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With concerns about the economy and talk of recession, most firms and their clients are buckling down their operations any way they can. One area that is getting a lot of attention in our client base is that of improving billing and collection processes, as many firms still have not transitioned to daily billing that would allow an invoice to go out with the completion of every client engagement.

The easiest place to begin this process is with the upcoming tax season billing, as most firms do a fair number of returns where the return can be billed on its own. We all know that the client's greatest satisfaction with the firm's service is the point at which they receive the return, so it is obvious that if we can deliver an invoice with the return, we have the best chance of optimizing collections. To transition the firm to a daily billing process requires that the owners think about the psychology of how the firm bills, evaluate the process to capture time and expenses, and use the tools within the firm's disposal to make sure the invoice gets out timely.

## **PSYCHOLOGY OF BILLING**

When firms step back to look at how they bill for returns, most will realize that the amount is highly subjective based on local market rates and what the biller feels the client will bear. In most cases, if the return is fairly similar to the previous year, the biller will invoice the return with a reasonable markup unless there is a significant change in the factors impacting the return (such as a sale of a property or a divorce). Production on a return can vary depending on the experience of the preparer and issues with technology or applications, which firms usually spread amongst other clients, rather than the specific return

that may have been impacted by the problem. Please note that billers are more

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The key to successfully capturing time and expenses is to do it in real time, which means daily timesheet entry, release and posting. Studies done in the past showed that firms transitioning from monthly or weekly time entry experienced a 5 percent to 7 percent increase in realization. Promoting daily time capture begins with the owners committing to the process and making sure there are processes

to ensure accountability. This is often enforced with cash “dings” for each time an owner does not have his time in on schedule. For employees, firms cannot withhold pay, so a more positive approach is usually called for, which can include rewards or other firm perks. Today's time and billing systems can help administrative staff identify those who don't have their time in so they can be followed up on a daily basis until it becomes a habit (which firms should start doing immediately). Many firms post a listing on the intranet or bulletin board to promote compliance. Please note that it is critical for the firm to have a culture of entering expenses at the same time as they are incurred so that they can be charged for, as well (and not written off because they were entered long after the bill went out).

When considering the additional expenses that firms may charge for within a tax return, it is once again important to capture them as incurred, or even earlier if they can be properly estimated. Some firms enter an organizer fee at the beginning of tax season. Others enter a processing fee that can include page counts or charges per specific form printed for the client, including an e-filing fee that some firms charge for. If these charges cannot be captured and entered by administrative staff the same day they are created, the firm should consider going with fixed amounts based on the complexity of the return or the previous year's charges. Also, charges that can occur after the return is packaged may include shipping and courier services, so firms can capture these by entering an estimated fee (with a reasonable markup) at the time the

shipping slip is created. With all time charges and expenses captured in real

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times, time will delay the final assembly, billing process one day to ensure that all costs have been captured.

## OPTIMIZING COLLECTIONS

Best practices point to placing the invoice on the top of the tax return so that it is the first thing the client sees when they open their packet. If the client happens to pick up the return at the office, many firms have trained their administrative staff to explain to the client what they must pay the State, the Federal and, by the way, the firm, followed by asking if the client would like to pay at that time. Nothing improves cash collections like being paid when the client picks up the return so that it can be cleared, which in turn reduces month-end billing procedures. For those returns being shipped out, having an invoice on top will also increase collections, rather than waiting to send out the invoice a few weeks later with the other month-end billing. One tip brought up by a number of clients was to include a return envelope to the firm, but place an actual stamp (not machine run) on the envelope and place it so it can be seen with the invoice. Firms swear that this creates a psychological situation that calls the client to pay immediately.

Finally, for past-due amounts and progress payments, the top time and billing systems have the capability to generate a digital invoice that can be e-mailed to the client. These systems create and store a PDF image of the invoice, which not only delivers the invoice instantaneously, but also reduces administrative costs of “stuffing, sealing, stamping and sending.” Many industries have transitioned to digital billing, and most clients are already receiving invoices from other vendors digitally, so they are familiar with the concept.

Let's face it, no one enjoys month-end billing because it is often difficult to remember specific issues, particularly during the heat of the busy season. By developing processes to generate an invoice with every project, not only

will the invoice be more accurate, but it will improve the firm's collections.

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