

Is Viewable Billing Software Right for Accountants?



By Paul Goodchild, Ph.D., CPA, and Jo Lynne Koehn, Ph.D., CPA

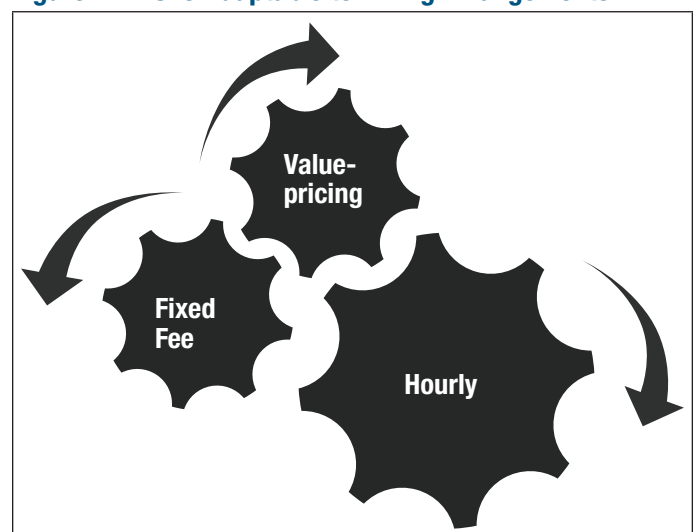
Attorneys on the leading edge of innovative practice management are starting to utilize viewable billing software (VBS) in their practices. VBS allows attorneys to provide clients with real-time access to time entries and billing information. (Apperio, LeGuard, and Mitrarech¹ are examples of companies providing VBS to attorneys and their clients.) Could this pioneering practice by attorneys be adapted by accounting firms to enhance their billing practices? Currently, the practice of billing in accounting lags behind the available technology. The use of VBS represents an available technology for CPAs to improve service and communication with clients.

It seems plausible that CPAs could emulate the savviness of their professional counterparts and utilize a viewable-billing interface with clients. After all, accountants value transparency and open communication with clients. This article considers whether viewable billing is a practice that can offer benefits to firms and clients. The discussion includes the practice advantages, as well as disadvantages, that may arise with the adoption of this technology.

Enhancing Billing Transparency

Despite technological improvements in auditing, tax and consulting services, the actual practice of billing has not changed much in years. The professionals we spoke with report their firms have continued to

Figure 1. VBS is Adaptable to Billing Arrangements



use the same periodic paper-billing process for more than a decade. While some firms deliver electronic statements to clients, many CPAs feel comfortable with the outdated paper-billing practice and may be reluctant to change it without sufficient benefit for the firm.

VBS offers innovation in billing beyond electronic delivery of statements, including the nature of the work performed on a real-time basis. The engagement letter outlines pricing and billing expectations and paper bills are typically issued with little detail. Once a bill is received, the client reviews it and may request additional clarification before the bill is paid. Where this process breaks down, and can result in delays, is when the bill is different from expectations, because of value billing or value-added services. Given the trend in pricing of accounting services toward value-based pricing, there is a lack of transparency in the current billing practice.

VBS has the potential to become an accounting “best practice,” as it offers superior transparency in client communication versus paper or electronic bills. Investment in VBS demonstrates that the firm is a leading-edge provider of services and is willing to invest in technology to improve the quality of service (see Figure 1).

VBS dashboards show job progress, keep clients updated and help to avoid billing surprises. Therefore, it can improve a client’s understanding of the scope of work performed and reinforce the benefits of value-added services, by highlighting them in the dashboard. This can create greater collaboration on future engagements, saving the firm time and, ultimately, eliminate fee disputes.

Christine Johnston, a partner at Marsh & Company, P.A.², in a discussion regarding billing practice, expressed the desire to continuously improve transparency between the firm and its clients. While many clients have a background in public accounting, there remains a gap between what public accountants do and what their clients understand they do to complete audit, tax or consulting services. VBS provides the client with real-time billing updates and information regarding the service that generated the bill. This information could be as detailed as actual time sheets by area or a summary of the activity by service, and is adaptable to the firm’s pricing strategy. The firm controls the descriptions of work performed

and billing detail, and can tailor that information based on the client, and the complexity and scope of work being performed.

Improving Client Satisfaction

After the price negotiation, billing is a potential source of tension between a firm and its clients. Traditional billing practices do not support the high level of transparency desired by clients. VBS allows accounting firms to improve transparency, customizing dashboards to deliver information to their clients complementing the firm’s pricing strategy. The dashboard allows the firm to communicate with the client without a call or meeting, which is important when accounting firms are offering different tiers of value-based services. The improved transparency means that clients are able to easily understand the nature of the work and the need for the service being performed. This transparency could be especially valuable when the engagement pricing is based on hourly services or the firm provides additional services beyond those anticipated in the engagement letter. Clients generally monitor hourly services more carefully and require periodic updates before approving work to be performed.

The transparency created by VBS is likely to increase client satisfaction, as it can reduce tension in the traditional billing practice. By providing tailored dashboards to specific clients, firms can justify the cost of VBS through the benefits of improved client satisfaction. Improving client satisfaction can assist the firm in maintaining and increasing profitable future engagements.

Practice Management Benefits

Improving client satisfaction is not the only advantage of VBS. Additional benefits include reduced collection time, decreased time spent discussing disputed bills, reduced write-offs, established accountability for staff and greater controls over internal engagement

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Exhibit 1

Advantages of Viewable Billing Software	Disadvantages of Viewable Billing Software
Communicates that the firm values transparency.	Requires an initial capital investment, as well as ongoing monitoring and maintenance costs.
Documents engagement progress helping to avoid billing disputes.	Deployment and maintenance requires increased administrative time and a culture change.
Demonstrates a willingness to invest in technology to improve client satisfaction.	Any increase in administrative duty is likely to be perceived as busy work.
Is adaptable to type of pricing arrangement, fixed fee, value-pricing or hourly billing.	Requires management to increase the level of scrutiny of billing detail on forensic and litigation engagements to avoid informing the opposing litigant.
Establishes accountability for staff time tracking and reporting, and safeguards against undesirable billing practices.	Additional billing detail may result in client attempts to manage the engagement, which may cause delays in completing engagements.
Improves the client's understanding of the scope of work, which creates opportunities to collaborate and improve engagement efficiency.	Clients may increase pricing scrutiny of billing detail, which may result in "push-back" or nonpayment of fees broken out by task.
Allows clients to budget for needed accounting services, which may result in additional accounting service opportunities.	Improved billing transparency may result in communication across clients, which may result in losing clients if the client perceives they are being treated unfairly.

reporting. One of the keys to a firm's success relies on being able to properly price engagements, for the reasons noted above; VBS could allow accounting firms to improve operations and profitability.

VBS provides a strong complement to value-based pricing and is adaptive to traditional audit, tax and consulting services. Audit and tax services are typically provided on a fixed fee schedule, with an option for additional, "value-added" services. These value-added services are often necessary to complete the engagement; examples include tax depreciation schedules, asset valuation services and internal control assessments. As these value-added services arise, even though they may have been agreed upon in the engagement letter, they can cause confusion in the way they are communicated to the client and cause payment delays or rejection of the bill. The flexibility of VBS allows firms to communicate in real time, the value-added services, which reduces confusion and prevents calls for those services.

The turnaround for payment receipt or rejection of bills can affect the efficiency of the billing cycle. Billing inquiries can cause a payment delay of several days, weeks or longer while the questions are resolved and in some extreme instances, result in write-offs. Time spent on billing disputes is an inefficient

use of time for the firm and client. Shorter collection times, reduced dispute resolution and fewer write-offs mean better profit margins. VBS provides an opportunity for preemptive transparency, allowing managers to focus on the efficiency of the engagement and client satisfaction.

VBS also offers opportunities to improve internal controls over engagement reporting. Accounting professionals hold themselves to high standards, but the current practice of time tracking and reporting is subject to errors and misreporting. During our interviews, several accounting professionals expressed the desire to improve the accuracy of time tracking and reporting. Firms that commit to VBS signal to employees that the accuracy of time tracking and reporting is important, subject to review and transparent to the client. In addition, the layers of scrutiny within VBS act as a control to prevent billing problems, such as block billing, time padding and vague entries to time reports. Improvements in the accuracy of time tracking and reporting allow firms to better understand and control costs and thus improve profitability, a feature that should be attractive to all firms.

Disadvantages of VBS

The increased transparency and internal controls required by VBS do present

some disadvantages. The deployment and maintenance of VBS requires increased administrative time and a culture change in the firm. Firms must make a commitment to creating and operating a well-functioning, reliable reporting system and dashboard, which requires a capital investment, training, and regular maintenance and upgrades. In addition, VBS may result in increased client scrutiny of engagement team actions, "push-back" in cases where the client does not understand the billing detail, and opens the firm's pricing practices to questions in cases where clients communicate with other clients.

The accounting profession has been slow to adapt to new technology in billing, because the traditional practice has been working reasonably well for many years. Advances in technology often require an investment in hardware and/or software. (Viewabill previously advertised VBS on a sliding scale starting at \$1,250 per month and internal administration, which could offset short-term cost savings.) Implementing new technologies requiring accurate employee time reporting into a system that increases internal control and supports transparency is likely to represent a culture change for many firms.

CPAs are under considerable pressure to be productive and adding administrative tasks, as well as increased scrutiny of time reporting, may not be well received. Don Wengler, a forensic accounting consultant with 20-plus years of public accounting experience noted, "Under traditional billing, the professional responsible for managing the client relationship would review the invoice and approve the amount billed, and decide on the appropriate level of detail to provide." VBS requires continuous review of time and description of services performed before being viewable by the client. Wengler suggested: "Firms would want to set policies for mandatory managerial review of VBS entries. The policy would need to specify review preferences and frequencies, which could vary greatly between firms and engagement types. For example, for an audit engagement, the firm would not want to provide a roadmap of the audit process. Further, in a forensic engagement, the firm would provide less detailed information to avoid informing/benefitting the opposing litigant." VBS adds levels of scrutiny, which employees may view as "busy" administrative duties.

In discussing the potential disadvantages of increasing transparency of VBS with accounting professionals, several suggested, "increased transparency could cause an increase in scrutiny of engagement team activities." Many clients of accounting firms have been public accountants; however, their understanding of the complexity of services may not be up to date with current practice standards. Thus, providing additional detail to clients utilizing VBS without the proper communication could result in clients attempting to manage the actions of the engagement team. If the questioning takes place during an engagement, it could cause delays in completing the engagement. If the questioning takes place after an engagement, it could cause delays in completing other engagements.

In addition to increased engagement scrutiny, increasing transparency can result in increased pricing scrutiny. Performing the same service for different clients does not mean the two engagements require the same work. Engagement pricing varies due to differences in risk, complexity, timing and negotiating ability. If clients communicate with other clients, VBS opens firms up to increased "push-back" on pricing. If increased transparency causes clients to perceive they are being treated unfairly, VBS may not result in collaborative costs savings on future engagements and could result in losing clients.

Adopting VBS means that CPAs must be willing to invest time, employee capital and resources toward improving the firm. The introduction of a new time-reporting technology may cause employees to feel they are being micromanaged. The implementation of VBS should include consideration of the behavioral response, and training that highlights the benefits of improving transparency and internal control for future success.

Responding to Client Demand

In many respects, society has become real time, and consumers are demanding increased access and transparency to every aspect of business. VBS is helping law firms respond to this demand for transparency by providing clients with real-time access to billing. This article considers whether CPAs would be well served to move in this

direction. Advantages of VBS center on the potential for improved transparency, client satisfaction and practice management benefits. Advantages are counter-balanced by implementation and maintenance costs, required shifts in firm culture and the possible need for increased client communications in response to questions over expanded billing disclosures.

Accounting firms must carefully weigh the advantages and disadvantages (see Exhibit 1) before deciding whether to implement a new technology. Professionals we interviewed agree that maintaining a positive relationship

with clients is essential and addressing billing challenges could reduce sources of contention in that relationship. Ultimately, CPAs have no choice but to pay attention to emerging-technology trends that impact practice management and carefully consider the consequences before rejecting or embracing a change from the status quo. ■

Footnotes

1. Mitrastech acquired Viewabill March 9, 2016.
2. Since the time of the interview with C. Johnston, Marsh & Company, P.A. has joined MarksNelson LLC.

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