

Are You Hiring A Bookkeeper?

CONTENTS

- 3** What must you consider when hiring and managing your bookkeeper?
- 4** An urgent note about your bookkeeper and accounting issues.
- 4** What do you need your bookkeeper to do?
- 6** How will you know if your bookkeeper is doing the job you need done?
- 10** What are the signs that your bookkeeper may be setting up a potentially business-life threatening situation?
- 12** Could your bookkeeper be “helping themselves” to your hard-earned money?
- 13** Let your bookkeeper help pay their own wages!
- 15** “Who needs a bookkeeper with those easy-to-use, do-everything, no-brainer business bookkeeping software programs I got with my fancy new computer?”
- 17** Finding the right bookkeeper and setting up some simple steps can help you save bundles of money on your Accountant’s \$ bill\$.
- 18** As a general guide you may want to discuss the following with your Accountant.

Our Mission

IPBC provides the environment, knowledge, and resources its members need to develop excellence in bookkeeping, through education, networking, advocacy, information and research. The focus is to create member value and benefits that in turn contribute to creating a stronger trust relationship with Canadian business.

10185 164th Street Surrey, BC V4N 2K4

Phone: 604-637-9607 Toll Free: 866-616-IPBC (4722)

Fax: 866-616-IPBC (4722)

www.ipbc.ca

Hiring the wrong bookkeeper can destroy your business!

What must you consider when hiring and managing your bookkeeper?

Why are we so concerned about making sure that you hire the right bookkeeper? Two reasons. First, yes, we do have something to sell that will help you be sure to get the right person for the job (honesty is the best policy). Second, we believe that, even if you don't purchase anything from us, this information will help you hire and manage the right bookkeeper and be more profitable. And, if you're more profitable that means your business will be around for a long time to come and, in the future, we may be able to provide you with some other valuable product or service.

With that said, here is some really great and valuable information from which any business hiring or managing a bookkeeper can profit. Look at this invaluable resource to help you make sure you hire the right bookkeeper.

An urgent note about your bookkeeper and accounting issues.

As you begin to review this special report please keep in mind a very important point. No one of the topics or issues we raise or discuss can be examined in a vacuum. All aspects of your bookkeeper and your accounting systems interact with one another and your company in many ways. In several of our discussion topics you will find information that is seemingly repeated from another topic. This is intentional so that you can begin to understand the close ties among these key aspects of your company.

What do you need your bookkeeper to do?

Seems like such a simple question doesn't it? You want your bookkeeper to keep the "books" right? Well... maybe.

One frequent mistake made when hiring a bookkeeper is not understanding just what being a full-charge bookkeeper means. A full-charge bookkeeper is someone who is responsible for seeing that all of your business transactions are properly recorded in the various ledgers, sub-ledgers, journals, etc.

One of the most important technical aspects of any bookkeeper's job is the proper maintenance of the company's general ledger. For it is from this collection of vital transactional information, the general ledger, that your company's financial statements (balance sheet, profit

and loss statement, etc.) will be prepared. Also, always remember that your general ledger is of great interest to the various auditors (CRA, provincial, union, etc.) that can poke around a company's records from time to time.

Clearly defining what you expect from your bookkeeper will help all parties involved. In fact, I believe that not clearly defining what you expect from your bookkeeper is fuel for failure.

*“Clearly defining what
you expect from your
bookkeeper will help all
parties involved.”*



Often, it can be a difficult task to clearly define just what it is you want your bookkeeper to do - but, a critically important task. Just what your bookkeeper should be responsible for varies widely from company to company and industry to industry. If you are not quite sure what to expect from your bookkeeper I would encourage you to discuss the matter with your Accountant or other business advisor.

Once you've determined what you want your bookkeeper to do, let me offer a few words of advice. Actually, this advice will likely seem far too obvious to be of value - but it is worth a reminder.

If there is any one thing you can do to help make sure you keep that great bookkeeper it is to let them know they are a valuable part of your team. In fact, without them what would you be able to get done? Unfortunately, all too often we overlook the opportunity to give the kudos they deserve.

So, be sure to pat them on the back now and then and let them know what a great

job they're doing. And, if you really don't know bookkeeping or accounting, keep an open mind as to how difficult their job can actually be. These seemingly easy tasks can be far more time consuming than you think.

How will you know if your bookkeeper is doing the job you need done?

One frequent problem is knowing if your bookkeeper is taking care of your business. Of course, there is no single answer to this dilemma. But, there are some general rules that you will find helpful.

Define what duties your bookkeeper must perform.

In my experience, most problems with bookkeepers have begun with this problem - not clearly defining what you expect. After all, how can you ever determine how things are going if you don't know where they should be going. If you do not have some quantitative standards for your bookkeeper, or accounting department as a whole, you have nothing to measure. And, you can only manage what you can measure.

Here's some examples of standards business owners set up for their bookkeepers and accounting departments.

- Bank reconciliations will be completed within 3 days of receiving the bank statements.
- The company financial statements will be completed and provided to management within 7 days of month-end.
- Sales commissions will be calculated and presented for review 3 days before payday.

Of course these are only examples, but you get the point. Oh, one other suggestion, set up your company procedures to be sure that you, the owner or general manager, receive a full "control" file at the end of every accounting period. This is an innovative method we've discovered that helps you make sure that your bookkeeper is never "irreplaceable." If you would like to receive information about using our "control file" strategy read on in this special report.

Compare several of the control documents to your general ledger.

On a periodic basis make sure that you, or someone completely unconnected with the bookkeeping and accounting function, compare several of the control documents to your general ledger.

Yes, this is a bit technical, but something that any business person can learn to do quite easily. But, even more important, it is, in my opinion the responsibility of any business owner to understand their company's financial reporting process. Unless you understand the basics of the process you will always have a difficult time managing that process.

If you're not sure how to do this, or if you've never done this, waste no time in calling your Accountant today to find out more. In fact, this step can often discover one of the First signs that a bookkeeper may be creating big problems.

Ask your Accountant.

What, you thought your Accountant would automatically tell you if they thought there might be a problem?

Well, generally, yes. But, frequently your Accountant may not be dealing directly with your bookkeeper on these types of issues. In fact, very often it will be one of your Accountant's junior staff that has the majority of face-to-face contact with your bookkeeper. Now, this is just fine, but, maybe the Accountant's staff is the one who has gotten what they need and formulated an opinion of the bookkeeper's work product. And, just as likely, unless the bookkeeper's work is really awful, may



“Define what duties your bookkeeper must perform.”

not have found it to be a big enough issue to bring up. So, make sure it is brought up... ask your Accountant.

Ask your bookkeeper.

Well, why not? In general most of us can be fairly objective about our own work, our challenges and issues. You will find that if you set up a safe environment and are genuine about using this “self-review” to improve things the results can be very rewarding for you, your company and your bookkeeper.

What is a safe environment? It has nothing to do with the physical environment, but with the emotional environment. It is important to make sure that the person performing the self-review knows that it is to enhance their job security and satisfaction, and their value to the company. Further, I believe that it is important to also make a point of stating affirmatively that pointing out areas needing improvement in their work, will only be discussed in a positive light. That is to say you will help them find ways to hurdle the obstacles.

Certainly, there are as many ways to measure the effectiveness of your bookkeeper as there are companies. But, if you follow these fairly simple guidelines you will be well on your way to a truly satisfying experience with your bookkeeper.

What are the signs that your bookkeeper may be setting up a potentially business-life threatening situation?

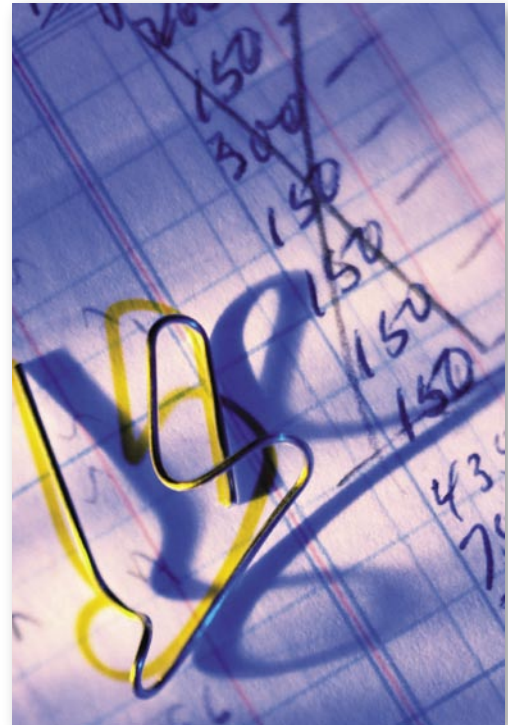
The number of ways a bookkeeper can wreak havoc on a company and its financial life are many. The following check list are some of the more common danger signs that your bookkeeper or accounting department may be heading your company toward trouble. If you answer yes to any of these questions the time to act is NOW, before any (or more) harm is done.

- Are your financial statements always slow to be prepared?

- Are your financial statements more than two periods behind?
- Is your bookkeeper’s office and work area seldom organized so that no one could determine what the status of the work is?
- Are your bank reconciliation’s not in written form and not prepared for every bank statement period for every bank account?
- Are your bank reconciliation’s showing a balance different from those on your financial statements or general ledger?
- Do your accounts receivable or payable aging or listings reflect an amount different than those shown on your financial statements?
- Does your bookkeeper refuse to take any time off?
- Does your bookkeeper try to keep others from knowing what they do or how they do it?
- Does your bookkeeper continually cart files and company records home to work on them?
- Do your computerized accounting reports consistently contain hand written corrections and notations.
- Do your customers frequently complain about payments not properly posted to their accounts? There are many other symptoms as well. And, for each of these questions, there are some very important potential problems that need to be addressed right away. So, if you’ve had a few, or even one yes answer, you should start to evaluate why. If needed, ask for help from your Accountant.

Could your bookkeeper be “helping themselves” to your hard-earned money?

One of the most distressing situations in which we’re called on to consult is one where a trusted bookkeeper, “one of the family,” has been discovered stealing. It can happen



“One frequent problem is knowing if your bookkeeper is taking care of your business.”

at any time, to any company. Your best protection of course are proper controls and supervision. But, even with all the controls and supervision, a determined and dishonest bookkeeper can get away with some amazing schemes.

While these are very similar to the questions you ask yourself when evaluating how your bookkeeper is performing, they can be a real red flag of potential asset threatening problems.

- Has your bookkeeper asked for signature authority on your checks?
- Does your bookkeeper frequently make telephone transfers from your bank accounts or credit lines?

- Does your bookkeeper’s lifestyle seem consistent with their earnings?
- Does your bookkeeper frequently take records home to work on or work in the office when no one is around.
- Does your bookkeeper refuse to go on vacation?
- Does your bookkeeper seem to resent or get defensive when your Accountant asks questions.
- Does your bookkeeper have access to your credit card information and receive mail-order packages at work?
- Are your accounting records in a mess?
- Do you receive frequent tax delinquency notices that the bookkeeper explains away as government error?

If you answer yes to any of these questions don’t panic. Chances are there is a perfectly reasonable and acceptable explanation. But,

“...not clearly defining what you expect from your bookkeeper is fuel for failure.”



don’t ignore the symptom either. Talk with your Accountant and carefully evaluate the situation. You may only need to put some additional controls in place for your company.

Let your bookkeeper help pay their own wages!

Now, we don’t mean they will actually cut you a check. But, if you set up your accounting properly and let your bookkeeper be a part of your team you should be able to eventually see your bookkeeper as a “profit-center.”

Here are a few tips that will help you do just that.

- On a regular basis take your bookkeeper to lunch and ask them what they would do differently in the company. Not just in the accounting area but other areas as well. This is the time to be a great listener, don’t take over the conversation.
- If you are not sure how an aspect of your business is doing, ask your bookkeeper if they can think of a way that it might be put into a financial report. Remember, you can manage what you can measure. Let them put their talents with numbers to work on your problems.
- Make sure your sales manager and bookkeeper meet periodically. This will let the bookkeeper understand what key information the sales manager needs and build a team bond.
- Have your bookkeeper meet with your Accountant at least annually (although I prefer a minimum of twice each year) to discuss the bookkeeper’s view of your business challenges.
- Assign a few of your expense items to your bookkeeper to analyze and find out how they can be reduced. Offer a small incentive for a reduction.
- Send your bookkeeper to at least one professional education course each year.
- Let your bookkeeper participate in company incentive programs even if it is not accounting related. For example, they will have great

incentive to make sure that management has the accounting information they need to succeed if they get a small part of the sales’ department bonus program.

There are dozens of ideas that you can add to this brief list. The key is to use your imagination.

“Who needs a bookkeeper with those easy-to-use, do-everything, no-brainer business bookkeeping software programs I got with my fancy new computer?”

I must tip my hat to the software marketers! They have done a phenomenal job of selling the idea that you don’t need to know anything about accounting to do accounting.

Well, to a degree, they are correct. But, because the life blood of a business, its management information, flows through the accounting system don’t be so sure that saving money by not having a properly qualified bookkeeper is actually saving you money.

There are some inherent limitations in the off-the-shelf one-size-fits-all small business accounting software packages.

First, an accounting software package cannot tell you how to categorize all of your business transactions. For example, trading in a depreciated piece of equipment for new equipment creates some very special book entries. Entries that most of this type of accounting software simply cannot handle without help. The result, your Accountant will need to research and correct the problems in order to prepare your tax returns.

As a business owner where is your time best spent? If you are able to generate sales of several hundred dollars an hour in your business, does it make sense that your time is spent fooling with accounting software? Probably not.

What do you generate for the business compared to what you might pay a qualified bookkeeper? Be careful not to be penny-wise and pound foolish.

If your banker, Accountant, attorney, or worse yet, CRA auditor asks about your accounting records will you have the correct answers? And, will you have those answers in a timely fashion? If you're paying your Accountant \$150 an hour to clean up bookkeeping you're losing in a big way.

Do you know how assets, liabilities, equity and other accounting items interact and affect your operating results?

The bottom line - be sure that you invest your resources in the areas that will give you the best return on your investment.

Finding the right bookkeeper and setting up some simple steps can help you save bundles of money on your Accountant's bill\$.

Can a good bookkeeper save you and your company money when working with your independent Accountant? Absolutely!

First, and most important, a good bookkeeper will help you make sure that you don't wind up paying your Accountant firm to untangle and reconstruct an accounting mess.

In fact, the best way I can describe how this works is to use an old Quaker State Oil television commercial as an illustration. Do you recall the mechanic standing in front of a car saying that you can pay a small amount now to change your oil and maintain your car? Then, in the next scene, the same mechanic pops up from under the hood of the now disabled car and, with a big smile, says, "or, you can pay me later (meaning with a large repair bill)".

Well, think of your bookkeeper as the oil and the mechanic as your Accountant. Some of the highest fees I've received are from clients who have used an unqualified person to keep the books. The



reconstruction of those records can become amazingly costly. Enough said about having the best bookkeeper you can get.

Now, lets assume you have a good bookkeeper. What then?

You see, most times Accountant's are paid based on the amount of time they spend working on your account. With hourly rates ranging up to several hundred dollars an hour, any time saved on their part goes directly into your company's pocket.

How should you begin to find ways to manage your Accountant bill with your bookkeeper? The best place to begin is to have a meeting with your Accountant and bookkeeper. When you make the appointment be sure to let your Accountant know that you want to use his or her time most effectively.

As a general guide you may want to discuss the following with your Accountant.

- Ask exactly what documents are needed at year end. Then ask in past years, what work the Accountant has performed on each document and how you can give him or her better, more complete information.
- Can any of the accounting records or worksheets provided to your Accountant be reformatted to match those used in your Accountant's office?



- Ask what has been the most time-consuming parts of your Accountant's work on your account.
- Find out if you can supply your Accountant with information in an electronic spreadsheet (1-2-3, Excel, etc.) to save time.

IPBC is an Association of individuals practicing bookkeeping whose mandate is to establish and develop educational and professional standards for the bookkeeping profession. In today's rapidly changing global business environment, the regulation of bookkeeping is more important than ever. Bookkeepers are currently unregulated; IPBC's goal is to provide valuable Certification for Canadian bookkeepers. Certification offers bookkeepers credibility and recognition of the skills, experience and education acquired in accordance with the designation of a CPB Certified Professional Bookkeeper.