SaaS Financial Audit Readiness Checklist

Phase 1: Accounting Policies & Revenue Recognition Rules

- [ ] **Document ASC 606 & IFRS 15 Compliance Policies:** Draft a formal document outlining specific rules for subscription tiers, usage-based billing, setup fees, and multi-element contracts.
- [ ] **Define Standalone Selling Prices (SSPs):** Establish clear pricing allocations for mixed contracts that combine software access, onboarding, and professional services.
- [ ] **Establish Expense Recognition Standards:** Set clear procedures for capitalizing sales commissions and recognizing prepaid vendor expenses or server hardware costs.
- [ ] **Schedule Policy Review Meetings:** Review and update policy documents with finance leadership whenever marketing introduces new contract terms or pricing tiers.

Phase 2: Document Centralization & Contract Records

- [ ] **Create a Central Digital Repository:** Store all executed Master Services Agreements, Statements of Work, and contract addendums in a single, secure cloud directory.
- [ ] **Link Invoices to Executed Contracts:** Ensure every customer billing profile directly links to its corresponding signed PDF contract and purchase order.
- [ ] **Audit Active Contract Values:** Cross-check contract values in your general ledger against signed client files to resolve discrepancies before sampling begins.
- [ ] **Prepare a Sample Retrieval Folder:** Assemble a dedicated folder containing complete file trails (contract, invoice, payment receipt) for your top 25 enterprise accounts.

Phase 3: Systems Integration & Order-to-Cash Workflows

- [ ] **Sync CRM and Billing Engines:** Connect your CRM directly to your accounting platform to automate subscription creation upon deal closure.
- [ ] **Automate Deferred Revenue Waterfalls:** Configure subscription subledgers to generate monthly revenue recognition schedules automatically without manual spreadsheet entry.
- [ ] **Enable Electronic Invoicing:** Attach generated PDF invoices directly to customer profiles in your accounting software for direct auditor inspection.
- [ ] **Audit System Access Controls:** Review and document user permission levels and approval chains within your financial software.

Phase 4: Substantive Testing & Control Verification

- [ ] **Conduct Internal Tracing Reviews:** Pull 10 random customer accounts and trace each transaction from the initial sales order to cash deposit in the bank.
- [ ] **Perform Cut-off Testing:** Verify that subscription charges and renewal entries posted near the end of the fiscal year fall into the correct accounting period.
- [ ] **Match Payment Gateway Records:** Compare settlement reports from Stripe, PayPal, or your merchant engine against bank statement deposits.
- [ ] **Document Fraud Controls:** Write a concise overview of internal control procedures, fraud prevention protocols, and bank sign-off workflows for auditor review.

Phase 5: Reconciliations & Final Review

- [ ] **Complete Monthly Bank Reconciliations:** Verify that all cash accounts, payment processing gateways, and clearing accounts match general ledger balances.

- [ ] **Tie Out Deferred Revenue Balances:** Ensure the balance sheet liability for deferred revenue matches the underlying subscription schedule down to the dollar.
- [ ] **Categorize COGS Properly:** Separate direct delivery costs like hosting infrastructure and customer support salaries from general operating expenses.
- [ ] **Compile Manager Sign-off Files:** Collect signed management approvals for all monthly reconciliation working papers into a single audit evidence binder.