Thinking about pulling the plug on your Cost Recovery System?

Many firms are evaluating the need to continue with cost recovery due to reduced recoveries. significant digital acceleration that has reduced copies and prints. In working with U.S. law firms of all sizes, it's clear they require guidance in making this crucial decision, especially since their systems extend beyond mere copy and print tracking.

Three key factors are driving the reduction in recoveries.

The Hybrid workplace. The COVID-19 pandemic has dramatically changed the way law firms are doing business. One key difference is many firms have adopted a hybrid workplace policy. This has, of course, led to drops in copy/print volumes that are captured and billed.

Increased resistance in client billing. Many firms have experienced pushback from clients on the billing of expenses, especially soft costs like copies/prints. This tends to fluctuate depending on the type of practice. For example, Insurance defense is where clients limit what they're willing to pay or deny paying these charges entirely.

Scan and Print. As scanners and printers have become more and more efficient, we've seen a shift from users making copies to scanning and printing multiple copies of documents.

In the past when requiring multiple copies of documents with markups, notes, etc., users would walk those documents to the MFD and make the required number of copies. More and more users are scanning those documents using local scanners and instead printing out multiple copies.

Many firms do capture these jobs via the Print capture mechanism of their Cost Recovery system; however, this change has led to a drop in copy volumes.

The following criteria should be considered while evaluating the removal of a firm's Cost Recovery system.

1. **Lost Functionality**. Cost Recovery systems like Copitrak and nQ Zebrawork's CostQ solution often provide far more functionality for firms then just Cost Recovery. This often gets missed when firms decide to remove these systems, leading to unintended consequences.
    a. Scan Capture and Routing

        One of the most critically overlooked items is the scanning functionality that these systems provide most firms. Most firms that removed either CostQ or Copitrak scramble to find a replacement Scan solution.

        Copier/MFD devices have built-in scan functionality; however, for a larger firm, these features are of little help. The reason being the default scanning provided by all major OEM's relies on loading and managing address books on each individual copier.

        This means IT departments must manage these lists. For larger firms they can't even push a single list to all copiers due to limitations in address book size. You would then need to divide the address book down to an office-by-office basis and push it out to the appropriate devices. Not an ideal use of IT resources.

        Additionally, the interface is cumbersome for the end user. Users must begin by touching Address book function and then locating their name out of the hundreds of users listed.

They can type portions of their name to locate it more quickly; however, it is not a user-friendly experience.

Finally, most of the OEM devices do not ship with OCR (conversion to searchable PDF) and if they do it yields poor results and causes significant delays in delivering jobs to the end user.

b. Hard Costs Management and billing

Many firms utilize the ability to flow hard costs through their CostQ and Copitrak systems. Both systems have a mechanism for allowing users to enter or correct CM# for any imported transactions. These can include (but are not limited to) FedEx, UPS, Pacer, USPS, AMEX, LD Phone, Mobile Phone, Visa/MC, etc.

After CM# is entered, these systems then flow all the charges into the accounting system, which are then posted to the appropriate accounts.

The firm will need to find an alternative for replacing this functionality or possibly retain this portion of the system. Note: The key accounting vendors, Elite and Aderant, offer this ability; however, they charge significantly for configuring these transaction imports. Additional costs include IT and Accounting Staff time to test and configure.

2. **Open the spigot**. It is well documented that having a tracking system in place reduces paper volumes by 30% for most organizations. Without a system in place a firm should expect both paper volumes and wasted paper to increase.

   With no tracking in place users typically will print documents they would otherwise not print and abandon documents at the MFD more often.

   Firms can implement built-in OEM features to help subside some of this waste/increase such as the, Print to Mailbox feature. These features, however, force users to retrieve their documents from the specific device they printed to unlike Copitrak/nQ where users are free to retrieve from any device.

3. **Document Security considerations**. What would you pay to prevent one security breach? Both CostQ and Copitrak offer the ability for tighter control of documents. As penalties get ever more severe for data breaches, I see more and more firms begin to implement these types of features.

   One such feature is the Scan to Document Management feature. Many firms have this as an option on their CostQ or Copitrak system; however, most also have other Scan routes available aka Scan to email/folder. I see a trend towards eliminating other Scan routes and forcing users into secure routes like to Scan to DM only.

4. **Governance**. Clear custody trails for documents. As Federal, State, and international laws become more and more restrictive around the area of PI (Personal Information), many firms do not realize their Cost Recovery system can also act as a way to fulfill many, if not all, of the newly passed Federal, State & International requirements.

   For firms with a European presence, the GDPR Act has high penalties for firms who do not show clear actions and systems for preventing data breaches. Additionally, GDPR has reporting requirements which give details around this breach and require firms to produce these reports in short order.

   Additionally, more and more States are enacting their own data protection policies. California recently passed its own law, the CCPA (California Consumer Protection Act), which may also impact firms doing business in California.

   Lastly, the U.S. Federal government is looking at new laws that may go beyond what even the European Union passed under the GDPR Act.

Many firms do not realize their Cost recovery system allows them to comply with many of these requirements.

5. **Write downs.** Often Attorneys will negotiate bills with their clients, making some compromises on fees. Soft costs are often written off as a conciliation, so the complete loss of those charges can lead to the write down of other charges. What I like to call the "write off downward spiral". There is a significant value in simply showing the client the value of all work and costs done on their behalf.

   Some firms are looking at a flat fee being added to all bills for soft costs; however, how would you implement this? Some cases tend to be paper intensive, while others are not. Some cases require a large amount of scanning, (a time intensive process), while others almost none. A properly implemented Cost recovery system makes sure that these types of charges are levied appropriately.

About the author.

Neil Murphy currently advises law firms across the U.S. in all aspects of document capture, document process automation, storage, management and editing. He is President and owner of equiDOCx LLC, a private consulting firm that recommends, sells, and supports multiple legal-specific solutions.

Neil began his career in the legal vertical in 1993 working as a software programmer and systems engineer. He soon moved into a dual role in 1997 as Regional Manager for Control Systems Copitrak, serving as Sales and Technical Support Manager. Neil is credited with co-developing key features, including the first scan capture and routing solution for Copitrak and the modern user interface still in use today. After becoming Director of Sales of the Legal Vertical at Kofax (formerly Nuance Communications) he left to start his venture in 2020.

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