

## Qualitative Versus Quantitative Audits: Two Different Approaches

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A litigation management audit can reveal several different categories of information, depending upon the type of inquiry undertaken. The audit inquiry most typically utilized by insurance carriers is the quantitative audit, which examines the amount and breakdown of time that attorneys have invoiced. The goal of this type of audit is to determine whether the law firm has substantially complied with the billing guidelines imposed by the carrier. Such an approach identifies permissible payment deductions for invoice entries that deviate from the carrier's guidelines, or from generally accepted billing practices. This approach can fairly be characterized as a "procedural" review of the billings involved.

A different audit approach, one that perhaps is ultimately even more meaningful, entails a qualitative assessment of the actual work reflected in the bills. This inquiry seeks to determine whether the bills incurred in the litigation and submitted for payment were in fact both *reasonable* and *necessary*, which is the dual standard required of legal billings articulated by the U.S. Supreme Court. This audit approach can fairly be characterized as a "substantive" review of the billings involved.

The ultimate goal of the qualitative litigation management audit is to ensure that attorneys hired to conduct litigation and other legal activities do so in a goal-directed, streamlined, and thus cost-effective manner. Through poor planning or neglect, attorneys can inadvertently bill for activities which increase litigation costs while doing little to resolve the litigation. A comprehensive qualitative audit is designed to analyze the strategy, staffing and overall approach utilized in the case. When we conduct a qualitative audit, we typically review the available work product, including the pleadings, motions, discovery requests and correspondence to identify wasteful practices and opportunities to increase efficiency.

The qualitative and quantitative audits are not mutually exclusive, but are complementary to each other. While it makes sense to compare and contrast the two approaches individually, a combined approach is perhaps the best way to achieve a fully comprehensive audit. We often start with a quantitative examination of a law firm's invoices, while keeping an eye out for anomalies or troubling entries that raise more qualitative concerns. Such a holistic process can result in significant cost savings to the client, although it is more time intensive than relying on only a single approach. The combined approach accordingly must be justified under the particular case circumstances, both practically and economically.