

# Clean Up Process

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**Department:** Client Onboarding

**Purpose:** This SOP outlines the steps of the Clean Up Process for a new client. The Clean Up Phase is where we correct errors in the client's books and bring them up-to-date.

**When:** After the implementation phase is complete.

**Where:** The Standard Operating Folder >> Client Onboarding Department

**Who:** Onboarding and Bookkeeping staff

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## The Process

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### Step 1: List Documents Needed and Deliver to Client

It is best to deliver this detailed list during the engagement acceptance phase.

The list needs to be:

- **Specific**, e.g. "bank statements for Bank of Prestige (ending in 7777) for January 2017 through December 2018 complete with all pages and check images." Not, "bank statements."
- **Time bound**, e.g. "this information is needed by July 10, 20XX in order to remain on schedule."

### Step 2: Gather All Documents

The second step for clean ups is to make sure you have everything needed to start the cleanup work.

### Docs To Gather From Client:

- all bank statements w/check images
- all credit card statements
- receipts (if client collects)
- access to payroll reports
- All bank deposit records (if depositing checks) OR merchant services report

### Docs Created By Team:

- **Bill payment list** - List of house bills paid on recurring basis. This is used to check against the Income Statement at the end of the clean up to ensure that all bills are accounted for.
- **Vendor notes** - List of vendors or suppliers with notes on what kind of payment they take, their terms, contact info etc. Since supplier bills are not always on a regular schedule, we create a separate list.
- **Customer & Invoicing notes** - Similar to Vendor notes. Used when you manually create invoices for client's customers
- **Client Q's list** - Running list of questions for client. We package these up into ONE email along with and documentation or recon notes at the end of each week.
- **NO documentation list x2** - If client collects receipts, we submit two missing documentation lists at the end of each week; one where we don't have the document, but we know what the charge is for, and another where we don't have the document and we do not know what the charge is for.
- **Recon + bank rules cheat sheet** - The Recon cheat sheet is a list of transactions that come through on the bank feed regularly and their corresponding bank rules. When we send questions to the client about transactions, this sheet is where we update and document how those transactions should be coded

## The Clean Up Reconciliation Process

In any clean up you can have two or more people working on the client project to turn it around quickly. The below outlines the different types of transactions you'll encounter and how to handle them.

### Step 3: Deposit Reconciliation

1. **Match known deposits in the bank feed** - Deposits come into the bank feed in a few ways: check, cash or merchant services via a POS/CRM system. A lot of times the

client will not have systems set up that automatically sync these transactions, so we must use the documentation available to try and figure out which transactions match to which sales.

- **Merchant Services** - Should have reports from client + will often have a POS system or CRM system that originates the payments. If a POS system (usually for a brick and mortar store) the totals will be daily and you'll want to match these up with the records from the cash register. If a CRM system (usually for an online store) you'll want to match against the individual invoices created.
- **Checks** - Sometimes we get lucky and the client prints their checks directly from their accounting software, but a lot of times this is not the case. When they are writing checks manually, we have to order deposit copies from the bank and match by hand. Sometimes banks will include copies of the checks with their statements.
- **Cash Deposits** - For cash deposits, you will want to match the deposit slips against the cash register receipts, especially if an employee is handling the deposits.

If there is cash deposits in the business, you'll want to check if the client has good controls in place. (ie. Does the register balance out and match the sales on a daily basis?) If not this is a project that we should add to the client's task list.

## 2. Document Client Q's + Second Sweep

- Once you go through all of the deposits, be sure to document all client Q's. Then review each question and try to figure it out on your own or escalate to team member to get help.
- Make sure that each question is something the client would actually understand and be able to answer for you. A lot of times this will not be the case and it will be our responsibility to figure out the solution for the client.
- Send remaining questions off to client and follow up for answers
- When you get answers back, review each deposit transaction and reconcile remaining transactions. If you have more questions, repeat the process until all deposits can be reconciled.
- If you don't receive an answer before closing the books for the month, you'll add leftover transactions to a miscellaneous revenue account (usually all chart of accounts have something like this included already so there should be no need

to create a new account -- DO NOT create new accounts without client's permission)

3. **Create A/R Report for Client Review** - Once the deposits are reconciled, you can pull an A/R report from Xero (and also from CRM or POS system if applicable)
  - Make sure the CRM/POS report matches the accounting file's report
  - Send off to client for review and discussion on how to handle going forward.
  - Create a recurring A/R process task in Bookkeeping Asana project and document how the client would like you to handle in the future.
4. **Create Customer Notes as you go** - If client is manually invoicing clients, it's a good idea to add any notes to their Customer Notes file as you go, especially if we will be handling the client invoicing in the future.
5. **Update Client SOPs** - We want to document exactly how transactions are processed for each client. Document any specifics in client's SOPs with step-by-step instructions.

## Step 4: Expense Reconciliation

The expense side of a reconciliation typically has 5 types of transactions:

- a. **Expenses / Receipts** - These would be like meals, gas, supplies etc. Some clients will gather their receipts but many will not. These transactions are typically matched to the receipt in the bank feed if the client collects receipts. If the client does not collect receipts, these just get added to the appropriate account.
- b. **House Bills** - Recurring bills like rent, utilities etc. May or may not have an invoice. Follow the same as above -- match the receipt to the transaction in the bank feed if the client collects receipts. If the client does not collect receipts, these just get added to the appropriate account. ***All house bills should be added to the client's bill pay list.*** This is useful if we handle the bill pay for the client or when creating a budget for the client.
- c. **Vendor Bills** - (ie. Suppliers) These are typically payments with terms and are associated with inventory or COGs. Any info should be added to the vendor notes list. Often times, we will have to order vendor statements and make sure that all invoices are accounted for. If there are missing invoices, you'll have to request copies from the vendor in order to reconcile.
- d. **Payroll** - Payroll setup for each company can be different. You will need access to the payroll system to pull the reports or have the client send copies of the reports. To create

payroll journal entries, it's best to look at what was done previously, confirm that it was done correctly and create the corresponding journal entries. If the client is already using a well-known payroll service provider like ADP or Gusto, you can oftentimes set up a sync into Xero.

- e. **Adjusting Journal Entries** - These are not entries you'll see in the bank feed per se, but rather adjustments that should be made at the end of each month. Examples include prepaid expenses, loan amortization etc.

### Steps to Reconcile Expenses

1. **Process all receipts (expenses), vendor bills (COGS / inventory) and house bills (operating costs) in Hubdoc.**
2. **Organize Client's lists:**
  - Recon / bank rules cheat sheet: add notes on how to code each item + create corresponding bank rule for easy classification
  - Vendor Notes:
    - Document how each vendor gets paid (check or credit card)
    - Main point of contact
    - How bills are received: mail, delivery drop off, or email (request each vendor to send directly via email)
  - Bill Payment List for House Bills: this is helpful for bill pay and to check against Income Statement at the end of each month
3. **Match transactions in the bank feed**
4. **Add any questions to Client Q's list**
5. **Deal with remaining transactions:**
  - Missing Receipts - ask client if you should reconcile without, if not repeat gathering process
  - Vendor Bills - If it looks like you're missing vendor bills, order statements, reconcile, then order missing invoices
  - House Bills - Ask client if you need for historical records. Plus get these set up through Hubdoc for the future.
  - If client doesn't get back to you on Q's reconcile expenses in miscellaneous account to be re-coded later
6. **Sync payroll or create payroll journal entries** (create template if not syncing)
7. **Create templates for any end of month adjusting journal entries**

8. **Update Client SOPs** - We want to document exactly how transactions are processed for each client. Document any specifics in client's SOPs with step-by-step instructions.

## Step 5: Closing The Clean Up Periods

Since clean ups are often messy, at the end, we want to review everything thoroughly for accuracy and make sure everything has been coded correctly and there are no errors. We do this by running the Income Statement and Balance sheet reports and reviewing all transactions in each account during the clean up period to make sure everything looks good.

### Clean Up Review Checklist

1. Pull the Income Statement for clean up period + a month or two extra if the accounts were in good standing previously
2. Review each account for the following:
  - a. All transactions are like type and belong in that account
  - b. Matches what was done historically (provided historical was correct)

#### You May Find:

- You need to create new COA for expense or revenue items -- always ok this with client first
  - You need to adjust the recon & bank rule cheat sheet accordingly and create new bank rules if needed
3. Repeat with the Balance Sheet.
  4. Review each Balance Sheet account for:
    - a. All transactions are like type and belong in that account
    - b. All adjusting entries are accounted for and all account balances make sense
    - c. Matches what was done historically (provided historical was correct)

### Clean Up Troubleshooting

1. A LOT of clean up work is:
  - a. Gathering info and documents
  - b. Investigating transactions
2. DO NOT be afraid to investigate on your own!