the contract between the two bodies) as well as meeting the legal requirements of the country where the expense is incurred.

Should an expense need to be outside of guidelines, there needs to be a simple and effective means of expediting a request for variance within the firm, and externally to the client if necessary, before the expense is incurred. Manual systems tend to militate against this happening and, as such, expenses incurred outside the agreed limits may have to be carried by the firm.

With the need for a legal firm’s employees and partners to be able to capture the expense at the point of being incurred, any dependence on a PC or laptop-only client will mean that expenses will either be missed or will have to be dealt with by the employee or partner at a later date, so eating in to their productive (and billable) time. Therefore, it is important that any T&E management system chosen be capable of supporting the devices the partner or employee will have with them, such as tablets and smart phones, and that the application is available and accessible to them wherever they happen to be.

The question is, what systems are available that can ensure a legal firm meets its internal and external requirements around expense management in such a manner that maximises its need to reclaim as much expense as possible while also meeting the needs of clients and external regulators?



# Tracking expenses in a multi-client environment

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The main aspects for a legal firm when dealing with expenses are:

- **There will be a set of internal rules as to how expenses can be incurred, and how they can be charged back to clients.** The aim is to minimise non-rechargeable expenses, so maximising the margin to the legal firm. The use of an effective rules-based system that flags out-of-policy expenses (preferably prior to the expense being incurred) can ensure that the firm carries the minimum amount of non-billable expenses.
- **Granularity of expense claims.** In the majority of general organisations, an expense is incurred and claimed back directly from the organisation, and that is it. For legal firms, the expense will be cross-charged to one or more clients. The need to allocate a single expense across multiple clients is something that is difficult to manage with manual systems. It is preferable to use automated systems, where the employee or partner concerned can easily and effectively allocate parts of an expense to specific clients through the use of definable matter codes and client identifiers. This will allow reports to be run rapidly and effectively by the finance function or accounts department within the firm.
- **Meeting the conditions around expense claims within an agreed client contract.** Although many firms will have standard terms and conditions that will include clauses around expenses, many firms find that clients, particularly large ones, will want to insert riders and variations to these clauses. Therefore, any system chosen to manage expenses has to be flexible enough to manage a range of different policy rules and apply them effectively on a per-client basis.
- **Meeting the legal requirements of the country and region where the expense is incurred.** Expenses come with a variety of different legal issues around them. For example, an expense incurred in the US may have a nominal amount of sales tax associated with it, whereas in Europe, this could be 20% or more of the cost, and may well be reclaimable via a tax discount. Ensuring that all reclaimable items are properly identified and reported in a manner that makes it simple for the finance function is key in effectively managing expenses.
- **Expense visibility.** The relationship between a legal firm and its clients has to be one of implicit and explicit trust. The capability to demonstrate that all transactions, including the claiming of expenses, is above board and correct is becoming more important as organisations have become more aware of how some unscrupulous firms have, in the past, sometimes increased revenues through claiming full expenses via multiple clients. Not only should a legal firm be able to report the expenses in a granular manner, but also in context to the events and work being carried out associated with the expense. For example, if an attorney flies on a Monday from New York to Seattle and returns on the Friday, a client that has a half-day meeting with the attorney during that time is unlikely to accept that the return flight should be allocated to them in its entirety. However, providing full details of all events and expenses during that week to a single client will break the bond of trust between the firm and other clients. A system is required that allows detailed expense claims to be created, along with the context of the overall events, but without divulging any details that could identify other clients or the meetings and events around them.
- **Demonstrable expense management capabilities.** By allowing partners and employees unfettered use of personal credit cards, reclaimable expenses can become interlinked with personal expenses. Neither the partner/employee nor the firm would like to have to enforce that personal credit card statements are made available and redacted to make personal expenses hidden, yet such proof of expense may be required in certain circumstances. The use of corporate credit cards can go a long way toward avoiding such an issue, but the use of personal credit cards will still be an issue for many. Using a system that can securely and transparently tie into the partner/employee's credit card issuer's systems and present these to the partner/employee in a manner that allows them to quickly identify what is a valid expense can still give the required freedom for payment, yet have the controls that the legal firm will demand.



# The use of automated, cloud-based expense management systems

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Many legal firms are still utilising manual systems, many based around the use of spreadsheets or built on proprietary database systems. The majority of these systems will either require the partner or employee to be at a laptop or a desktop PC to be able to input their claims. This leads to one of three scenarios:

- Expenses are incurred, receipts are kept and the employee or partner waits until there are enough expenses to make it worthwhile allocating time to the task of filling out a claim. This leads to lost receipts, errors in how expenses are filled in and – even worse – the partner or employee using up a large piece of what could be client-chargeable time in carrying out what is an essentially administrative task.
- Expenses are incurred and are sent back to an administrator at the legal firm for them to complete the expense claim. This administrator, however, has no capability to understand the context of the claims and so errors are bound to creep in, and proving that an expense invoice sent to a client is a true and valid representation of actual expenses incurred becomes an issue.
- Expenses are claimed on an ad-hoc basis as receipts are found in briefcases, pockets or wherever. This can lead to clients being faced with invoices for expenses well after the event, raising issues around whether the event had actually occurred, whether the expense is a valid amount and so on. This can also lead to the partner or employee carrying large amounts of expense against their own personal credit cards and so incurring interest and charges, which they may then try to reclaim from the firm.

To move to a more effective expense claim system, Quocirca recommends that legal firms look to an outsourced T&E system. Here, not only is the system provisioned and managed without the need for technical staff within the firm, but the system is available 24 hours a day from anywhere the partner or employee has connectivity to the internet. The complex issues of dealing with the various aspects of the legal rules around multi-national expense claims are outsourced to a supplier that has the correct domain expertise, so reducing the need for the legal firm itself to maintain such skills in-house.

Other areas that should be a must for a legal firm include the capability to deal with multiple different expense claim rules in a flexible manner, to be able to allocate expenses across multiple clients in a simple manner and to be able to create individual and aggregate reports that meet the needs of internal and external stakeholders in an effective and secure manner.

With such mobile workforces, legal firms should also ensure that the chosen system is not dependent on a laptop or a PC system. Increasingly, smartphones are becoming the main device for employees and partners to access applications and services while on the move. They can front end a system not just for filling in details of an expense incurred, but also to capture details, such as photographs of receipts, and collect geolocation details of where an expense was incurred; all increasingly important in the legal world. Indeed, many outsourced T&E systems are now integrating directly with some common areas of expense – for example, taxi bills can be automatically paid from a mobile device and entered directly into the expense system with only a little input from the partner or employee.

Quocirca also recommends that legal firms look for a provider which can demonstrate existing expertise in dealing with firms similar to themselves. Although there are vendors in the market who can demonstrate standard, simple online expense management systems, expertise in the legal markets is not easy to prove or to keep current. Ensuring that the right vendor is chosen could mean the difference between a highly effective optimised expense management system and one that costs more to manage than it saves the firm.

Outsourced systems that tie in to a partner/employee's credit card records also ensure that corporate expenses are dealt with rapidly and payment is made directly to the account. This helps to ensure that any interest charges



incurred are only based on personal expenses, and that the partner/employee does not have to bother about reconciling their expense payment credited via their bank with the need to pay the credit card issuer.

## Conclusions

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The legal market is full of complexity when it comes to managing T&E expenses. Existing manual systems are beleaguered with issues that can lead to all sorts of issues for the legal firm involved. Outsourced systems based around highly available, rule-driven and granular reporting capabilities provide a solution to many of the T&E issues that a legal firm can face. A chosen system should have multiple different means of entering expenses across different devices and an ability to charge expenses across multiple different clients and matter codes. Centralised reporting to meet individual, department, corporate, customer and government needs through a single interface also should be a key component of the chosen system. Such a system can pay for itself in little time within such a complex environment.



## About Concur Technologies, Inc.

Concur is a leading provider of integrated travel and expense management solutions. Concur's easy-to-use Web-based and mobile solutions help companies and their employees control costs and save time. Concur's systems adapt to individual employee preferences and scale to meet the needs of companies from small to large. With Concur's mobile application, you can create, review and approve expense reports and book and change your travel itinerary – hotels, airfare, taxis, rail and rental cars – all from your smartphone. Learn more at <http://www.concur.co.uk>.

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**REPORT NOTE:**

This report has been written independently by Quocirca Ltd to provide an overview of the issues facing organisations seeking to maximise the effectiveness of today's dynamic workforce.

The report draws on Quocirca's extensive knowledge of the technology and business arenas, and provides advice on the approach that organisations should take to create a more effective and efficient environment for future growth.

**About Quocirca**

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first-hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to provide advice on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

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