



## HOW TO SELECT GENERAL LEDGER SOFTWARE

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Attorneys and office administrators frequently call me regarding automating their back office with time & billing and general ledger software. We begin by having a conversation about the types of billing practices employed by their firm, whether there are any special client-requested considerations, and especially about the difference between integrated and non-integrated solutions. An integrated solution is one where the time & billing package *includes* the general ledger. A non-integrated solution, it follows, is one where the general ledger is a separate software package, which may or may not *link* to the time & billing software.

Although establishing a link between the packages enables the firm to avoid some of the duplicate data entry which wastes labor and leads to inconsistencies (errors) in the way data is entered in each package, it is not the ideal solution. Links usually operate in only one direction, that is, from the time & billing software *to* the general ledger, and not the other way around. And not all types of information flows freely from one package to the other. That means links have limited functionality. In addition, links must be maintained, and usually require professional assistance to set up. Frequently, when one upgrades either the time & billing package or the accounting package, the link gets “blown away” and must be reestablished. For those who must rely on an outside professional to do this, that means repeated visits and expense.

It definitely costs a little more for a firm to get an integrated package, but I believe that in the long run the savings in internal labor (eliminating duplicate entry and error tracking and correction), and in external labor (restoring the links), more than justifies the extra initial expense many times over. However, in the rare instances when I determine that a firm’s needs in the time & billing area are extremely basic, I do conclude they are better suited by using separate packages, as most integrated packages are more sophisticated in the time & billing area.

When small firms review time & billing software, the attorneys often exclude the bookkeeper from the process until they have narrowed down the field to several choices that seem to suit their needs, and then turn the list of their selections over to the bookkeeper to make the final selection, based on the general ledger. And at this point I hear from the firm’s bookkeeper asking for help. Although I agree that the needs on the time & billing side should be the first and foremost consideration, I don’t agree that the firm’s bookkeeper should be excluded from this part of the evaluation process. They will often ask insightful questions which might have been overlooked by the attorneys. When you are evaluating

software, you want to include as many perspectives as possible, so that you don't miss seeing some of the nuances you might otherwise overlook. Although it may slow the process a tad, keep in mind that your "marriage" to your new software will be a long one. Do your due diligence to ensure it is a happy union, not a long, miserable one.

With that caveat firmly in mind, let me tell you that not all general ledger software packages are created equal. There can be significant functional differences from package to package. Although what follows is not all-inclusive by any means, it will give you a starting point of some things to think about as you evaluate several packages.

Accounts payable is one module which gets lots of usage in a law firm. Can the system handle recurring entries for items such as rent, lease or loan payments, or must you manually enter each and every payment? If it handles recurring entries, can you enter the number of recurrences or an end date? This is particularly helpful for loan or lease payments. Can you write checks "on the fly" without first having to put in an invoice? Will it automatically check for duplicate invoices already entered by either invoice number or amount and date? Can it handle one-time vendors without an elaborate set-up? Can you choose whether to combine multiple bills from one vendor on a single check, or issue separate checks? (You would not, for example, want one check issued to American Express to pay for invoices submitted from several different partners.) If you get refunds on costs will they post as automatically as a regular client cost expense, but as a credit, to the client's work-in-process? Can it track and issue 1099's for designated vendors?

Do you want to produce your payroll in-house, and if so is there a payroll module? Is it robust enough to handle your payroll needs and quarterly tax reporting? (For example, do you need to accommodate deductions for medical, loan, garnishment, or other items, and if so are there fields available?) Are there automatic updates for the tax tables available?

Trust accounting is an area which can be limiting in some packages. Can it handle multiple accounts? Can it handle accounts at different banks? Will it provide you with adequate audit trails and reporting such that you can reconcile not only the bank statement(s), but also the individual client balances which make up the total? Keep in mind that if you have an office in New Jersey, your trust account audit trails *must* provide this information. In Pennsylvania they *should* provide the same level of information.

Cash receipts may seem like an area which would not vary from package to package, but believe me, it can. In some packages the software cannot accommodate one check which pays invoices open on multiple matters. One must arbitrarily enter it as many individual checks, which of course does not provide an accurate audit trail. Can the system handle overpayments, either with a resulting credit balance which can be posted to the work-in-process and applied against the next billing, or applied as a cost, with a refund check to the client creating a "wash"? Can you easily produce a billing and payment history? Can you produce your deposit slips and deposit summary directly from the software?



What about budgeting and financial reporting? Can you enter your budget with a breakout month by month, so some expenses, like malpractice insurance, post in the appropriate budget month, and not 1/12<sup>th</sup> each month? Can you produce a profit & loss statement which compares to the prior year and also to the budget all on one report? Can you have multiple style financial statements? In fact, how flexible is the whole reporting area? How difficult is it to customize reports, or create them from scratch? And how easy is it to export the information to Excel for further manipulation? Must you “close” prior accounting periods before you can begin work in the next?

I would be remiss if I did not mention before closing that training is important regardless of what package you purchase, nor how seemingly “easy” it is to install and learn. I am a strong proponent of using a local reseller to professionally install your software, and to provide training and some support. (Be sure to check references for happy law firms they have assisted in the past.) Time & billing and general ledger software packages are elaborate databases. They must be properly installed to ensure accuracy and trouble-free operation. Depending on how inexpensive the software, you may actually need to budget as much or more for installation and training as you spend on the software itself. Failing to do so will almost assure you will be disappointed, and waste far more money in the long run through trial and error, and frustration and wasted time.

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