ASSOCIATION OF CORPORATE COUNSEL

Electronic Billing for the Small Law Departments
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(Rob Thomas): Welcome to the Association of Corporate Counsel Webcast Electronic Billing for Small Law Departments. This is presented by this Small Law Departments Committee of the ACC and Serengeti. My name is (Rob Thomas). I'm with (Serengeti) and I'm joined today on our panel by (James Sheets), who is the general counsel at ModSpace, and (Steve Gray), who is the legal administrator at Nstar. We have an ambitious agenda today, about 60 minutes to cover it and we'd like to go through as much as we can in about 45 or 50 minutes so that we can reserve some time at the end for questions. Those of you who are attending the live session today can ask questions down in the questions box near the lower left-hand side of your screen.

If you will type those in during the course of the presentation, we will get to as many of them as we can at the end and those, if we don't have time for some, we will write written answers to those questions, post those on the ACC Web (space) site with the materials for this presentation. You'll also notice that there is a links box. We have posted background information, articles and so forth about electronic billing, which are available there, as well as at the ACC Web site.

When I was asked to create this panel for the Small Law Departments Committee, I was interested in doing this because I know from surveying ACC members each year that 80 percent of the law departments who are members of the ACC have 10 or fewer lawyers in the law department. Although the large law departments tend to get a lot of the attention and publicity, the fact is that most law departments, in fact, are on the small side, most of them under 10 lawyers. And the two law departments that are on the panel today fit that profile. The bios of our panel members are in the material but what I'd like to do is to start by letting each of our panel members say a little bit about their law department, the size, the kind of work that they do so that you get a sense of their background. They've each been on Serengeti for about three years doing electronic billing and matter management on an online system.

So let me first turn things over to (James Sheets), General Counsel of ModSpace and maybe (James), you should tell a little bit about your law department.

(James Sheet): Sure. Thank you (Rob) and good afternoon everybody. As (Rob) said, I'm (James Sheets). I'm Vice President and General Counsel of ModSpace, which is based in Wayne, Pennsylvania. I've been with ModSpace since January of 2004 and I've been utilizing electronic billing since June of 2004. The department right now has two attorneys and to paralegals. We've grown a lot in the last year. We've gone from one attorney to two, so we've doubled in size and both my associate general counsel and myself are essentially general practitioners who really do a little bit of everything. We utilize outside counsel, especially on specialized matters, and we have operations in both the United States and Canada.

(Rob Thomas): Thanks (James). (Steve), could you tell us a little bit about your law department?

(Steve Gray): Hi. This is (Steve Gray). I'm the legal administrator with Nstar Electric & Gas. It's a utility in Boston with about three billion dollars revenue. Our department is fairly small. We have eight attorneys, three paralegals, two secretaries and one administrator, that being me. Our annual legal fees are approximately $8.4 million and currently we're tracking about hundred and 65 matters. The practice areas are primarily, being a utility, a lot of regulatory work, environmental. We have a fairly big litigation practice and that's about it.

(Rob Thomas): Thanks (Steve). And I'm (Rob Thomas). I'm with Serengeti. Serengeti provides an e-billing and matter management system. We have about 65,000 users currently on Serengeti, both in-house and outside counsel, about hundred and 99 of the Am Law 200 firms are on Serengeti and we're adding new users at a fairly quick pace; about 2,000 month are now joining us on Serengeti. We are proud of the fact that although we've got some of the largest law departments in the world, like American Express and Disney and Nike on the system, we also have law departments like those that are on the panel today, some with a single in-house lawyer who are also using Serengeti to manage their legal work.

So I'm going to start advancing the slides now. The first one is just the title slide and then the panel. And I'm going to move right to the agenda. Today we're going to cover first a little bit about what electronic billing is and how it works and then we're going to move right into the use of those systems by small law departments, why they want them, what's involved in getting started, how do you address essential issues that come up while you're getting things set up and using e-billing systems, finding a system that's the best fit for your law department and, as I said, we'll reserve sometime at the end for questions.

So let's start in with a brief description of what electronic billing is. I'm going to take this one and then were going to have the panelists mainly cover the rest of the slides from here on out. For those of you who haven't seen an e-billing system, I think many law departments assume that it's kind of like bills that are e-mailed and it really is very different from that. Instead of receiving an e-mail attachment of a bill, you're basically getting data directly out of the law firm's time and billing system into your system. The beauty of having that data rather than image of the bill is that data to can be used to facilitate bill review, in any way you want it. You can audit the bills for certain things if you want to and all of that data flows into your reports, so you can see what your spending, where you're spending it, track budgets, track results; all that information is then available for your reporting without anyone having to reenter any of the data that's coming out of your bills.

There's generally nothing that needs to be installed, hardware or software. Most of the e-billing vendors are what's called application service providers. They provide the service over the Web and you and your law firms come to that service provider through encrypted connections in the Web to basically share the same system and exchange information directly with each other. There is usually no requirement of specific formats, although there is a format that some systems require and it's the most broadly used format in the United States.

It's called LEDS, Stands for Legal Electronic Data Exchange Standard. With that standard, all the various time and billing packages that the law firms use can produce a standard output of data and that's great because they can upload hundreds of bills with one click. That data goes directly into databases. But systems like Serengeti also take non-LEDS bills, which is essential if you have foreign law firms. Those bills can come in any other format with the information about them so that you can have all of your spending in one system. Some systems require coding of bills. Generally Serengeti does not. We've found that the coding data can often be unreliable, particularly past inactivity codes from law firms. The expense coding, on the other hand, tends to be pretty reliable, so more of the companies that are on our system are getting expense codes that helps you analyze the expenses and the bills. Also, you want to check for ability to handle foreign currencies, if you've got outside council that are abroad, and the ability to track taxes, which often come along with foreign legal bills.

Once this information comes into the system it can be reviewed on line, you can resort the bills to see things the way you want to see them, biggest dollar amounts or by timekeeper. You can revise bills online by with automatic calculation and the system will automatically route bills to the appropriate approvers with thresholds if you want them, so you can bounce bigger bills up the chain. You can also see summaries of timekeeper category in the bill, how much partner versus associate versus paralegal time. You can see how much is spent on various types of expenses, so there really is a rich amount of data that comes through in the bill that facilitates the review and approval of the bill. The system also, with this data, can do things like provide audits, tell you when there's new people that show up on a project, tell you when anybody's changed their hourly rate, check your expense guidelines to see if they've been violated in a given bill, tell you how you're doing against budget, comparing the spending as it comes through with the budget and even automatically coding the bills with cost center and GL account numbers, which often is a manual process before electronic billing.

At the end of the process, once the bills are approved, they need to go somewhere for payment and most e-billing systems have a way to interface with your accounts payable system. Serengeti has a fully configurable output that can be used with any AP system and those, that the information also goes back to the firm that submitted the bill, so that they can make changes in their system if the bills were revised. And at the end of this process, all that data's available in financial reports. You can look at your spending by category or anytime period. You can track spending to budgets. You can see which firms you're spending most with. The beauty of this is all that data is then available so that you can track your spending anyway you want.

So let me stop here and ask the panelists, have I've missed anything as far as major functions of the electronic billing systems?

Male: No, I think you got there.

(Rob Thomas): OK, well let's move on to the next slide then, which is why do small law departments want e-billing? What is, what is driving small law departments to adopt them? And let me turn things over to our panelists. Maybe (James), you could start by describing some of the reasons that you moved to e-billing and what your experiences were as far as whether those things that you were expecting actually happened.

(James Sheets): Sure (Rob). And I view my experience with e-billing as really coming in two separate phases. The first phase was in June of 2004 when ModSpace elected to implement its electronic billing solutions and when I went through the process over three years ago, I really focused on one thing, which was how can I make my department more organized. And to give you some background, I had joined ModSpace approximately four of five months earlier from private practice and I was the first general counsel for my company. I created the legal department from scratch and had no support, nobody there to help me, which meant it was very hands-on and part of that hands-on process was going through the monthly invoices that would come in from the outside firms that we would use. We had approximately 30 or 40 matters at that point in time and I really saw the need to increase the organization of the department and that really took three different, three different prongs.

The first was, I felt that by virtue of implementing electronic billing I would same time that I was spending otherwise going through paper bills. I would also save time having to enter information into Microsoft Excel, for example, be able to track outside counsel spending and provide basic data that our CFO was asking about our outside spending.

The second area where I thought we'd see the improvement dealt with reeling in some of the outside counsel spending. Since I was the first general counsel, I had the benefit of coming in and examining my company's monthly spending or annual spending and seeing a lot of the waste and a lot of the fat that was in the budget and that was in the invoices that were being submitted by firms, not to say that it was anything malicious or there was intentional over billing but I, just going through the invoices very quickly could see that there were a lot of meetings with two or three attorneys to talk about one small issue and that everybody was billing their time. All of that time was ending up in the invoice and probably until my arrival that invoice was being paid without anyone really verifying the time entries or verifying that the costs were legitimate. So that was one important area of spending saves.

Also what was important was being able to track a budget. Up until my arrival there really had not been a legal department budget. Of course, I joined the company and the first thing that our president tells me is what's your budget going to be? Well I had to develop the budget and then develop a process for being able to track it. And the third area where I thought that I would see the benefit from electronic billing dealt with being able to report on that budget and how we were doing; being able to analyze which firms were invoicing us the most per month and then being able to use that data to go back to the firm and either negotiate reduced hourly rates or discounts on fees or alternative billing arrangements.

So those were the three areas that really I saw the need for improvement. And when I talk about there being two phases to my experience with electronic billing, the second one came in March 2007 of this year, which is when my company completed a rather large acquisition that took us from 250 employees in the United States to over 1,000 in North America, and through that process, not only were there significant invoices coming in from outside counsel, but as part of the acquisition, I was able to bring on another attorney who went through the same process and saw the benefits that arise from electronic billing. The company that we acquired had not even considered electronic billing. She came on board; I explained the process and it was almost like a light bulb went off in her head and she saw that the exact same benefits that I looked at back in 2004 and thought that ModSpace would benefit from at that point in time.

So that's really why I looked at electronic billing both in 2004 and I reevaluated the need for it in 2007.

(Rob Thomas): Thanks (James). I mean so how did things turn out? Did the savings that you were hoping for, both in time and in spending actually work out that way?

(James Sheets): Well they did. The piles of paper on my desk were getting smaller and smaller but they've since re-accumulated, but I don't have do deal with receiving paper invoices or being able to compare bills that may not detail time or hourly rates the same way. In terms of other savings, the first year I think we were able to realize some pretty significant savings, probably maybe around $300,000 in savings. Part of that is from the electronic billing solution; part of that may be through more effective management of outside counsel and understanding what it is that really should or should not be billed back to the company. I think it was a combination of both. I can't say it was e-billing 100 percent and I can't say it was me 100 percent, but certainly e-billing's the tool that I used to try to reel in the annual spending on outside counsel from 2004 to 2005, for example.

(Rob Thomas): I often hear that when companies come under an e-billing system that they feel it's the first time they really had visibility into everything that was going on out there and once you have that visibility then you do have opportunities to better manage it.

(James Sheets): Well, it's a combination of having visibility into what's being invoiced to your company, but also having fast visibility so that you don't pour though the invoices and find the information you're looking for. This may touch on one of the later slides, but it's important being able to slice and dice the data that's being posted electronically on a very fast basis, not, that's one of the benefits I saw from electronic billing.

(Rob Thomas): Great. (Steve), can you describe for us a little bit about what caused your law department to consider e-billing and whether you were able to realize some of those benefits you were hoping for?

(Steve Gray): Yes, we just, we were really looking just to increase efficiency and I'd suppose the biggest thing was to get rid of the paper and the result is a much more organized operation now and we did see savings after we got the system up and running and I think most of it is just, you know, a behavior change on the part of the law firms where they kind of realize now that people are not only taking an extra look at things, but the audit capabilities of Serengeti I think for the most part kept them on the straight and narrow.

(James) mentioned slice and dice and that's a huge importance to us here. We're always under incredible budget pressures and our CFO, they're constantly on top of us for accurate forecasts and, you know, keeping things really together and Serengeti's just been incredible in the way that it's enabled me to, you know, keep an eye on everything and at the same time I can generate all kinds of different reports. It keeps everyone happy.

(Rob Thomas): May law departments, I think, find that they're using budgeting with their outside counsel more once they start doing e-billing. Was that your experience? You mentioned that you guys need to report on your, how you're tracking against budget.

(Steve Gray): Yes, well we have always required budgets from the law firms but I think, you know, prior to using Serengeti, you know, they, I don't think they were really putting a lot of effort into coming up with, you know, accurate numbers and I think just the way that you can input budget on a quarterly, a monthly or annual basis, I think it forces firms to really think things through and then just the reporting capabilities that's, you know, actual to budget, it keeps everybody on top of their toes here.

(Rob Thomas): Do you find that people are checking the budgets as part of the bill review process? As they're looking at bills, they're checking to see how they're doing against budget.

(Steve Gray): Oh definitely, yes.

(Rob Thomas): Great. And that avoids the problem of getting near the end of the project and saying oh, my gosh. We spent twice as much as we were supposed to. How did that happen when it's too late? Better to do it as you're going along.

OK, well let's move to the next slide then and talk a little bit about what does it take to get an e-billing system started, particularly with a smaller law department that doesn't have a lot of resources and backup. Let's talk a little bit about the resources, the people, the time, maybe some of the major things that need to happen in order to get the system up and going. (Steve), maybe you want to start this time and talk a little bit about what it took to get things going?

(Steve Gray): Yes, well the first thing that happens is you'll get assigned an implementation manager; in our case, Jim Herman, who's a terrific guy. I think when we, just before we got started I was kind of thinking, boy this is going to be a real project getting this thing going, but it was actually really quite easy and this system is very intuitive. I think the hardest thing for me, and I had no support on this so I'm kind of, I was doing everything myself, was just getting all the matters put into the system and like I said, we're usually tracking about 165 or so matters, so it would, you know, take like five to 10 minutes to put each matter in there and that was just, that was, that was the only difficult thing in terms of getting it set up, so it was pretty easy.

(Rob Thomas): How about getting internal people trained, law firms trained and so forth?

(Steve Gray): I had no problems at all. Like I said, the system is very, very intuitive. I'd say the only, the only people that really didn't pick up on it quickly were, shall we say, senior members of the bar that don't like computers to begin with and this was just, for some of them I think, it was just another thing that they didn't want to have to deal with, you know. But they eventually all came around so it was fairly easy and my experience is, on all the firms' kind of are different and it depends on the lawyer. Some lawyers are hands-on; do it all, they do everything themselves. Others rely on their paralegals or secretaries, so it really varies, attorney to attorney, but the attorneys are forced to actually use the system because you are constantly re-forecasting so they've got to go in there and use it.

(Rob Thomas): You're talking about your law department attorneys now.

(Steve Gray): Yes. Oh no, no. I'm talking about outside attorneys.

(Rob Thomas): Oh, OK.

(Steve Gray): Yes. We didn't have any; I didn't have any trouble with the inside attorneys. Excuse me.

(Rob Thomas): About how long, I was to say, about how long did it take you to get up and running on e-billing, with all your firms?

(Steve Gray): They, we went live January 1st of 2005, right? Or, yes, 2005. All, we had about 32 firms and they all went online the same day.

(Rob Thomas): So was that a couple months then of, from the time you decided to do e-billing to the time everybody was up and running together?

(Steve Gray): It was more like, I don't know, a month and a half.

(Rob Thomas): OK, great.

(Steve Gray): I mean we'd made the decision in the fall and notified the firms November 1st that, you know, that we were no longer going to accept paper invoices on January 1st and again, it was easy to set up. Like I said, the only time-consuming thing was the initial matter set up, which I, like I said, takes like, you know, five to 10 minutes to, you know, set it up.

(Rob Thomas): Great. Well, (James), do you want to talk a little bit about what you went through in terms of getting started with e-billing.

(James Sheets): Sure. My perspective was a little different because really the only person who was involved in getting started was me.

(Rob Thomas): Oh.

(James Sheets): But I think this is an important issue for anybody considering electronic billing system because if it's, if it's a bear to get up and running; if it requires a lot of data entry or things like that, it's, you know, it's one of the things you need to think about and try to choose the solution that, first of all, meets your requirements but second of all, that can get up and running very quickly. In terms of my experience, I worked with the IT department when I was reviewing different vendors and they were concerned about what sort of hardware will this require; what sort of changes will it require for our operating environment and, really, the best way to avoid those issues is pick something that's easy and that can be up and running quickly. Something that's Web-based is great. But once you choose the system and it's up and running, the ability to create new matters and enter the existing data quickly is important and I think that's what (Steve) really touched on and I think it's a good point. Probably the most legwork that I had to do going into it was trying to go through and determine how many open matters we had; trying to determine how you describe it. What, is it litigation, is it a collection matter, is it transactional, is it corporate and securities and having that sort of organization in place.

Now in terms of training system administrators and bill reviewers, well that was really essentially training me, so it wasn't that tough, but like I said, since I put the e-billing into place in June of 2004, I've hired two paralegals and an attorney and they've both gone through the training, the training process, so it might be something that any considering an electronic billing solution, they may be in my situation, one person, but you also want to think down the road and make sure that it's easy to pick up, that there's regular training made available by the vendor that you still lack and to make sure that the training resources are there online. My experience with training outside counsel was actually pretty marginal. It's just in that I really didn't have to do it. Most the firms that ModSpace use and I think most of the firms that many of our listeners use are already familiar with posting electronic invoices in LEDS format and for me, my experience was simply sending an e-mail to the billing partner on each matter saying that effective X date, and I think I picked a date that was probably six weeks out, that effective that date we would no longer accept paper invoices and if you sent a paper invoice to me it wasn't going to get paid. And that got everybody's attention very quickly.

Now as we've brought on new firms that help us on various matters, I found that the easiest way to arrange for electronic billing is to send an e-mail to the person in the billing department or accounts receivable and let them know that we will pay electronic invoices but we do not pay paper invoices and that sealed the deal right there. They'll post electronic invoices starting with the next one and there's really no transition issues. Another good thing to do is, my company has outside counsel guidelines and I'm sure many of the listeners do as well, incorporate electronic billing into those guidelines about what you will and will not pay. That gets their attention pretty quickly as well.

So for me, the initial training, the system administrators and bill reviewers was nominal because I was the administrator and the reviewer. As time has gone by, it's been very easy to pick and I've had really not that many issues with outside counsel.

(Rob Thomas): Thanks (James). We have found that it being very clear with the law firms about a deadline and the fact that everything has to come in electronically, they understand there's no wiggle room; this is the way it has to be. You generally have a lot less questions and a lot less hemming and hawing if you draw a line in the sand.

I'm going to advance the slide then to the next one. This is kind of a nice segue to talk about, what are the potential issues that came up, things that you had to deal with and often the thing that I'm most asked about is pushback from the law firms. What kinds of pushback did you have from firms? How did you deal with it? And some of these other things; getting your in-house counsel on board. We've talked a little bit about information, getting it into the system, setting up the system, making it, the categories of information match your reporting, dealing with your IT and accounting groups. (James), maybe this time you could start, talking a little bit about the potential issues that you faced, some of the things that are mentioned on this slide and how you dealt with those issues.

(James Sheets): In terms of law firm pushback, I can think of only one law firm where I've had an issue with electronic billing and that's a firm that's in Alabama that I, for whatever reason, they still send paper bills to me and I still send e-mails saying you need to send electronic invoices. And I'm not sure what the resistance is. ModSpace uses, I'm not sure the total number of firms, but we use firms from solo practitioners up to 2,000 attorneys worldwide and really there has been very, very little pushback from the firms. And I think one reason there's been pushback, or very little pushback, is that they view electronic billing as being in their interests as well because it allows them to send the invoice out quickly and I believe they do it with the expectation that they will be put in line for payment quickly as well. Usually that's the case but, you know, things happen.

In terms of getting in-house counsel on board, you know, I talked earlier about how we completed an acquisition in March and I brought on an attorney from the business that we acquired. Really, there's been no issues at all. It's a matter of establishing training and having the resources there for the user to be able to log in and learn quickly how the system works. And also, really for me, I talked my associate general counsel, it seemed like a light bulb went off and really that happened the first time that I could instantaneously run a report on how much we're spending per matter and to be able to analyze which departments are causing us to incur more fees, in other words, highlight the areas where, from a compliance perspective or from a best practices perspective, we have room for improvement. I think when you have that visibility into the data, very quickly, to get over any sort of opposition or hesitation from in-house counsel.

With respect to dealing with IT and accounting, I've had experience dealing with both. As I mentioned earlier, I worked with our IT department when we were examining e-billing management systems and their perspective was whatever causes us the least problems, that's fine. Go with that. And once I showed them the different alternatives and we ended up selecting the Web-based platform, they were ecstatic, because it meant that there would be no sort of integration issues from their end. What's interesting is that with accounting, there is; there has been a little bit more pushback from the accounting department because there so used to processing paper invoices and I can think of the annual audits that we went through in 2005 and the auditors came to me and asked to see all of the hard copy legal invoices we had received for the previous year. I said well, I have electronic copies. I can e-mail them to you or I can print them and give you hard copies and the look on the auditor's face was almost puzzlement, as in, what are you talking about, you only have electronic invoices. But once I showed them that it's just a matter of pressing the print button and you can have a hard copy, they were quickly satisfied. Probably the current pushback I'm getting from the accounting department is I'd like to integrate the electronic invoices data output into her AP system so that I can approve the invoices. It's automatically routed into, I think it's Great Plains that our accounting department uses, and it's put in line for payment, much like any of the other invoices that business processes.

Our controller has said sure, it'd be possible, but she wants to learn more about the system to see exactly what it is that we go through to generate that data. So that's more of the data integration issue than opposition to actually receiving paper invoices. Quite frankly, I think she's pretty happy that I can e-mail to her an image of the invoice within a few minutes of her request instead of having to pull out the paper file and locate particular invoice. Also, with respect to accounting before and move on, the acquisition I've completed in March was really large and from, for accounting purposes, you had to allocate that in equity legal fees. I can only imagine how difficult that process would have been had I not been able to quickly pull up spending by each particular partner or associate and label that person's equity and that right there was a significant benefit to the business.

(Rob Thomas): Great example.

(James Sheets): And what last point about the vendor hosting the data, the only pushback I've gotten from outside counsel on, you know, third-party hosting data that would be subject to the attorney/client privilege has been from two partners at a very, very large law firm in Washington, DC, and once I explained the process to them and explained that it doesn't destroy the attorney/client privilege, they were perfectly fine with it, and I've had no other attorneys or firms express any concern over that point. So that may be a potential issue, but I think it's one that with maybe a little bit of education that the issue or the difficulty or opposition goes away.

(Rob Thomas): We usually have quite a few questions about that specifically, (James) and I don't get many anymore as a result of, I think, people getting more comfortable with working over the Internet. There were, used to be concerns about e-mailing privilege documents as well and most of them realize that working with an application service provider like Serengeti, things are at least encrypted over the Internet and the reasonable expectation of privacy is there, as it would be with a FedEx envelope or anything else. So the other thing I wanted to pick up on was your point about working with accounting. Most small law department's just use the configurable output from the system to open that information about approved bills up in Excel or another database. Down the road, as you mentioned, they can write a little program, which will actually dump that data right into the specific fields of their AP system, but many of them don't have enough bills that they even need to do that. They just take the output that they configure from the system and work with that, and it's better than the piles of paper they're currently getting from the law departments.

(Steve), let me turn things over to you to talk a little bit about potential issues you had to face during the implementation of e-billing and how you addressed them.

(Steve Gray): Well, it went very smooth. The only pushback I got was from this one solo practitioner and it was kind of funny because he was hemming and hawing about it and I couldn't figure out what his, what his issues were and then, as it turned out, he didn't even have a billing system, and that's why he was dragging his feet. He would basically generate a bill on a word processor and that's how it, the only one I really had a problem with and then, but I didn't, (Rob), you may touch on the later, but if they're unable to generate the LEDS invoice you can still get it as a PDF or a Word document or whatever.

In-house counsel worked out pretty good, because I think once they got trained and again, in one hour you can learn the system. Attorneys found that it was great for them because all the information on a matter was in one place, totally organized and you can imagine, you know, you go into some attorneys' offices and there's files all over the place and the general counsel would say hey, you know, I want a status report on XYZ matter, you know, in the past, I remember attorneys just tearing their offices apart trying to find the file and with Serengeti, you know, bingo, with it and 10 seconds, you can pull up a status report, you know exactly the whole history of the matter. You know where it stands on the budget so it makes the in-house attorneys look, you know, real efficient.

In terms of the system set up and the reporting; didn't have any issues of that and, I don't know, overall, it just went pretty smooth.

(Rob Thomas): And didn't you also have an audit …

(Steve Gray): Yes.

(Rob Thomas): … where you had to use the system. Maybe talk a little bit about that.

(Steve Gray): Yes, we had an internal audit this past year and our auditors have a reputation, let's say, and they were actually blown away by Serengeti. They could not believe all the data that was there and available and similar to what (James) said, you know, when the first showed up it's like, you know, OK, you know, where are all, where are the boxes of the invoices, you know. And I said well they're actually in that computer right there. And they couldn't, they couldn't understand that and then once I started demonstrating the system, they were very, very impressed and they even made note of it to the CEO and the CFO that our controls, our financial controls in the legal department were some of the better controls that they had seen throughout the company, so the general counsel was very, very pleased with that. And is was just, every time they tried to, you know, find something to pick on or whatever, push the button and the information come right up on the screen and was like oh, OK. I kind of, I think I disappointed some of them.

(Rob Thomas): Well, we know that with Sarbanes Oxley and heightened Securities regulations and general counsel now having to personally sign off on reports, it's become more important to have that information available and we've actually added some specific functions in the system to track audit trail so you can go back and find out the sources of various information, dates and times it was put in and who put it in, so that you can in fact respond to those audits that are happening more and more often in law departments.

Let's keep moving here to the next slide, which is, actually we've got two slides talking about how, basically, do you find the system that's a good fit for your law department. There's a whole variety of factors that may or may not apply to each law department, from things like, you know, does it connect all your firms, does it connect other vendors, just some of them, what's the cost, what issues are there for setup and training and so forth. Maybe, (Steve), you could talk a little bit about how you decided the system was going to be a good fit for you, the factors that were most important to your law department.

(Steve Gray): The main factor would have been the cost, number one. And number two would be the ease of use, not only for myself and the in-house attorneys but for the law firms. So I did quite a bit of research and I narrowed down to three applications and Serengeti just seemed to be the most user friendly. It was very intuitive, the demos that I participated in and also, to me, it had the best pricing structure of all the systems that I was looking at. So that's kind of what our decisions were based on.

(Rob Thomas): I should probably mention here that Serengeti's pricing, specifically for small law departments, starts at $2,000 a month. That's for the entire system, e-billing, matter management and contract management, and that's for law departments up to, that have up to about two million a year in outside legal spending, 36 internal users and up to about 130 law firms, just to give you a general sense. That fits the profile of many small law departments out there and above that there are discounts built into the pricing, so if you've got double that use numbers, it doesn't double your price. It's a fraction of that, but it starts at around $2,000 a month and there are no charges to law firm support and to figure out whether or not a system you're looking at does in fact charger law firms. One way or another, if they do get charged, you're going to see those charges show up in your bills, so you to take that into account as far as total system cost.

(Steve Gray): Yes (Rob), I neglected to mention that. That was an important factor also is that there was going to be no charges to the firms because my initial research I, you know, heard from several of the firms that I talked to that any system that they had to pay for, there would be some pushback so the fact that they didn't have to pay anything made it all the more easier in the implementation.

(Rob Thomas): Particularly if it's important to you to get 100 percent of your firms on the system so that you reporting is complete. You don't want to have firms say well, I'm just handling a few things for you. It's not worth it for me to pay the fee that the vendor's charging. You want to get everybody on and, you don't want to have excuses, generally, for them not to get on.

(James), how about you? What were some of the things that you looked at in terms of deciding what system you wanted and what was important as far as the decision factor?

(James Sheets): Well I think that you have (Steve) have touched on really the important ones for any small legal department. It'll start with what's the cost of it going to be, because there certainly are some budget pressures applied from either the finance department or from the president of the business to try to minimize your spending and anything that looks like it's unnecessary overhead could quickly be eliminated from the budget. So cost is important. I think when you're evaluating – and this is more of a general observation. When you're evaluating billing or matter management solution, you need to think about what your needs are right now, in terms of the number of open matters you've got, the number of law firms you use, what's the cost going to be, is any part of that cost pushed back to the law firm because I think you will get a lot of, maybe not a lot, but you will get some resistance to it. That's important to consider; what are my needs right now. But I think it's also important to consider, what may my needs be two to three years down the road? And I think I'm a good example of that. When I started the number of users was one; now it's four. The number of matters was maybe 30 or 35 and if you want to include internal matters that we keep track of, there are probably 50 or 60. But we've also gone from being in 33 states across the U.S. to being in North America, so we do have to deal with the issue of international capabilities. I wish I'd had the foresight to think of that three years ago but it's actually an instance where the system that we use, which is Serengeti, has the international capabilities that three years ago I wasn't really anticipating. But it's a good reason why you need to think what are my needs right now; what may they be in three years from now.

When I went through the process, cost was huge. The ability to use the system easily, the available training was important and the ability not only to handle outside matters where you've retained outside counsel for a litigation or for transactional work, but also internal matters, where you can keep track of deadlines, dates, documents and also have it to be an internal calendaring system is important. So those are all factors that played into my decision.

(Rob Thomas): It is important to look down the road because this is not a system that you want to change every year. One thing that we often get asked about and I'm surprised we don't get asked about more is vendor viability, acceptance by the profession. These last things on this last slide here, interviewing customers and asking to talk to law departments that have come off a system is important too. You don't want to be in a system that you need to switch from because it affects the work that your firms are doing as well. So there's been a lot of consolidation in the industry. Some of the players have sold out to other companies. It's important to take a look at the vendors to make sure that it's a good long-term play with that vendor is they're widely accepted. One thing that you may want to look at in the reference materials, there is a survey of the law firms asking them about specific vendors. It gives you a sense of which ones are most used, how the law firms feel about them and so on. It's an American Lawyer Media survey that's in the materials.

The other think I'd like to mention here is that electronic billing was expanded significantly last month. We did a release which allows law departments to track not only the bills but unbilled time. This is for those law departments that have to do accruals. They need to have accurate accrual based financial statements and it captures the time that's sitting on the books of the law firm that has not yet been billed, as well as estimates prior to the end of an accounting period. If that's an important thing that your law department needs to do, either on a monthly or quarterly basis, you might want to look for systems that can also capture that information online, directly from your firms as well as the billed information.

All right, let me move to the last really substantive slide here, which is, and this touches on something that both (James) and (Steve) have mentioned, should you be able to track other things in the system. Do you want to have all the other stuff, deadlines, status, documents, budgets, results information in the same system? What are the advantages of having this all in one place? I think this is kind of covered on the slides. (Steve) or (James), would you like to say anything about having not just an e-billing system but also having e-billing being part of a better overall project system?

(James Sheets): I'll speak just briefly about it. As you recall, when I went through the process of selecting the system, June 2004, really I wanted to pick a solution that would help me get more organized, so when I made the decision I wanted to, after reviewing several different vendors and seeing what the advantages were of A, B, C or D, I made the decision that I needed to have matter management systems well, in addition to the electronic billing and have it be one application so there wouldn't be any sort of integration or communication challenges between system A and system B. So to me, it was important. Three years later, we use it. I think we could probably do an even better job of using it. Some firms are better at calendaring deadlines or posting documents for you to review online. Status reports is another area that's important to have in a matter management system. I think we could do a better job of using it but it's an important feature that we've got right now.

(Rob Thomas): Let me just mention one other point on this and then we'll move to the questions. One of the advantages of having the other information in the same system is that you can use the billing to enforce your other requirements, so if you need to get a quarterly status update or say an exposure estimate in litigation on a project, in Serengeti you can tie that to the billing so that if that's not provided by the firm, they can't submit that bill and get paid on that matter until that other required information is provided. It all kind of works together in the same system, which you can't get if you're using multiple systems which are sometimes hard to integrate together.

All right, let's move on then to the question session. Let me just mention that there are resources that are available in the links section, a bunch of articles and I mentioned the ALM survey related to e-billing. These articles talk about due diligence and there are vendors that are listed in those articles so you can check to see what alternatives are available. Those are also available on the ACC Web site on that link about the presentation.

Let's move now to questions. We, please feel free to send us more questions through the questions box on your screen. We've got several questions. One is can you get bills from court reporters, experts, basically non-law firm vendors through the system and how do you handle paper bills? Somebody mentioned they were getting paper bills occasionally. (Steve) or (James), do you want to talk about maybe, are you, are you getting bills from vendors other than law firms and what do you do when you get an occasional paper bill?

(James Sheets): Well I strongly try to discourage any paper bills but every once in a while, especially with, you know, like solo practitioners, we may need to hire a small firm and they just don't have the capability of generating the LEDS format and in that case I will accept, you know, a PDF or a Word file, but it still has to be, you know, sent electronically and everyone's able to do that. They may not just be able to do the LEDS format.

(Rob Thomas): And do you have vendors other than law firms submitting bills to you?

(Steve Gray): No, the only, the only time I have, something like that happens is I insisted the vendor go through the firm and the item would actually be an expense item within one of the invoices. That's how I do that.

(Rob Thomas): How about you (James)? Are you getting any bills from non-law firm vendors?

(James Sheets): We do. We either get them sent directly to us or, a good example is a court reporter who prepared a deposition transcript. He or she will send it to the law firm and the law firm, because it's over a certain amount, say it's over $1,000, they will not, for their own internal reasons, will not advance funds on behalf of a client. So they'll forward the invoice to me and say please put this in line promptly for payment. The way we handle it is we'll generate a PDF image of that invoice and you can upload that invoice and a charge, usually my paralegal will do it, into that matter, so then it's factored into the expense tracking or the spending reporting feature and you can keep track of that as well. So we do have it happen occasionally. It's not an everyday occurrence. It's not a monthly occurrence, but when they do come in we'll process it manually into the system and make sure it's there.

(Rob Thomas): I know that we do have court reporting services, accounting firms, other non-law firm vendors in the system that are submitting bills, and typically they're not producing LEDS bills. That's another reason you want to have a non-LEDS option, because they typically don't have time and billing systems that will produce LEDS, so they're either producing a Word document or a PDF, something like that, through the system.

How about expense receipts? Are either of you getting expense receipts attached to any of your electronic bills coming through the system?

Male: No, we typically don't process those receipts through the system.

(Rob Thomas): There is the ability for law firms to attach expense backup, if for some reason, it's required. That's just attached to the, to the electronic bill. That may be involved in this situation (Steve) mentioned earlier, where you may have a court reporter, the law firm's putting that charge on their bill and they're showing the bill from the court reporter as back up, so that can be accommodated electronically.

There was a question about if you don't have a matter management system and don't have e- billing; do you recommend a single solution that does everything? This kind of gets to that previous slide that we had, or can you get those two systems to work together? Do either of you want to address, talk again about having everything in one system? I know that you can do integrations between multiple systems, but generally it's a better idea to have everything in one place.

Male: Yes well, I would say definitely, it's best to have everything in one place so I can't imagine trying to run two different systems.

(Rob Thomas): Particularly when you're, you want to produce a report that shows the results that you got, the settlement amounts, the fees and expenses, the duration, status; it's nice to be able to get that all in one place rather than having to go to multiple systems.

We have a question about which AP systems is Serengeti compatible with. I guess I should answer that one. It would basically work with any AP system, even companies that, say, have the most common systems out there like SAP, configure them very differently from each other, so we have a fully configurable output from Serengeti that basically works with any AP system, either can be opened in Excel or you can, as we talked about earlier, map the fields out of that configurable output directly into the AP system to automate that movement of data from Serengeti into the AP system.

Let's see. Had a question about staffing levels, this, how does the system show staffing? I guess this is partners versus associates versus paralegals. Do you want to, does somebody want to address keeping track to make sure that as the bills come through the staffing is what was expected of the firm?

Male: Well, you can get all that information on the invoice profile and then there's also reporting capability of the attorneys and their respective rates and you can slice and dice that anyway you want to.

(Rob Thomas): And that invoice profile is available when you're reviewing the bills. It's kind of a sum(Mary) screen. It tells you how much partner versus associate versus paralegal time in that bill, so you can check and see if it, if it matches what you were expecting from the firm.

I have a question here from a company that has an Access database. They're asking can the information be transferred into Serengeti. If so, does Serengeti use the existing matter number or does it create a new one?

Serengeti does do uploads from existing databases, whether those are databases like Access or Excel or for moving companies off of other systems, law department systems, matter, management and so on, that were internal systems, they just give us a database and we basically take the fields of data and move them directly into Serengeti. We can use existing matter numbers or you can create new ones. The important thing is to have a system that also tracks the law firm matter numbers, because you want to tie those two together, the law department matter number with the law firm number in the matter, so that when the bill comes in with a law firm matter number on it, it's automatically associated with the correct matter that the law department has set up.

Let's see. Question about how difficult is it for the law firms to use various systems? Have you had any law firms talk to you about the fact that you're using multiple e-billing vendors and the difficulties with that on the law firm side? Has anybody he mentioned that to you?

Male: For the most part, I'd say all the firms that I deal with, I'd say the vast majority of them think Serengeti's one of the easy systems to use and I mean like we have a big firm, say like Ropes & Gray; they'll have, you know, four or five different requirements from companies, you know, that have different systems going.

(Rob Thomas): I know that this is becoming a bigger issue is electronic billing becomes more popular. We're starting to see; I saw the other day, an ad for in e-billing specialist at the, at a law firm. It's a new position that did not exist several years ago, so I know that they're having some difficulties trying to keep track of the various requirements of the systems out there. Again, it's important to look for a system that hopefully does not require them to jump through a lot of hoops, in terms of creating matters, getting approvals for timekeepers in advance, special codes, you know, making them revise the LEDS standard. There are some systems out there that require revisions to the standard output. All those things do make life difficult for the firms and it becomes a bigger headache for them, along with the fees, if they're charged to firms, and they get more and more clients that are on these very systems. Again, you might want to look at the ALM survey, where they, the input from the law firms is provided about how they feel about the various systems out, things that they like and don't like about the various options for e-billing.

Well I think that is it. I think we've covered all the questions that we got. Anything else for the good of the order from (Steve) or (James)?

Male: Not that I can think of.

Male: I think we've covered a lot.

(Rob Thomas): Great, well thank you very much for participating in the panel. I do want to remind everyone that attended the session, the live session, to please fill in the online course evaluation, which is the first form there in the links list. The ACC would really like to get your input in terms of structuring future presentations for the members of the ACC. I'm also going to advance the slide here. If people would like to get additional information or even to see the live Serengeti system, I'd be glad to do it even if you're not sure about whether or not you are interested in e-billing. Always glad to show you what the latest technology's capable of doing and there's a lot of additional information available on the Serengeti Web site, other articles, information about companies that are doing this, there's even a section for law firms, so if you're having to deal with law firms that are asking you questions about this, they can also get on the site find information.

Thank you again for attending today's session. Thanks to panel members and, at this point, I think we're going to sign off. Goodbye.

(Rob Thomas): Hello, this is (Rob Thomas).

(Mary): Hi (Rob)? (Rob) and (Steve) and (James)?

(James Sheets): (James) is here.

(Mary): I don't know what happened to (Rob) and (Steve). Maybe they hung up.

(James Sheets): Maybe they were done and said that's it, we're out of here.

(Mary): I know. Maybe they did. I thought it was a very nice conference.

(James Sheets): Yes, I thought it went well.

(Mary): I thought it went very well. (Rob) was a great moderator and I'm sorry they're, they look like they're there but we're not hearing them.

(James Sheets): I'll say their phone's on mute.

(Mary): Yes.

(James Sheets): Yes, so I'm guessing they probably don't.

(Mary): You know what? I'm going to try one more time.

(James Sheets): OK, I'll wait.

(Mary): OK. Thanks for your patience.

(Rob Thomas): Hey, this – hey, this is (Rob Thomas).

(Mary): Oh, hi (Rob). OK, you're there.

(Rob Thomas): Yes. I wasn't sure if I was supposed to stay on or get lost.

(Mary): Yes. Yes, so that's good. OK, yes. And I'm, everything went well. We have (James) on the phone as well and (Steve), are you there? (Steve) may have hung up but.

(Rob Thomas): He has hung up as well

(Mary): I thought it went great.

(Rob Thomas): Good, yes. (James) …

(Mary): You were a great moderator and you drew everybody in so well so I …

(Rob Thomas): Oh, thank you.

(Mary): Very good.

(Rob Thomas): Yes, I thought it was a good discussion and a lot of useful information, hopefully for people.

(Mary): Yes, yes. So very good.

(Rob Thomas): Great. Well (James), thanks again for doing this.

(James Sheets): Hey (Rob), no problems. I was looking at the clock as we were going through and was worried that we were going to run out of time so I decided to not talk as much and to speed up what I was saying.

(Rob Thomas): Well, you did a nice job. As it turned out, I was kind of monitoring the questions as we went through and we really didn't get as many questions this time.

(James Sheets): Yes.

(Rob Thomas): It's funny. Each year when I go to the ACC annual meeting, there seem to be more companies that are interested in e-billing and the level of knowledge seems to be going up, so I think we get less of the kind of basic questions about privilege and, you know, how are law firms going to react and things like that. The, they seem to, just by osmosis here and enough people doing it, they seem to already have a basic knowledge so we seem to be getting less questions as we go along.

(James Sheets): Well that's good. It shows that people are serious about it and you're not getting people who are, you know, just are seeing what it's like just, you know, without any basic information. It shows that they're actually putting research into it before they look into it.

(Rob Thomas): Yes. Well I think they have a sense, too, that this is not something that's leading edge anymore. This is something that a lot of people are doing and in fact most of the law firms are already doing it with other clients.

(James Sheets): Yes.

(Rob Thomas): So it's getting easier as time goes on. Well, you're a, you're an experienced veteran now. This is your, this is your second one.

(James Sheets): I guess. I've got two under my belt. The third one should be even better, right.

(Rob Thomas): You're a famous guy now.

(James Sheets): Yes, well, you know, if you need any help or, like I said, if you ever want me to be a reference or anything like that, just let me know.

(Rob Thomas): Terrific. Well I really appreciate you're doing this. Thanks again and let us know if there's anything we can help you with.

(James Sheets): Will do, (Rob). Take care.

(Rob Thomas): OK.

(James Sheets): Bye-bye.

(Mary): Thanks everybody. OK.

(Rob Thomas): Thanks (Mary) for your help.

(Mary): Yes, you're welcome. Thanks so much. OK, bye-bye.

(Rob Thomas): Yes, bye-bye.

END