

Source Documents: Why They're Important for Bookkeepers & Their Small Business Clients

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In the accounting industry, source documents include receipts, bills, invoices, statements, checks – i.e., anything that documents a transaction. Any time a business spends or receives money, a source document is created.

Source documents are an integral part of the accounting and bookkeeping process. However, many advisors struggle to collect and manage their clients' source documents, or don't collect and manage them at all.

Implementing a streamlined system for collecting and managing your clients' source documents will not only improve the accuracy, speed, and quality of your work – it will also enable you to be a better business partner to your small business clients. Let's explore the importance of source documents, and how you can introduce a more efficient system to collect and manage source documents at your practice.

Why are source documents important?

Source documents exist to provide conclusive evidence of a transaction, otherwise known as an “audit trail”. However, as cloud-based general ledger softwares such as Xero and QuickBooks Online have become more popular, many accountants and

bookkeepers have shied away from collecting client source documents.

This reluctance to collect source documents usually occurs for a couple of reasons. First, many accounting and bookkeeping professionals believe that it is the small business's own responsibility to keep track of their documents. Second, managing source documents – especially keeping track of paper – can be a huge pain.

While both of these reasons may be true, bookkeepers who have a process in place for collecting and managing source documents can forge more powerful business partnerships with their clients. For starters, it can help your clients to prepare for an audit and increase accuracy and efficiency in your bank reconciliation workflow.

Easier audit preparation

Government audits are part of the reality of being a business owner. While there is certainly nothing wrong with being audited, trying to run a business while scrambling to gather requested documentation can leave clients playing catch-up for weeks.

During a routine audit, your clients will look to you for help. In fact, they may actually *expect* your help. With no source documents to match transactions in reconciled statements, there may not be

sufficient documentation to satisfy auditors, which can cause serious problems for your clients.

When you collect receipts, invoices, and bills as a [standard part of your bookkeeping workflow](#), you'll be better preparing your clients for an audit because all documents will be readily available. Fortunately, digital images are acceptable as source documents in the [United States](#), [Canada](#), [Australia](#), and the [United Kingdom](#). With the right workflow and tools, audit preparation can happen digitally and nearly automatically (more on that later).

Efficient bank reconciliation

There are typically two methodologies when it comes to source documents and bank reconciliation. The first is reconciling straight from a bank or credit card statement, while clients are responsible for keeping source documents. The second has the bookkeeper collecting these documents, and using them to perform more detailed bank reconciliation.

Working straight from a statement can have short term benefits: no need to collect, sort, or process piles of receipts and invoices. However, you'll always have a degree of guesswork involved in your reconciliations as there are bound to be transactions each month that are not recurring, are from smaller, non-universally recognized

suppliers, or require unique treatment. For example, when suppliers include multiple line items which need to be coded differently on a single receipt, working from the total amount in the bank feed prevents you from seeing the “whole picture”.

When this occurs, you might have to contact your client to get the details, which could become more time-consuming and tedious than if you had initially collected the receipts. Regardless of the situation, not having source documents will make reconciliation more complicated and can hurt client relations. If the majority of your client interactions involve clarification, clients might struggle to see the value you provide to their business and become frustrated by the frequent back-and-forth communication.

If you make sending receipts, invoices, and bills part of the client experience, you'll always have everything you need at your fingertips, removing the uncertainty and time challenges typically associated with reconciliation. Each transaction in the bank or credit card feed will have a corresponding document, so you can quickly and accurately clear out each line item in the books – another reason why collecting source documents is so important!

How can bookkeepers better manage source documents?

“I get a shoebox full of receipts every month!”

“We call Mondays ‘bag day’ because it’s usually the day our clients drop off bags full of receipts.”

“I spend about ten hours a month driving to my clients’ offices to pick up documents!”

If you’re an accountant or bookkeeper with some experience collecting client documents, chances are you’ve either heard someone say this, or you’ve said/experienced it yourself. Whether you’re physically collecting documents, waiting for clients to send them, sorting them, entering the data, filing and storing, or any of the many other reasons why they’re a pain, managing source documents can be time-consuming and tedious for bookkeepers.

Fortunately, digitizing source document collection can remove many of the headaches associated with collecting source documents from your clients.

The benefits of digitization

Digitizing source documents simply means transferring or working with documents in a digital format, such as photos, PDFs, or e-bills.

Digitization can be as simple as having clients take a photo of each receipt as soon as they make a purchase. By digitizing how you collect source documents, you can easily organize, store, and process all documents. The obvious benefits are the elimination of paper (including printing and mailing, and the costs associated with these activities), repurposing storage space, and having an easily accessible and centralized digital document repository for both you and your clients.

As noted previously, digital images are acceptable as source documents in the [US](#), [Canada](#), [Australia](#), and the [UK](#) for audits and for taxes. It makes sense – digital photos don't fade, and no one likes shuffling through a box full of receipts!

Digitizing your document collection process will not only [save you and your staff time](#) in receipt processing and data entry, but also make it easier for your clients to find, send, and manage their important business documentation.

Tools for digitization

There are several tools in the ever-expanding [cloud accounting technology ecosystem](#) that can help you digitize document collection and management. One of these, of course, is Hubdoc!

Speaking of Hubdoc, document collection and management is made easy with [auto-fetch](#), [email](#), [mobile upload](#), [scanning](#), and our [automatic filing system](#). To see Hubdoc in action, [watch this short on-demand webinar](#).

Regardless of the tools you use, when your firm decides to make source document collection part of your standard workflow, you can help clients prepare for an audit, complete more detailed reconciliations, and build stronger client relationships. With digitization and automation, you can create efficiency in an otherwise lengthy and tedious process. Best of all, you'll be in a better position to become a more valuable and integral business partner to your small business clients.