

LAW FIRM TRAVEL TIME: THE NEWEST SCAM TO REACH ANNUAL HOURLY BILLING GOALS

John J. Marquess, Esquire
President, Legal Cost Control, Inc. (www.legalcost.com)
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Most people, including lawyers, hate business travel. Those who don't travel think it is exotic; those of us who do travel know it's a form of torture.

In performing legal and professional fee analyses and audits, Legal Cost Control, Inc. (www.legalcost.com) has uncovered a tactic used by law firms and accounting firms to drive up billable hours through unnecessary travel practices. Unnecessary travel is now a billable event for the firms, and burdens a clients' ability to control its legal spend management..

After September 11, 2001, many businesses reduced and restricted travel, for a variety of reasons. With the recent economic woes, yet more companies have restricted travel.

How about law firm travel; has it been restricted, too? No way; in fact, many law and accounting firms have expanded their travel in a clever scheme intended to artificially run-up billable hours for non-productive travel time.

Clients are inconsistent in dealing with reimbursement for law firm travel time and expenses. Some clients will only pay for working travel time;¹ others pay for all travel time. Others still pay only 50% of travel time. How then have law firms used this to their advantage? Simple: by assigning out-of-town personnel to each client's matter so that those personnel are constantly traveling from their home base to another office location.

As an example, a Boston client hires a national law firm through the firm's Boston office. The firm should logically staff the matter with Boston personnel, something that used to be done on a regular basis. Today, most of the staff would be tasked from the offices most remote to Boston, e.g. San Diego, Los Angeles. As a tradeoff, San Diego and Los Angeles work would be assigned to Boston lawyers. The end result: lawyers unnecessarily crisscrossing the country, passing their compatriots in airports, all to help get the billable hours necessary to reach the annual hours goals set by their law firms.

¹ How much work can one really get done on a 5 hour flight inside a modern sardine can? Not much. I recently sat near a lawyer on a Philadelphia-to-Phoenix flight. He carried on his trial bag, took a small manila folder from it, placed it on his lap and proceeded to sleep the entire flight. I was tempted to take a picture with my cell phone-but didn't- because I surely knew he was going to charge the client all the travel time for "preparing" en route. The only thing he "prepared" was for his nap.

In advising its clients, LCC consistently advocates that clients have to know ***who the law firm personnel are who are working the client matters***. A client cannot be afraid to ask; a client cannot be afraid to object to people the client does not want working its matters.

Clients now also have to be aware from which law firm offices these people originate. How does LCC identify these abuses? LCC first segregates all the timekeepers, including their titles (if indicated), the number of hours billed and the line-by-line work performed by each. LCC then goes to the best starting point of information: the law firm's own website. Attorneys are typically listed on the website, and most websites show the office in which the attorneys are housed.

LCC next compiles work product and client information such as where the work was assigned, where the litigation is occurring, where the real estate is located that is the basis of the transaction, where the transaction will close, etc. LCC then compares the above information to the "home office" of the lawyers. What we have found is that the majority of work being done in Boston, for example, is being done by San Diego and Los Angeles lawyers!

Some lawyers and other law firm billers are adding 10-15 billable hours per week with this unnecessary travel time. Over the course of a year, each is adding 520-780 hours per year. At hourly rates ranging from \$500/hour for Partners, \$350/hour for Associates, and \$175/hour for Paralegals², a client could see its legal fees artificially inflated, as follows:

PARTNER	RATE	ANNUAL ADDED COST
520 HOURS	\$500/HOUR	\$260,000
780 HOURS	\$500/HOUR	\$390,000

ASSOCIATE	RATE	ANNUAL ADDED COST
520 HOURS	\$350/HOUR	\$182,000
780 HOURS	\$350/HOUR	\$273,000

PARALEGAL	RATE	ADDED ANNUAL COST
520 HOURS	\$175/HOUR	\$91,000
780 HOURS	\$175/HOUR	\$136,500

The end result is that law firms drive up their hours and fees while providing no additional or different work for the client, and no added value to the client.

These inappropriate billing practices are occurring primarily in cases where there are a significant number of documents to be gathered and produced, and where the law or accounting firm deems the matter to be "complex," such as bankruptcy cases.

² These are ***conservative hourly rates*** for the matters LCC audited and found these practices occurring

So what's a client to do? Know the personnel working your matter. Ask questions. Tell the law firm that you don't want out-of-town personnel assigned to you work without your prior, written approval. When in doubt, ask, "Who are these people?"

When unsatisfied with the answers or law firm reaction, legal auditing may be your necessary and best reply.