

Property Management Trust Accounting & Technology

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Reconciliations

What is the difference between a normal bank reconciliation and a “3-Way” Reconciliation?

Is a 3-way reconciliation required?

Three-Way Reconciliations

BANK STATEMENT

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CHECK REGISTER

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CLIENT LEDGERS

The first step in any three-way reconciliation is to balance your bank statement to your accounting software. After you have balanced your statement, you will need to calculate the adjusted bank balance. This is the “cleared” balance plus any uncleared deposits and minus any uncleared checks

Your software should provide this number.

The next step is to prove that the total of all individual ledgers (Owner, Tenant, and Broker) equals the same amount. None of the ledgers should have a negative balance.

Following is an example of a 3-way reconciliation. The numbers used assume you have balanced the bank statement to your software and have an adjusted a bank balance of \$20,135.00

OWNER FUNDS	Available Cash	Liability (escrow)	* Balances on hand after distributions
Adams	\$200.00		
Bush	\$200.00		
Carter	\$500.00		owns 5 homes
Hayes	\$200.00		
Jackson	\$200.00		
Kennedy	\$200.00		
Lincoln	\$200.00	\$400.00	set aside for Termite Warranty
Reagan	\$200.00		
Roosevelt	\$200.00		
Washington	\$500.00		owns a fourplex
	\$2,600.00	\$400.00	

TENANT FUNDS		Security Deposit	Over Payments	Notes
Owner	Tenant			
Adams	Andrea	\$1,000.00		
Bush	Betsy	\$1,000.00		
Carter House# 1	VACANT	\$0.00		
Carter House# 2	Chris	\$800.00		
Carter House# 3	Dave	\$900.00		
Carter House# 4	Donna	\$900.00		
Carter House# 5	Fred	\$750.00		
Hayes	James	\$995.00	\$40.00	Rent is \$995 but pays \$1000
Jackson	Jayci	\$850.00		
Kennedy	Kit	\$1,500.00		
Lincoln	Mark	\$800.00		
Reagan	Melissa	\$1,000.00		
Roosevelt	Ray	\$1,100.00		
Washington Unit# 1	Rose	\$500.00		
Washington Unit# 2	Steve	\$500.00		
Washington Unit# 3	Tony	\$500.00	\$3,000.00	Prepaid 6 months rent in advance
Washington Unit# 4	Vicky	\$500.00		
		\$13,595.00	\$3,040.00	

Other Trust Funds		
Management ledger		\$500.00

Trust Account Reconciliation

Client / Tenant Liabilities:

Owner Funds	G. <u>3,000.00</u>
Tenant Funds	H. <u>16,635.00</u>
Other Trust funds	I. <u>500.00</u>
Total Client / Tenant Liabilities: (J = G + H + I)	J. <u>20,135.00</u>
Bank Account Balance: (adjusted = D from above)	D. <u>20,135.00</u>
Difference: (K = D – J)	K. <u>0.00</u>

Accounts Payable



Paper Checks

- Blank check stock
- Positive pay
- Signature control
- Bank oversight

Digital Payments

- ACH & Wires
- Check by phone
- Credit Card payments
- Bank oversight

Accounts Receivable



Physical Receipts

- Payment Types – cash, checks, money orders, travelers checks, etc.
- Payment Policies – partials, late pays, etc.
- Check conversion to ACH
- Bank oversight

Digital Receipts

- Online Payment Policies
- 3rd Party Processors
- Push vs Pull
- Credit Cards
- Bank oversight

Other Banking Services



Question & Answer Session

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