

How Data Hygiene Can Help You Survive Tax Season

Tips From the Pros



Introduction

As an accountant or bookkeeper, you know the job comes with certain peculiar challenges. There's so much to do in such little time, from keeping up with tax law changes, remaining focused under pressure, and meeting non-negotiable deadlines.

But what if you could reduce unnecessary stress and simplify the tax filing process?

Practicing accounting data hygiene allows you to optimize your workflow efficiency. How? You regularly check database records for accuracy and remove all erroneous entries (think: removing duplicate records), enabling you to easily track all financial information and reconcile accounts.

In this guide, we'll share some tips from Rewind pros on data hygiene in QuickBooks Online to help you prepare your clients' data in a way that maximizes efficiency and saves time (and headaches!)



Ask Clients to Separate Their Personal and Business Accounts

Making your clients have separate accounts for personal purposes and business purposes is the best thing you can do for yourself and your clients—and each of their businesses.

Emphasis on each. Every business is its own entity and needs its separate filing system, credit cards, and bank accounts, among other things. This simple move will make it significantly easier for you to track your client's cash flow. You'll have a complete record of all their business income and expenses and won't have to spend time figuring out whether an expense is business-related or personal.

The accounting process will be more efficient, and more importantly, you'll be better equipped to find each and every deduction your client deserves. Let's not forget QuickBooks Online further helps you manage your clients' business finances more effectively and faster by simplifying tasks like invoicing and creating estimates.

Avoiding the co-mingling of bank and credit card transactions also protects your clients' assets from legal liability.

Business owners often wind up signing personal guarantees for lines of credit, leases, and loans. While sometimes this is necessary when the business is young, your client can avoid personal guarantees, plus build strong business credit to give lenders the confidence they can repay their debts, by developing their business's credit with a fully separated account.

So—make your clients see the benefits of separating personal and business finances and simplify the tax filing process for yourself.



Plan and Prepare Your Systems and Workflows

The best way to survive the tax season is to carefully plan and prepare for the increased workload using systems and workflows to support the client document collection process.

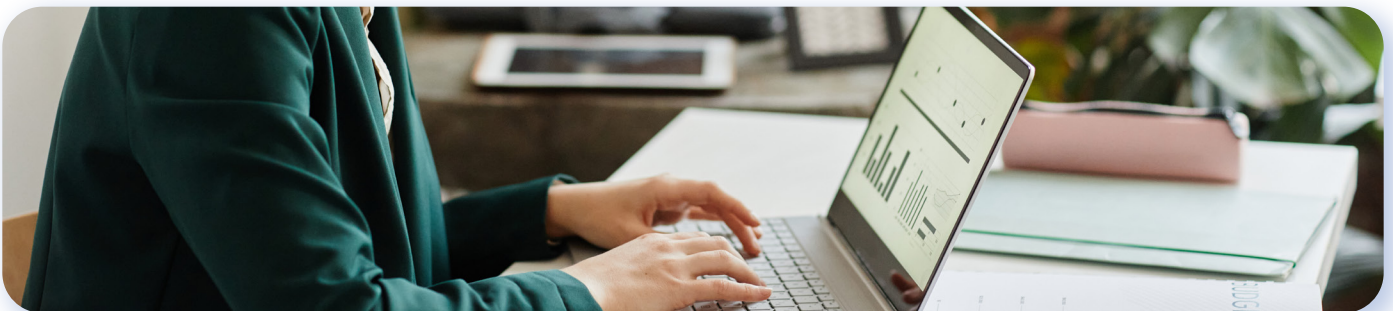
Create a document checklist for your client, informing them which documents to bring to get their taxes done. Be clear and add additional notes where necessary: don't state "tax forms", tell your clients explicitly which tax forms you need, what they are called, and where the client can find them. When the client knows what to bring the first time it will save you both time and effort.

Follow this up by creating a second document sharing an estimated timeline for the completion of the client's taxes. You can also set an appointment for them to visit and collect the documents for filing.

Another important task is to create and refine your accounting practice's workflow. How you approach this can vary depending on your clientele size, but here are the key steps to get you started:

- List all your critical accounting and bookkeeping tasks, including the primary services you offer and the process supporting each one. Start with the highest-level activities and then go granular, listing out each nominal task. We encourage getting input from your team managers and members to make your workflows even more effective and efficient.
- Prioritize the processes that have the most significant business impact: important tasks should be tackled first.
- Evaluate the workflow carefully to spot inefficiencies and discrepancies. Follow this up by testing the new or revised workflow in practice to identify and walk through problems on a small scale before rolling it out across the entire business.

Make sure your team members understand and use these documents and workflows for each client to eliminate any bottlenecks and confusion.



Separate Important Paperwork From Supporting Documents

The majority of the documents you need from clients for filing taxes are supporting documents—something you'll only need in the event of an audit.

Keeping this in mind, it'll be more efficient for you to separate supporting from “official” documents.

For instance, when your client forwards you monthly statements from their bank or investment firm, pop them into a file or computer folder for supporting documents.

As you receive official IRS forms from clients (1099s, W2s), be sure to immediately store them in a separate file, away from supporting documentation. This makes it easy to access the documents you need, without having to sort through every single document from a client.



Create a Retention-Conscious Filing System

Several federal agencies have document retention requirements that apply differently to different businesses (think: pay stubs for a year, W-2 forms reporting income for three years). It's why we recommend creating a retention-conscious finance system that lets you categorize and maintain only necessary documents.

Most of the records needed are very specific and can be used to organize better. How? Use big buckets to compile related record series in your filing structure. For example, you can create a folder for each client, and under that, add folders for each account category (*Accounts Receivable, Accounts Payable, Capital Asset Records*).

Then, within each folder, you can have the record series you find on the retention schedule. So—under the *Accounts Payable* folder, you'll have separate folders for *AP & Disbursement Records—FE + 3* and *Transmittal of Funds Reports—FE of the period covered by report + 3*.

The idea here is to include the retention period in the folder name itself. Once the retention period is over, you can simply drag the entire folder for the fiscal year eligible for disposal to the recycle bin.

No mess, no stress.

While you may be tempted to simply store all files for as long as possible, just in case, that actually isn't a great long-term strategy. Some files must be deleted after a certain time period for privacy reasons. Retaining records that contain personal information for longer than you need to can actually cause you to incur fines and other penalties for violating privacy laws.

Always understand exactly how long you need to store a record for, and why. Then, put that date directly into the file folder name, so you won't forget to delete it when the time comes.



Leverage QuickBooks Online Tools

QuickBooks Online offers some excellent tools to help you easily sort out your client's financial mess, allowing you to stay organized and keep your head through the process. While there are many tools to explore, we recommend two of our favorites: the *Project* tab and *Ask My Accountant/Ask My Clients*.

The *Projects* tab lets you organize your clients with multiple contacts or job costing.

In the *Projects* tab, create a project and add all associated expenses, invoices, and bills. You can have different projects for different clients to visualize data and create reports for each client. Whenever you add a transaction to a project, QuickBooks Online automatically tags it with the correct sub-customer and class related to that project. This is particularly helpful to organize transactions for different jobs and deliver accurate, customized reports to your clients.

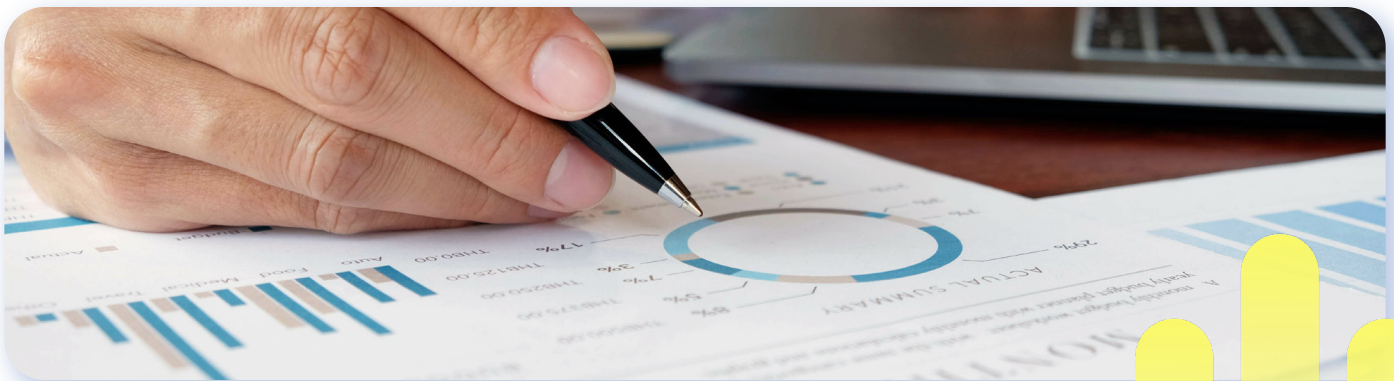
Next, you can use the *Ask My Accountant/Ask My Clients* feature that's focused on streamlining client communication.

Procuring data from clients is one of the most tedious accounting tasks. If you don't get the data quickly, you'll likely find yourself sifting through a chaotic mess of spreadsheets, paperwork, and previous financial data. You can't just guess how your clients run their company and spend resources, which is where *Ask My Accountant/Ask My Clients* can help.

Ask your client to activate the *Ask My Accountant* account and have them put all questionable or confusing transactions there. Likewise, you should also create an account for things you need to ask your client. Once that is done, create a weekly schedule where you and your client go through these transactions and share feedback to establish a good workflow.

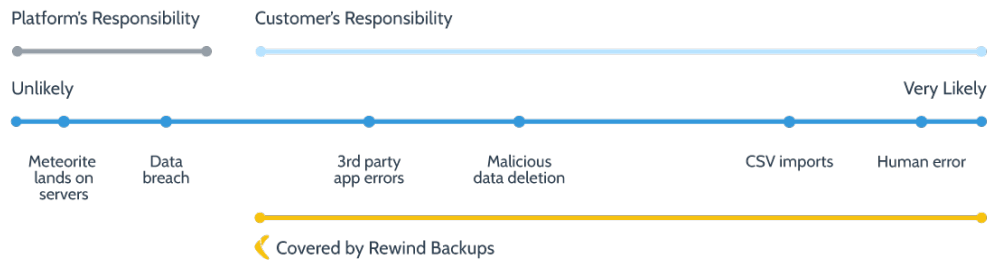
Using the Ask My Accountant/Ask My Clients feature also provides you with a centralized location for all client-accountant discussion.

Say goodbye to searching endless email threads: keep your correspondence organized in a central location.



Use Data Backup

QuickBooks Online operates under the [Shared Responsibility Model](#), meaning keeping your account's data secure is a shared responsibility between you and the company.



Under this model, data backups, along with password security and granting permissions to users and third-party apps, are your responsibility (QuickBooks Online takes care of the software, infrastructure, and disaster recovery.) This also means if you don't back up your data and lose information for whatever reason, Intuit (the provider of QuickBooks Online) may not be able to help.

Just look to Intuit's [terms of service](#). Section 6.1 clearly states "Archive your Content frequently. You are responsible for any lost or unrecoverable Content."

While data recovery services are occasionally available to Enterprise customers in the US, the majority of QuickBooks Online users need to regularly archive and back up their company files.

What makes matters worse is the unpredictability of data loss. You may fall victim to a cyberattack, mistakenly delete files, or lose data due to bad CSV files or failed app integrations. Cybercrime is on the rise; as a [45 billion USD industry](#), a new cyberattack is launched on average [every 36 seconds](#). Besides the frightening intentions of nefarious individuals, data loss is also caused by another common factor: the human factor. Industry estimates find that [90%](#) of data breach incidents are due to human error. Everyone makes mistakes, and anything can happen anytime.

Case in point: Lynn Marsh, the founder of HealthyBOOKS Bookkeeping Services, [ended up spending about 15 hours cleaning up her client's books](#) when she discovered an app recorded \$9B worth of inventory in a client's file, distorting the actual inventory numbers by a (very) large margin.

That's why data backup is such an essential component of financial data hygiene and must be practiced by all accountants and bookkeepers. Wondering where to start? You can follow Lynn's advice and [try Rewind Backups for QuickBooks Online for free](#). It's an online backup service for QuickBooks Online that monitors and backs up any changes in your company files daily, allowing you to easily revert and restore all data.

Regularly Reconcile Client Books

Arguably the most vital step in practicing data hygiene is bank statement reconciliation. Overstretched bookkeepers and accountants assume doing bank reconciliation a few times during an accounting year is enough to keep the books in order.

They couldn't have been more wrong.

Bank reconciliation is like doing the dishes. If you spend little time everyday washing, it's no big deal. But if you let them pile up, you'll find yourself dealing with a huge mess.

Reconcile your clients' business accounts with the actual expenditures and expenses. This will help you achieve the right strategic layout and keep things on track. Factor in your clients' bank statements, clearing accounts, key asset/liability accounts, due to shareholders, and of course, accounts receivable and accounts payable. Keep an eye out for discrepancies and missing transactions, and don't forget to account for interest and fees (just a gentle reminder!)

Reconciling bank statements every month is a good rule of thumb. But more frequent bank reconciliations are necessary if you have clients with higher volume businesses and companies with greater fraud risk. The good thing is reconciliation is significantly easier on QuickBooks Online—provided you (and your clients) have taken care to record all cash inflows and cash flows diligently.



Data Hygiene is Easy with QuickBooks Online

QuickBooks Online is an excellent cloud-based solution designed to make accounting as easy as possible. In addition to anytime-anywhere access, it lets you work with your clients in real-time and manage their accounts on the go (thanks to the free mobile app).

But all these excellent features won't be useful if you don't take the necessary steps to prep your QuickBooks Online data. Use our tips to always stay on top of your tasks and work with your client to dutifully record and reconcile accounts periodically.

Of course, even the cleanest, most hygienic data isn't 100% protected against cybercrime, bad CSV files, and good old fashioned human error.

The only way to ensure you have consistent, secure access to your QuickBooks Online files is an independent backup of all your data.

Especially during tax season, you don't have time to re-enter or re-upload key documents. Rewind Backups can "undo" mistakes by restoring your data exactly how it was at a previous date. Reduce your data loss anxiety and streamline your productivity with [Rewind Backups for QuickBooks Online](#) to protect your company files this tax season (and beyond.)



Start your free trial of [Rewind Backups](#) for QuickBooks Online.

