E D I T O R I A L

My name is Rob Mattern and I am the President of Mattern & Associates, LLC. September 2007 was our ten year anniversary in business. Looking back to when I was writing the business plan for Mattern & Associates and asking everyone if they thought an unbiased company focusing on the support services would work, I never allowed myself to think where we would be in ten years, let alone one. Sure you make projections, and map out growth plans, but to realistically think that you would be a national based consulting company serving law firms all over the country was needless to say "pushing the envelope".

Well that is where we are now with a lot of people to thank. Obviously, first and foremost, all of the customers who have placed their trust in us to assist them in developing a firmwide direction for their support services. Secondly, the employees over the years whose hard work has led to our success. And lastly, my family and the families of all our employees who have supported us in the first decade. *We can never thank all of you enough.*

Welcome!
I would like to extend a welcome to our two new consultants, Ed Warren and Brady Schoenrock. Ed joined us earlier this year, from Clark Shoe Company where he oversaw the support services operation. He brings a wealth of administrative experience to the company and we are excited to have him. Brady joined us in November and brings with him a vast resource of experience from Wackenhut Security and Day & Zimmerman,

Speaking Engagements:
Recently we spoke at the San Francisco ALA and the Reed Smith Administrative Luncheon held in Chicago. Both talks were well received and the exchange of ideas were great. If you are interested in having us speak on anything related to the support services (In-house vs. Outsource, How to Structure an Outsourcing RFP, Cost Recovery - where is it going?) please contact me at rmattern@matternassoc.com or Dan Ayars at dayars@matternassoc.com.

Cost Recovery Survey:
We are in the process of structuring our annual cost recovery survey. Anyone interested in participating please contact Dan Ayars at dayars@matternassoc.com or please let us know if there are any areas you would like us to address.

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MATTERN MATTERS

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Overflow Invoices
How does your Firm handle them?

Many law firms, who operate an on-site copy center, strive to keep as much copy work as possible in-house. However, practically all firms will have to utilize an overflow vendor to complete some of this work. Typically, this is for any/all of the following reasons:

- ❖ Deadline cannot be met on-site
- ❖ Capabilities not available on-site
- ❖ Size & complexity of the request

When this happens, many firms will utilize a vendor or vendors with whom they have developed a relationship. Often, these vendors will provide contractual pricing to firms, and sometimes even to clients. They will also bill the firm directly for these services.

When the bill arrives, the firm has several options, which include:

1. Paying the bill and then charging the cost to the client
2. Billing the client, and then paying the bill
3. Forwarding the bill to the client for direct payment

This past summer, Mattern surveyed 23 of its clients to see how they handle overflow invoices. The following summarizes the results:

- ❖ Interestingly, 17% of the respondents indicated that they pay all of these invoices and then pass the cost through to the clients. The remaining 83% vary in their approach, stating that they will send clients invoices directly if they exceed a certain dollar value or if the client specifically requests such a process.
- ❖ When asked about the specific dollar amount limit that firms will pay before forwarding invoices directly to client, the amounts ranged from $100 to $50,000. However, approximately 22% of the respondents listed $1,000 as the limit.

Responses also indicated that increasingly, clients are making arrangements directly with overflow vendors. In these cases, invoices are submitted directly to the client for payment.

When an invoice is forwarded directly to a client for payment, 50% of the respondents indicate that they do nothing further to collect the money. Approximately 30% of the respondents indicated that they assist the vendor in collecting the

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Client Snapshot – Pennsylvania Bar Institute

The Pennsylvania Bar Institute (PBI), with locations in Mechanicsburg and Philadelphia, is one of the institutions in Pennsylvania that offers Continuing Legal Education (CLEs) credits to Attorneys.

While continuing to migrate much of their material to the web, there was still a need to produce manuals and other educational materials. With the leases on their three (3) Xerox Docutechs ending this past June, and the expiration of their convenience copier fleet, they were faced with the question of whether to procure new equipment, or downsize their print capacity due to the increase in web usage. Even though their web usage was increasing, they still had a substantial need for print output and felt they would for next 2-3 years. As a long term client, Mattern & Associates, who structured the original Docutech deal five (5) years ago, worked with Xerox to present a number of different options to the management team at PBI.

The end result – PBI extended the leases on the current pieces of equipment (Docutech print engines), procured new front ends (scanning capability and software) and convenience equipment. At the same time, color copier capability was introduced on-site replacing an old, overworked color printer. Perhaps the best result was the substantial lowering of their monthly costs due the extension of the Docutechs.

The points to remember – Centralized equipment (high volume, limited users) are ideal candidates for longer lease terms/lease extensions if the situation is right. Some of these signs:

- ❖ The equipment is still operating well with limited service calls
- ❖ The equipment is still meeting the needs of the organization
- ❖ You can procure service at competitive rates

Overflow Invoices

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money when possible.

Only 15% of the respondents indicated that they require their overflow vendors to establish billing relationships with the clients.

In summary, most firms are paying invoices for overflow vendors up to a certain dollar amount, and then billing the client for reimbursement, in essence, "loaning" a client money. Also, clients are beginning to establish relationships with vendors, resulting in the firm being taken out of the decision, payment and collection responsibilities for overflow work.

Regardless of how your firm determines to handle these charges, it is important to work with your on-site staff to know when to utilize overflow vendors. Also, you should maintain relationships with your vendors, explaining your policies and procedures so they will work with you in the event of any invoice issues. Finally, setting expectations with your clients regarding your policies and when they will be expected to pay directly can assist in avoiding confusion and maintaining a good relationship with the client and your vendors.

Facsimile machines – endangered species?

It was not that long ago that firms were inundated with facsimiles, both incoming and outgoing. Entire departments were created, equipped and staffed to handle facsimiles, to have them sent almost immediately, and to deliver them to their intended recipients even quicker.

Then, electronic facsimile became available. Utilizing software, servers and email, facsimiles could be received as images attached to emails. Turnaround time for delivery of facsimiles decreased to almost instantaneous.

However, facsimile machines still populated firms. Primarily, these were used to send outgoing facsimiles. Although facsimiles could be sent electronically from pc's using software, typically, documents had to be available electronically. Many of the faxed documents were hardcopies, and not available electronically to end-users. This required that facsimile machines still be procured and utilized.

Now, firms are utilizing the scan functionalities of multifunction devices, providing end-users with relatively simple ways to make hardcopy documents electronic. In addition, email availability has increased. These two factors have dramatically reduced facsimile volumes, particularly outgoing facsimile volumes.

As facsimile volumes decrease, so in turn does cost recovery for facsimile. While many firms continue to capture and recover for facsimile charges, the value of such recovery is decreasing. Firms will have to determine if facsimile cost recovery is worth the expense to track and recover.

This reduction in facsimile volumes combined the increasing alternative methods available to transmit documents is leading firms to question whether facsimile devices are even necessary. While it is not advisable to completely eliminate all facsimile devices, many firms can significantly reduce facsimile fleets, consolidating to one or two multi-line centralized devices. Equipped with these, firms should be able to handle the minimal outgoing volume, as well as be prepared in the event that an issue arises on their incoming facsimile server. In most cases, this can be accomplished with existing equipment, reducing the need to procure new facsimile devices.

The following questions may assist you in determining if your require facsimile devices:

- ❖ What is the average monthly volume of outgoing facsimile?
- ❖ Has this been decreasing?
- ❖ Do end-users have access to scanning technology?
- ❖ Can end-users send electronic files from their computer to a facsimile number?
- ❖ Can incoming facsimiles be routed electronically?
- ❖ Can incoming facsimile be received in a centralized area, scanned and routed electronically to recipient?

If you find that facsimile volumes are decreasing and you have alternative methods available to transmit documents, you may not need to procure/replace facsimile devices.

Structuring an Off-shore Support Services Agreement and the Cost Recovery Impact:

Part I:

As more and more firms begin to explore the outsourcing of certain aspects of their administrative operation, most notably, the word processing department, certain key contractual requirements are required in order to make these engagements successful. If a firm is considering an offshore arrangement (outsourcing the operation out of the country) then a whole other layer of confidentiality, security and operational controls are required.

As with any outsourcing arrangement, however especially with an off-shore arrangement, the following contractual terms are vital:

- ❖ Technology Security Measures: Restrictions on the following:
  - ◆ Provisions on handbags, memory sticks, cellphones, etc.
  - ◆ Email, internet access
  - ◆ Disk/stick drives (any storage devices)
- ❖ A plan of action if a security breach is discovered – restriction of access, remote deletion of files, restructuring of payments, etc.
- ❖ Individual confidentiality statements for each employee of the company that is providing the services.
- ❖ The Statement of Work which should include:
  - ◆ Service Guide
  - ◆ Staffing requirements
  - ◆ Hours of Operations
  - ◆ Service Levels and Assessment of Satisfaction – some type of grading system based upon accuracy, turnaround, communication and call back response.
  - ◆ Scorecard – with performance penalties or incentives
  - ◆ Provision to decrease service levels if the services are not being utilized.
  - ◆ Renewal terms – limit to a month to month, unit basis
- ❖ Back-up policy – how often, what method, who controls them, where are they located, etc.
- ❖ Pricing and Payment Terms:
  - ◆ Unit prices for the addition and deletion of positions
  - ◆ Underage/overage rates and credits
  - ◆ Criteria for re-dos, etc.
  - ◆ Exchange rate information (if necessary)

Next Issue – Part II – Performance Standards for Off-shore Outsourcing Agreements.

MATTERN MATTERS is a quarterly publication offering business and support services information. Should you have any questions about your support services, or if you have any comments on this newsletter, please do not hesitate to call us at (302) 475-7004. You can e-mail us at lschneider@matternassoc.com or contact us through our websites at: www.matternassoc.com or www.supportquestions.com.