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The Three BEs of Billing Success

CPA Advice

Feb 8, 2016 | By: Bridget M. Day, CPA, WeiserMazars LLP | [No Comments](#) |



Service professionals wear many hats: technicians, teachers, mentors, advocates, arbitrators, counselors, speakers, writers, salespeople and, let us not forget, bill collectors. For many of us, the latter can be one of our most dreaded roles.

While we believe in the value of the services we provide, we often find it difficult to bill and collect what we've earned. (Keep in mind that in this article we're discussing

professional services; however, the same billing logic can also be applied to manufacturers and their customers.) To help make billing customers less onerous, I offer the “Three BEs of Billing Success”: BE transparent, BE accurate and BE timely.

BE Transparent

From the day the engagement letter/contract is signed, if not earlier, make sure the customer knows how the amounts to be billed will be determined: whether it’s a fixed or hourly based fee, whether the fee is inclusive or exclusive of out-of-pocket costs and other allocated expenses, and how much these expenses generally run (i.e., 4 percent of the fee).

Make sure the customer knows what circumstances would trigger an additional billing, such as data not provided as agreed, scope changes and/or limitations imposed, errors found requiring additional work to be performed, and so on. When possible, establish a billing schedule with the customer, taking the time at the onset to plan not only when time will be incurred on the engagement, but when customer invoices will be generated, so as to match the time incurred with the billings generated.

If extra-billing circumstances arise, communicate with the customer as soon as possible. Obtain any necessary pre-approvals, and make sure the approvals provided are given by the person or persons with the requisite authority.

BE Accurate

Make sure you can support your work with specifics as to hours and procedures performed. Maintain appropriate time records so that you can provide a roadmap to the cumulative invoiced amounts. Some customers will demand a breakdown of fees to the level of staff and task, while others may not. My experience has shown that the more communicative you are with the customer about the time being incurred on the engagement, the easier it is to bill for time incurred.

Create sufficiently detailed billing dashboards. These tools are a necessary component to running a successful business. Information about profitability by customer (e.g., realization), business line and industry are key. So, too, are details about how long it takes to bill and collect work-in-process, such as days sales outstanding. Establishing and tracking billing-related metrics can increase the effectiveness and efficiency by which we run our businesses. By using metrics properly, we can see which customers pay the quickest, pay without challenge, and pay for value or not – enabling us to direct our best resources to those customers who most value the services provided.

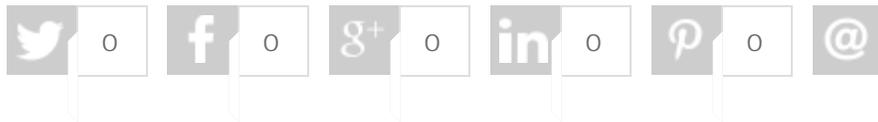
BE Timely

This is essential, not only for the customer, but for our own ongoing professional success. Further, never put an unexpected invoice in the mail, and make sure that invoices are sent as soon as possible. Carrying un-invoiced work-in-process delays the turnaround to collection and negatively impacts cash flow, making accurate projections as to financial performance and management of day-to-day cash flow needs next to impossible.

When feasible, bill continuously throughout the engagement, reviewing your billing dashboard periodically throughout the month. Never wait until the engagement is long

past to send the invoice. The value in our services is most apparent while we are on site or shortly thereafter.

To the extent possible, gain an understanding of how your customers pay their bills so you know the ideal time to send invoices and get them paid in a timely manner. Some customers may only cut checks once a month, and if you miss the deadline you might unnecessarily wait an extra 30 days to get paid. Donning the bill-collector hat may not be easy or comfortable, but it is without a doubt a necessary role.



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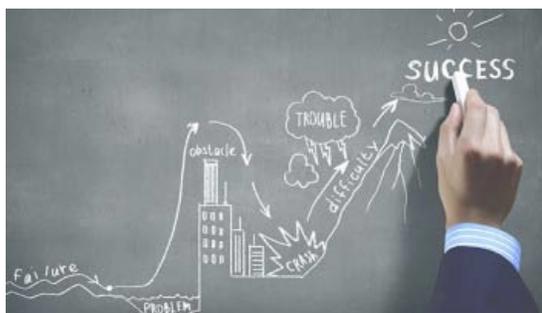
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10 West Lafayette Street
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