

How to Hire the Right Bookkeeper

*Meeting your needs with someone else's
knowledge and skill*



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Having worked for quite a few years as a bookkeeper, staff accountant, CFO, and several things in between, I am comfortable with the language of accounting. It's Nerd-ville and I am happy there. However, since you are likely not as warm and fuzzy about the fine points of tidy bookkeeping, I've created this guide to help you determine what kind of assistance you need and then how to work through the hiring process to find a bookkeeper.

If I had to screen and hire an engineer I would feel the same way you do – like I had to learn a foreign language! We all flounder outside of our own areas of expertise, so don't judge yourself for not knowing something. You went into business because you have skills or abilities that you can sell, you provide a product or service that people want, or you have a creative product that the world deserves to see. No matter what your business is, your bookkeeping is a vital part of it. Whether you like it or not.

Sorry, that's the way it goes. Your bookkeeping is not necessarily something you need to do yourself, but if you understand the bones of it, then you can find the right person to do it for you and to work with you on the health and well-being of your business. Notice I said 'with' you? That's right – *with* you. If you expect to turn someone else loose to handle your administrative tasks, then you immediately lose control. Even if they are completely honest and trustworthy.

Want to read some frightening statistics? Approximately 630,000 new small businesses are started each year, and approximately 49% of those will fail within five years (from <http://www.getbusymedia.com/small-business-stats> via cpacademy.org), and 50% to 70% won't even make it past the first 18 months! That's heartbreaking – it represents a huge amount of time, effort and start-up costs invested in a dream that crashes and burns.

The need for bookkeeping is vital – it is the recording, reporting, and feedback tool small business owners need in order to make valid, effective decisions.

So... suck it up, buttercup! You do NOT have to become an expert at bookkeeping, but you do need to know a few basic things. And I'm here to help.

You've got this.



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First, let's define what bookkeeping is

Here's a fast definition courtesy of Google: "the activity or occupation of keeping records of the financial affairs of a business". That doesn't sound too bad, does it?

So what do those financial records include? How about: deposits made to bank accounts, checks written, debit card transactions, loan payments, automatic bank account deductions, sales made but not yet paid by clients or customers, buying equipment and financing it, credit card charges, credit card payments, supplies purchased by you but not yet paid for... the list could go on!

Even a very simple business can have a lot of transactions flying around from all directions. A good bookkeeper will take bank statements, loan statements, credit card statements and build your financial history one month at a time which will give you the financial EKG, blood pressure, or pulse count for your business. Why those documents and not just take your word for what happened? Well, part of the bookkeeping process is tying what you record or did to third-party documents that confirm it - that's called "reconciling".

Every business is different and every business owner has his/her own way of doing things, so finding the right bookkeeper for you and your business also means deciding on the bookkeeping software or record keeping system. There are a lot of good options out there and I'll review a few of them too later on.

Clarify what you want/need someone to do

First of all, let's talk about what you want to do, how you're going to do it, and what you'd like a bookkeeper to handle. Consider the following:

- How is your office/physical workspace set-up
 - Home office in a separate
 - Home office at a kitchen table
 - Business location with a separate office

- Business location with no office
- Your level of participation
 - How much do you want to understand about the financial health of your business
 - How will you handle the transactions created by operating your business
 - Will you pay vendors (suppliers) yourself?
 - Will you invoice customers/clients yourself?
 - Are you going to want or need someone to do that for you?
- Your degree of comfort with technology
 - Do you have some level of comfort with technology such as laptops, tablets, online banking, etc.
 - Do you tend to do things on paper?
- The natural flow of work/transactions through your business
 - How do you pay your bills?
 - How do you get paid by customers or clients?
 - Do you have a cash register or a point of sale system in place?
 - How will you know when you have a payment due to a vendor or loan provider?

If you can think through some of these factors ahead of talking to a prospective bookkeeper, you'll have a better understanding of your needs, your business needs, and how best someone can help you.

Consider your needs and your options

Alrighty, you've got some clarification on what you do and how you do it, so let's go over the ways in which you might hire a bookkeeper. There are basically three options:

- Contract bookkeeper – this means someone does the work for you on a schedule or as you need it and you pay them on an invoice. In the U. S., you'll

also have to issue them a 1099 at the end of the year. Other characteristics of this bookkeeper relationship include:

- They set their rates and it will be high enough to include self-employment taxes
 - They may use their own equipment (or yours)
 - They maintain their own schedule
 - They cover the cost of their own expenses
- Employee bookkeeper – if you already have people on payroll, this might be the most cost-effective.
 - You will control this relationship
 - They will work on your schedule
 - They will use your equipment
 - You cover expenses or costs associated with getting the work done.
 - You'll report their wages on a W-2 at the end of the year with the rest of the employees.
 - Both – yup, that's right, maybe you need both! That kind of set-up would be driven by the size of your business and transaction volume. Maybe you have a busy restaurant and you have several good shift managers. They can do some level of the bookkeeping (always with your oversight and review!) and you could pay another bookkeeper with more skill to do the rest. Give it some consideration if it seems like an option.

Now, besides the type of bookkeeper you need, let's do a quick review of how this person might work. I'll cover it more in depth later on, but there are three basic ways to access and update your data:

- In person – in your home office, business office, your kitchen table, whatever. The bookkeeper either travels to your home or business and performs the work there. If you have a contract bookkeeper, then you are also going to pay for travel time.

- Remote access – a bookkeeper will log into your bookkeeping from his/her office to your desktop or laptop computer or to your cloud-based accounting system (more on that later as well). This reduces costs to you as a contract bookkeeper isn't going to have to travel to get to your data.
- You deliver data, and that means check registers, bank statements, time sheets, invoices, etc, to his/her office and return to pick it up later. You can hand off copies that the bookkeeper can enter and then shred, or you can take originals – that's up to you and the bookkeeper, but be aware of how that bookkeeper's office looks... Messy? Chaotic? You do not want someone to lose your original records, so if you want to drop your documents off, make sure you are comfortable with the system.

I have clients on all three systems and the remote access clients get work done quicker and easier – and sometimes I still do travel to their worksite or office in order to work through complex issues. It just depends on the client and the circumstances.

Ask the right questions

So now it's time to ask a prospective bookkeeper some basic questions, and you feel like you are interviewing a nuclear physicist who only speaks Mandarin Chinese and you suddenly can barely command English?

Meh, no worries. Here's the key to hiring the right bookkeeper: does he/she use techy terms you don't understand? Ask for an explanation! Get some free bookkeeping training out of it, and if they can't or won't talk to you on YOUR terms, they are not the right one for you. Period. You should never have to pretend to understand what someone is talking about relative to your business. Never. Never-ever-ever.

Knowing something and being able to make it understandable to someone else are two different skills – a good bookkeeper should have both. Some will disagree with me, but I say if the car is making a funny noise, I want the mechanic to try to explain

it to me and not treat me like a silly girl who can't understand the magic behind loose screws... So ask and ask without apology!

Some other considerations to inquire about or assess:

- Methodology – how does he/she prefer to work? Remote? In your office/home? Contractor or employee?
- Personality – do you like this person? Feel comfortable around them? Listen to your instincts.
- The bones of their skills and experience:
 - Familiarity with software
 - Minimum time requirements (for contractors) – do they have a monthly minimum?
- Contractor considerations:
 - Do they have a client services agreement or a document detailing what they can offer you?
 - Did they come with a CPA referral?
 - Are they overloaded with existing clients?
 - Do they have certifications from QuickBooks, FreshBooks, Xero, or any other accounting software?
- Employee considerations:
 - Do you trust this person with cash and if so, why?
 - Are there checks and balances in place to discourage or prevent theft?
 - Are you going to be willing or able to fire them as a bookkeeper if they have another role within your company already?
 - Are they related to you, your spouse, or a friend? Rule them out now!! Seriously. You do not need to complicate your role as business owner by cross-contaminating relationships! Trust me on this.
 - What kind of bookkeeping have they previously done and where?

I could write a whole separate ebook just of questions and answers to ask in the hiring/inquiry process. That's too much for this one, so I'll just give you a couple of

key questions and answers that go with them. Some of the answers are very subjective but I'll explain my reasoning too.

- Question 1: If I hand you my financial statements (side note: that's a Balance Sheet and a Profit & Loss), what is the first thing you'd review?
 - Answer: The Balance Sheet. I would scan down the account totals to make sure nothing looked wonky or showed as a negative.
 - The reasons for that are because if your bank balance, credit card balance, or loan balances are not accurate, then nothing on the Profit & Loss will be either.
 - Disclaimer - your balances might be wonky, but at least looking at them is a sign that he/she knows what to look for.
- Question 2: If I were to ask you to do my bookkeeping, what would you need every month?
 - Answer: bank statements for all business bank accounts, credit card statements for all business credit cards, loan statements, and anything else you had concerns or questions about.
 - The reasons for asking this is to see how much initiative and experience this person has. All of those documents are the foundation for the data entry. If they simply say "whatever you give me to do" then they are putting it all back on you and you will have to carry the responsibility for more than you may want to.
 - Disclaimer - every business is different and some may have multiple bank accounts and some only one. A good bookkeeper won't assume there's one bank account, one loan, one credit card, etc. There may be multiple third-party statements that need to be reconciled every month.

Processes

Now it's time to think about how you want your bookkeeping processes to operate. Consider this:

- Do you want to work with a bookkeeper elbow-to-elbow?
- Do you want to watch while he/she works?
- Do you want someone to come to your home office (even if it is the kitchen table) or your business office and work there?
- Or do you want the work done behind the scenes with a joint discussion after it's done?

Think about those questions and then consider them in terms of what kind of accounting software you either already have or are considering.

- Remote log-in – this could be done via remote access to your desktop software (QuickBooks desktop) or to cloud accounting (FreshBooks, QuickBooks Online, Xero). “Remote” just means the bookkeeper is in a different place than where you and the business are located. And cloud accounting is where it's at now! It is the best in automation and reduced data entry, not to mention it's secure, accessible, and reliable. Even if you are traditional and wary of it, give it consideration. It is ideal for most small businesses.
- In your office – QuickBooks desktop is the best example of that kind of software arrangement.
- No software – paper records delivered to your bookkeeper's office for entering into software he/she owns. If that's the case, make sure it is backed up and secure, and that you and your CPA can get copies of the financial statements when you need them.

What you should consider here is how seamless you want the data entry to be. And if you want to be a helicopter business owner (hovering!) or get a verbal overview when the work is done.

One other point to consider, is that some contract bookkeepers won't work on laptops because laptop computers or tablets are simply not set up for volume data entry, and some bookkeepers won't work on Macs because, well, they're backwards (Macs, not the bookkeepers)! 😊 Also I would personally never allow an owner's laptop to be dropped off at my house for data entry work simple because of liability. As a business owner myself, how can I know what someone else has browsed or stored on his/her laptop that may be illegal? I will not place myself in the position of having control over someone else's laptop because I do not want to be blamed for their illegal content or downloads someday down the road.

When to fire and start over

Let's be real about this – you may have to fire someone. How do you know you need to go there? Well, besides theft or simply doing a lousy job of getting the work done (if they're an employee), how about the following if they are a contractor:

- Lack of information – not giving you feedback or understanding of what the numbers mean. You, as the business owner, should always be able to know where your business stands financially, and you should be able to get answers when you need them. Understand though that with a contract bookkeeper, you are adding to your own costs by asking for more – use the time wisely.
- Not completing what you want – not getting financial statements to you, no reconciliations, etc.
- Delays – rescheduling you over and over, taking personal cell phone calls while working on your books
- Questionable billing practices – more hours than you think it should take (a good thing to discuss before you terminate)
- You just don't like them! That's valid.

Conclusion

Deciding what kind of bookkeeper you need for your business is going to take some consideration and critical thinking. And once your business grows, you may need to revamp your plan. A small, start-up home based business might be perfectly served with remote bookkeeping on a cloud system, but when you have employees, loans, and equipment, you may be more comfortable with someone coming to your office. As your systems will grow with your business, your bookkeeping processes might also as well.

About Leslie

Leslie has been working in accounting longer than she'd like to admit, so let's just say it's something north of 30 years. She holds a Bachelor degree in Business/Communications, a Master of Arts in Organizational Leadership, and a Master of Science in Human Resources. She has a passion for helping small business owners make business decisions and choose strategic action that create organizational strength and build strong business foundations. Her experience covers a wide variety of industries that includes public agencies, property management, retail/wholesale sales, agriculture, professional services, healthcare, and more.

Resources

Software options:

- Cloud based:
 - FreshBooks - <https://www.freshbooks.com/>
 - Xero - <https://www.xero.com/>
- Cloud based or desktop:
 - QuickBooks - <https://search2.quickbooks.com/>