

OPERATIONS PLAYBOOK

Guide to Bookkeeping Clean Up

A step-by-step field guide for bringing a client's balance sheet to a fully reconciled, defensible state — and cleaning up old outstanding A/R and A/P along the way.

What's inside

PART ONE · BALANCE SHEET CLEAN UP

1.0	Overview & prerequisites	03
1.1	Reconcile bank & credit card accounts	04
1.2	Review A/R & A/P	05
1.3	Clearing, prepaid & accrued accounts	05
1.4	Fixed assets, liabilities & equity	06
1.5	Cleaning up reconciliation discrepancies	06

PART TWO · OLD OUTSTANDING A/R & A/P

2.0	Purpose & understanding the situation	08
2.1	Gather reports & review with the client	08
2.2	Correct the transactions	09
2.3	Rules, reconcile & train the client	10
2.4	Pro tips & quick reference	11

I HOW TO USE THIS GUIDE

Work the sections in order. Every line on the balance sheet should end this process either **marked reconciled** or carrying a clear **action item / note** describing the work still required. When in doubt, preserve the audit trail — adjust, never delete.

Balance Sheet Clean Up

The goal of balance sheet clean up is to get the balance sheet to a state where **every number on it can be justified and reconciled**. This provides a clean slate from which to review financials going forward.

WHEN

Within the first few weeks of a new engagement.

OUTCOME

Every account reconciled or tagged with action items.

Prerequisites

Confirm all of the following before you begin. If we do not do the bookkeeping for the client, **the client's bookkeeper must be present in the meeting**.

- Access to QuickBooks (QBO or QBD)
- Financial Model created
- All transactions from bank feeds have been entered
- Backup of QBO / QBD taken before any changes

Preparation

- Make a copy of **BS_Src**.
- Collapse all columns so only the most recent is shown — it may make sense to use **12/31**.
- Add two columns: **Reconciled Status** and **Action Items / Notes**.

! BEFORE YOU TOUCH ANYTHING

Always take a backup of the QuickBooks file first. Restatements of prior-period financials are expected and acceptable during clean up — an un-backed-up file is not.

1.1 Reconcile the bank & credit card accounts

1 Download outstanding transactions

Download all un-downloaded and accepted transactions so the feed is current.

2 Match the bank balance to the book balance

Bank balance should match book balance. Get copies of bank statements — the most recent at a minimum, but the more history we have, the better.

3 Resolve uncleared transactions

Write off any uncleared transactions to **Reconciliation Discrepancies**.

4 Review outstanding manual checks

If the client has outstanding manual checks preventing the bank balance from matching the book balance, review them for validity. Encourage writing off checks older than **3 months**.

+ PRO TIP – CREDIT CARDS

There should never be any uncleared transactions more than **2 days old** on a credit card. Anything older is a flag worth investigating.

1 WHERE DISCREPANCIES LAND

Throughout Part One, any unexplained balance gets parked in **Reconciliation Discrepancies**. Section 1.5 covers how to close that account out properly at the end.

1.2 Review accounts receivable & payable

Review **AP_Src** & **AR_Src** with the client for validity. Anything in **Column F (labeled 3)** is 90+ days past due and should get extra scrutiny.

- ◆ If necessary, review the **AR Detail** & **AP Detail** reports line by line with the client to verify whether outstanding balances should still be outstanding.
- ◆ Open Invoices (AR) can be written off using QBO's **Accountant Tools**; Open Bills (AP) can be voided. This will restate prior-period financials — and that's okay.
- ◆ If those methods don't work, make a journal entry to write the balances off to **Reconciliation Discrepancies**.

1.3 Review clearing accounts

Clearing accounts typically represent undeposited funds or funds in transit and should reconcile to **zero or a minimal balance**.

- ◆ Determine the month-end balance using a **payouts report** from the platform. Key fields: *Deposit / Payout Date* and *Transaction Date*.
- ◆ If a transaction took place in month 1 but the deposit landed in month 2, it belongs in the month-end balance of the clearing account.
- ◆ Any adjustments go to **Reconciliation Discrepancies**.

1.3b Review prepaid & accrued expenses

Run a pivot table by **vendor (rows)** and **month (columns)**. Review prepaid or accrued expenses at the vendor level with the client to determine whether balances are:

- ◆ Accurate as stated;
- ◆ Missing amortization entries; or
- ◆ So old they should be written off to **Reconciliation Discrepancies**.

1.4 Fixed assets & long-term liabilities

Fixed assets and long-term liabilities don't typically change much over time; long-term liabilities may be decreasing. The client should know whether these assets and liabilities exist and will usually have a good sense of the balance to confirm validity.

- ◆ **Long-term loans** may have a loan statement the client can provide to help reconcile the balance. Discrepancies can usually be attributed to unrecognized interest expense.
- ◆ **Fixed assets** are carried at purchase price. For purposes of this exercise we can ignore depreciation.

Other asset & liability accounts

Review any other asset and liability accounts with the client. If the client knows what an account is, they should be able to confirm the balance or point to a source document. If neither is possible, write it off to **Reconciliation Discrepancies**.

Equity accounts

Process TBD.

! CHECKPOINT

At this point every item on the balance sheet should be marked **reconciled**, or carry **action items and notes** describing the work needed to reconcile it.

1.5 Cleaning up reconciliation discrepancies

! DO THIS WITH SAM OR JOHN

This final step should be completed with the assistance of **Sam or John**.

- ◆ Get a copy of the company's recent tax returns — **2–3 years** will suffice.
- ◆ Close out reconciliation discrepancies to **parent expense accounts**, proportional to historical reporting in the tax returns.

PART TWO

Cleaning Up Old Outstanding A/R & A/P

Systematically correct inaccuracies in A/R and A/P caused by improper bookkeeping — double-booked revenue, unmatched payments, stale balances — so financial statements are accurate and balanced.

Step 1 • Understand the situation

CLIENT'S HISTORY

Review the client's bookkeeping practices to identify recurring issues — double-booking revenue, incomplete payment matching, and similar patterns.

SOFTWARE ASSESSMENT

Verify how the client uses their accounting software (e.g., QuickBooks Online) and their current workflows for recording invoices, payments, and bills.

Step 2 • Gather & analyze reports

1 Run detailed aging reports

`Reports > Aging Details` for both A/R and A/P. Export to Excel for easier analysis, then add them as a tab in the client's **Financial Model**.

2 Filter to outstanding balances

Focus on outstanding balances and highlight anything significantly aged — e.g., **90+ days overdue**.

Step 3 • Review with the client

Set up a dedicated meeting to review old A/R and A/P items. The goal is to identify legitimate receivables / payables and determine which transactions are incorrect, duplicative, or uncollectible.

QUESTIONS TO ASK • A/R

- ◆ Are you going to get paid for this invoice?
- ◆ Do you think the customer will pay this balance?
- ◆ Do you recognize this invoice? Is it still valid?
- ◆ Did you already get paid for this?

QUESTIONS TO ASK • A/P

- ◆ Have you already paid this bill? Where is it recorded?
- ◆ Do you still owe this vendor?
- ◆ Does this item need to be written off?

Step 4 • Correct the transactions

ACCOUNTS RECEIVABLE CLEANUP

MATCH PAYMENTS TO INVOICES

Sales > Customers > New Transaction > Payment — select the customer and apply outstanding payments to their corresponding invoices.

CREATE ZERO-PAYMENT TRANSACTIONS

If a customer payment is recorded in the bank feed but not matched to an invoice, create a zero-payment transaction to reconcile the A/R balance.

WRITE OFF UNCOLLECTIBLE INVOICES

For bad debts, create a single journal entry and attach supporting documentation (client notes or emails confirming the write-off).

TYPE	ACCOUNT
Debit	Bad Debt Expense
Credit	Accounts Receivable

ACCOUNTS PAYABLE CLEANUP

MATCH PAYMENTS TO BILLS

Locate vendor payments in the bank feed and match them to outstanding bills in the system.

ZERO-PAYMENT TRANSACTIONS FOR A/P

If a payment was recorded without being applied to a bill, create a zero-payment transaction to reconcile.

ADJUST INCORRECT ENTRIES VIA JOURNAL ENTRY

For duplicate or incorrect entries, create a single JE and include supporting documentation.

TYPE	ACCOUNT
Debit	Accounts Payable
Credit	Appropriate Expense or Liability Account

Step 5 • Cash vs. non-cash transactions

CASH – DEPOSITS IN BANK FEED

Ensure deposits align with recorded payments. Use the bank feed to match customer or vendor payments to the correct invoices / bills.

NON-CASH – MANUAL PAYMENTS

Review manually entered payments for accuracy and proper application.

Step 6 • Apply & create rules

- ◆ Create or delete **Bank Rules** as necessary for consistent categorization of recurring transactions.
- ◆ Review current rules for accuracy and adjust them to align with corrected workflows.

Step 7 • Reconcile accounts

After cleaning up A/R and A/P, reconcile both accounts with the general ledger and bank statements to ensure no discrepancies remain.

Step 8 • Train the client on best practices

INVOICING

Always match payments to invoices to avoid double-booking revenue.

BILL MANAGEMENT

Properly enter and match vendor bills to avoid overstating expenses or liabilities.

PERIODIC REVIEWS

Run monthly A/R and A/P aging reviews to keep issues from building up again.

AUDIT TRAIL

Adjust with journal entries — never delete bills or invoices.

Pro tips for effective cleanup

+ NEVER DELETE BILLS OR INVOICES

Use journal entries to adjust balances so the audit trail stays intact.

+ ATTACH SUPPORTING DOCUMENTATION

Always include backup — client emails, payment records — when making adjustments.

+ USE CONSISTENT DATES

When matching deposits to payments in QBO, date the cleanup transaction to match the original. *Example:* if a deposit was received in Feb 2024 and never applied to an open invoice, date the payment you create on the same day as the deposit — so there's a clear trail in ascending date order.

The bottom line

Cleaning up old A/R and A/P is essential to restoring financial order for clients with bookkeeping issues. Done well, it ensures accuracy in financial reporting, streamlines future transactions, and empowers clients to maintain clean, efficient records going forward.

1 ONE RULE ABOVE ALL

Preserve the audit trail. Every adjustment should be traceable, documented, and dated to match the transaction it corrects.