TECHNICAL ACCOUNTING

Audit Readiness Checklist

Work through this 60 to 90 days before fieldwork. Every item your auditors will ask for — organized by category so you find gaps before they do.

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How to Use This Checklist

Auditors do not distinguish between a company that does not have documentation and one that cannot find it. The result is the same: additional procedures, delays, and findings that follow you into the next cycle. Use this checklist to identify gaps while you still have time to close them.

> *A finding your auditor discovers is a problem. A gap you identify and remediate before fieldwork is preparation. The work is the same — the timing is everything.*

1. PBC Package — Balance Sheet and Core Schedules

- ■ Trial balance as of period end, tied to the general ledger, with prior period comparison
- ■ Lead schedules for all significant balance sheet accounts
- ■ Bank reconciliations for all accounts, signed off by a reviewer with evidence of review
- ■ Debt schedule with beginning balance, draws, repayments, and ending balance reconciled to lender confirmations
- ■ Equity rollforward from prior year-end through current period end
- ■ Prepaids and deposits schedule with amortization detail by line item
- ■ Fixed asset rollforward: additions, disposals, depreciation by asset class, and accumulated depreciation
- ■ Accrued liabilities schedule — detail by liability, not a single-line total
- ■ Revenue schedule by customer, product, or contract as required by your ASC 606 model
- ■ Deferred revenue rollforward, if applicable, tied to specific contracts

2. Reconciliation Quality

- ■ All balance sheet accounts reconciled — not just cash and AR

- ■ Each reconciliation shows the GL balance, the subledger or external balance, and explains any variance
- ■ Reconciling items are aged — items over 60 days have a documented resolution plan
- ■ Reconciliations are dated and include the preparer's name and evidence of management review
- ■ Intercompany balances are reconciled to the counterparty and eliminated in consolidation
- ■ Reconciliations completed within 15 business days of period end

3. Revenue and Accounts Receivable

- ■ Revenue recognition policy documented and applied consistently under ASC 606
- ■ Performance obligations identified and documented for each contract type
- ■ Variable consideration estimated, constrained, and supported by calculation
- ■ Contract modifications log maintained and each modification assessed
- ■ Deferred revenue tied to specific contracts — not a management estimate
- ■ AR aging prepared from the subledger, not a manual summary
- ■ Allowance for doubtful accounts methodology documented and applied
- ■ Commission capitalization policy documented if sales commissions are material

4. Journal Entry Controls

- ■ Journal entry policy exists: posting authority, required support, and review requirements
- ■ All manual journal entries have supporting documentation in the system or accessible
- ■ Recurring entries are templated and tied to the same underlying support each period
- ■ Unusual or large entries are flagged and carry enhanced documentation
- ■ No entries posted after close cutoff without documented authorization
- ■ Period-end accruals supported by a calculation — not a round number without basis

5. Financial Statement Disclosures

- ■ Disclosure checklist prepared and every required disclosure mapped to the financials
- ■ Related party transactions identified, documented, and disclosed
- ■ Subsequent events review completed and documented through the expected issuance date
- ■ Accounting policies note reviewed for accuracy — reflects how the company actually operates
- ■ Commitments and contingencies schedule prepared and reviewed with legal counsel
- ■ Going concern assessment performed and documented if any indicators are present

6. Known Issues and Prior Year Items

- ■ Prior year audit findings and management letter comments have documented remediation status
- ■ Any known errors assessed for materiality and either corrected or disclosed
- ■ Tax provision complete and tied to the financial statements
- ■ Legal matters reviewed with counsel and appropriate accruals recorded
- ■ Any significant estimates documented with methodology: impairment, earnout fair value, warranty

Red Flags Auditors Notice Immediately

> *These issues signal to the audit team that additional procedures are warranted — extending fieldwork and increasing fees.*

Reconciliations completed after the audit request arrived	File metadata shows creation dates. Reconciliations must be prepared contemporaneously.
Round number accruals with no supporting calculation	A $50,000 accrual requires a basis. 'Management estimate' is not a basis.
Single preparer with no independent review	A control deficiency regardless of whether the numbers are correct.
Intercompany balances that do not agree	The most common consolidation error. Test this before the auditors arrive.
Prior year findings with no documented remediation	Auditors expect to see what you did about last year's comments.

Need help closing audit readiness gaps?

VAO CPA provides audit preparation, PBC package assembly, and technical accounting review for companies preparing for their first audit or recovering from a difficult one.

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