

## Streamlining the accounts payable process

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Today's law firms understand that reducing paper trails and minimizing keystrokes when processing client/vendor information can provide a substantial financial benefit. Through process improvement initiatives and document scanning, law firms can create efficient workflows to enhance employee productivity and reduce their storage footprint.

### Accounts payable process improvement

The goal of any law firm controller is to process bills in the most cost effective and efficient way possible. When we review an accounts payable department in a professional services firm, we begin by looking at the practice groups being served and the controller's desired objectives. Next steps include analyzing the established processes, identifying duplicative and manual activities, and looking for areas that can be streamlined or improved. Given the limited available resources to most law firm back room operations, objectives are to improve efficiency, decrease data entry input keystrokes and reduce the number of checks printed on a daily or weekly basis.

Most operations break down the accounts payable department into three distinct processes:

1. Travel and entertainment reimbursement
2. Regular disbursements/domestic filing fees
3. Foreign counsel and foreign filing fees

> **Travel and entertainment (T&E).** Larger firms have such a high volume of T&E transactions that they are most likely to benefit from automating their T&E submission, approval and reimbursement processes. Where complete process automation is cost prohibitive, other opportunities exist to streamline manual approaches. Batch processing generally proves to provide the most efficient and easiest way to process travel and entertainment requests. All T&E requests for a given week will be collected and processed together in one batch on the same day each week. This enhances the compliance review of expenses and the payment processing. It also simplifies cash management and allows the firm to manage their attorneys' expectations so that they know when reimbursements will be made. We also recommend weekly attorney T&E payments be made by direct deposit to eliminate check writing and manual signing of checks.

> **Regular disbursement requests.** First, identify daily manual or rush check requirements that should be curtailed. For instance, with an effective expense reimbursement process, daily petty cash type transactions should be eliminated. With the exception of on-demand disbursement requests such as a domestic filing fees, which are often required daily by the courts, it has been our experience that batch processing is also the most efficient way to process general disbursement requests. Set a recurring weekly or bi-weekly schedule and process payments in a consistent manner. Payments can often be set up as a recurring wire transaction or an ACH payment, both of which should reduce the number of keystrokes necessary to process the payment. Larger firms will also seek to automate their accounts payable processes to cut manual processing and integrate the payable system with ancillary software systems.

> **Foreign counsel and foreign filing fees.** If your firm has an intellectual property prosecution practice, you may find that you're processing a voluminous number of transactions. It is common for an intellectual property firm to have several foreign counsel and foreign filing fees to process. Due to the distance and cultural characteristics of the foreign firm reimbursing you, it may take upwards of 90 days for your firm to get paid. You may see a gradual buildup of your accounts receivable and an adverse impact on your cash flow. To minimize the cash flow impact, we recommend that foreign and domestic filing fee invoices be immediately entered into your voucher system so that they may be billed on the next scheduled client bill. It is common to then schedule payment for 90 days after the invoice has been vouchered. This often aligns your payment with the foreign receipt.

### Connect with us.

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# Industry insights

To further simplify the process and eliminate the need to secure foreign funds to pay your foreign counsel and filing fees, we recommend you outsource the payment process to a firm like Global Exchange or Western Union.

Most accounting systems are not operational the first business day of the month because of data processing and report generation. We recommend that the payable clerks use this day to enter the recurring regular disbursements for the upcoming month into the voucher system (for example, rent and insurance payments).

## Document scanning

As your law firm explores streamlining the accounts payable process, you will need to look at various document scanning solutions. It is not physically or economically feasible to store paper in your back office or in off-site storage as your law firm grows. Many firms now embrace the scanning and selective shredding of their paperwork, which minimizes the urge to keep hard copies of documents that have been accumulating over the years.

Regardless of the size of your law firm, the first step is to create a document retention schedule for back office operations that specifies the hard copies of documents that must be kept, and for how long. Your firm's general counsel or outside accounting firm will be able to advise you about the requirements of your state and federal law.

Scanning provides significant benefits that supplement the obvious reduced storage costs:

1. In case of a fire, flood or lost document, a scanned copy of the document will substantiate the underlying transaction and provide a secure backup process.
2. If you ever need to refer to it, you'll find it much easier and faster to retrieve the document in your electronic document management software than to obtain the original from your file room or from your off-site storage.

To get started with document scanning, we suggest accounts payable/receivable clerks keep a banker's box by their desk. Documents for which there is no need for the original are placed in the banker's box after scanning and documents that need to be kept are filed appropriately. Once the banker's box is full, a list of all documents scanned should be generated. Documents contained within the banker's box should be compared to the list to ensure all of the documents have been scanned.

After ensuring all of the data has been scanned, we recommend waiting an additional 90 days and establishing a quarterly document shredding schedule. Retaining scanned documentation for this additional period of time facilitates unexpected corrections, potential adjusting journal entries or transactions that need to be voided.

Process improvement initiatives and streamlining the accounts payable process can create efficient workflows leading to better cash flow, reduced processing keystrokes and fewer checks for senior management to sign.

## About the author

Hank Windmoeller, Director, Law Firm Services, is a member of Baker Tilly's professional services practice and is located in the Philadelphia, Pa. office. He joined the firm in 2016 and has extensive knowledge of the professional services, homebuilding, and oil and gas/mining industries. Hank brings more than 25 years of operational and financial experience within the legal industry, including holding Chief Financial Officer and Chief Operational Officer leadership roles for Am Law 100 firms.