

How to Migrate a Trust Bookkeeping System

Unlike dealing with your firm's operating accounts, trust bookkeeping involves additional fiduciary responsibility. You'll need a trust bookkeeping system to help you do the job and a strategy to switch from one system to another.

Choose a System That Puts You in Control

The first order of business is choosing a trust bookkeeping system that meets regulatory requirements and puts you in control. If your firm is using a manual bookkeeping system, you know the inherent problems. Manual processes are time-consuming, mistakes are difficult to detect and report preparation is next to impossible.

On the other hand, a good trust accounting software program can easily replace all manual bookkeeping tasks, bringing order to your books, tightening controls and helping you comply with state regulations.

Evaluate Trust Account Migration Options

Once you have selected the best software program to manage your trust accounts, it is important to review migration options with your CPA to determine which method is best for your firm.

There are a number of methods from which to choose. Three methods for transferring trust accounts from one bookkeeping system to another are:

Square One Option You can start at square one and re-enter all trust data in the new software database. If your data was previously entered manually and is not well organized, option one may be the best choice. Once data is entered, the new software program can provide a clear picture of both your past and future account transactions.

Fresh Start Option If you anticipate significant problems entering past transactions and are in a catch-22 situation, meaning until past data is cleaned up, future transactions cannot be entered in the new program, you may consider opening a brand new trust account at the same bank or a different bank. You can get a fresh start by using the new bank account and new software. In many instances, this method turns out to be the simplest solution. In a few weeks, once activities in your previous bank account have died down, you can then reconcile the old account and close it permanently. If there are un-disbursed ledger card balances left in the old account, write a check for each ledger card, move balances to the new bank account, and make deposits in the new software program.

Minimal Change Option Use this option if you want to keep the same bank account, want to start doing bookkeeping with the new software, and do not want to re-enter all prior transactions. Follow these steps carefully for this scenario:

Step 1: Fix a month ending date to establish a cut-off from old bookkeeping system to the new one, i.e. April 30, 2009 ("reconciliation date").

Step 2: Reconcile your previous trust account books up to the reconciliation date and create a ledger card "bank" balance sheet, which shows totals of the actual money for each ledger card in the bank as of the reconciliation date. Total of these ledger card "bank" balances must match with the bank ending balance. Also, create a ledger card "book" balance sheet, which will show totals per your record, and will include transactions that have not yet cleared the bank.

Step 3: Create corresponding ledger cards in the new software program, which can be done in one of two ways.

- a. Create a positive amount adjustment entry with a memo 'transfer balance from previous books' for the ledger card "bank" balance as of the reconciliation date.

Then, enter all un-cleared transactions on the corresponding ledger cards (transactions of the ledger card which not cleared from the bank yet such as outstanding checks or deposits). The total of adjustment entry and all un-cleared transactions must match the total corresponding ledger card "book" balance.

- b. Enter all ledger card transactions (regardless of whether these transactions have cleared or not by the reconciliation date) only for cards that have balance left. The transaction total must match the total of the corresponding ledger card "book" balance.

Step 4: All future transactions and bank reconciliations (after the final old system reconciliation date) must be done only in the new system.

Trust Account Management You Can Count On

Migrating client trust accounts from a manual to an automated bookkeeping system is not a difficult process. In a few simple steps, you can bring order to your trust accounting process, tighten controls and strengthen state regulation compliance. And, even if you are suddenly facing an audit, with well-managed trust accounts, you'll be ready.

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