

## Choosing and Configuring Accounting Software

The heart of every organization's accounting system is its accounting software. Unfortunately, all-too-often not enough time or energy goes into the planning or design stage before purchasing and installing an accounting package. The result is usually a system with a limited ability to capture and report information in a meaningful way. The reasons for this rush is many-fold. Sometimes it is a lack of time. Other times it is a lack of technical knowledge or skills or just plain incompetence. Regardless of the reason, this short-sightedness creates a series of never-ending frustrations with the accounting department's inability to track and report financial activity in a necessary and meaningful way and the additional work that must be performed to get the information required.

To avoid this unfortunate situation the following steps should be taken to have a productive and useful accounting system.

- First, and most important, evaluate and list all of the tracking and reporting needs of the organization. Consideration should be given to the need to track data by division, department, location, program, project, group, sub-group, activity, grant and even employee.
- Evaluate at least two software programs. Don't just pick the most popular or most powerful or expensive one because it might not be the right one for your needs.
- Price is always a factor in any decision but as the saying goes, don't be penny-wise and pound foolish. Yes a \$500 program is a lot cheaper than a \$5,000 program, but when you consider your needs and the benefits this program provides, the difference is not much in the long run.
- Using a "boot-legged" copy of someone else's software is foolish, not- to-mention illegal. The copy is usually outdated or obsolete and will not be supported by the manufacturer. Invariably problems will arise, such as a system crash, and the result will be crisis and chaos.
- Put a good deal of thought into the structure of your Chart of Accounts. This is the foundation of your system and is not easily modifiable in the future. Use a 5 to 12 digit alpha-numeric code account structure:  
XX - XX - XXXX - XX  
or or Account or  
Location Program Project/Grant
- The order of creating and listing your core accounts should be - assets, liabilities, revenue/support and expenses. Assets should be listed in the order of liquidity (e.g. cash, receivables, property and equipment), Liabilities in the order of maturity (e.g. accounts payable, loans payable), Revenue in the order of prominence (e.g. sales, contributions) and Expenses, for simplicity, in alphabetical order with the exception of salaries and related costs first.
- Next, setup all your customers and vendors files.
- If practical, enter opening balances from the beginning of your operating year (e.g. January 1st or July 1st).
- After installing, configuring and setting up your new accounting software, get comfortable using the basic features first before attempting to use its more powerful features.
- If possible, "run parallel" for a few months. That is, enter the same data in both the old and new systems and compare output. This procedure usually highlights deficiencies in the new system and allow for the correcting of small problems before they become big problems.