Audit Readiness Checklist for E-Commerce Finance Teams

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Purpose: Help finance leaders build scalable processes, align with audit expectations, and prepare for investor-grade financial transparency.

STAGE 1
Foundational Setup (Early Growth)

Milestones:

- ☐ Implement cloud-based accounting software (e.g., QuickBooks, Xero, NetSuite)
- ☐ Establish a clean chart of accounts mapped to financial statements
- ☐ Reconcile bank, credit card, and payment processor accounts monthly
- ☐ Document revenue recognition policies (ASC 606 compliance)
- ☐ Organize contracts, invoices, receipts, and payroll records digitally
- ☐ Establish a relationship with a Third-Party Logistics (3PL) warehouse – ensure 3PL provides timely and accurate inventory reports

Team Evolution:

- ☐ Hire a Head of Finance or Controller
- ☐ Outsource bookkeeping or AP/AR functions if needed
- ☐ Designate 3PL liaison within finance or operations
- ☐ Begin monthly close process and basic financial reporting

STAGE 2
Operational Maturity (Scaling Phase)

Milestones:

- ☐ Automate order-to-cash workflows (Stripe, Shopify, Amazon integrations)
- ☐ Invest in reconciliation tools to reduce manual effort and improve efficiency
- ☐ Implement rolling 13-week cash flow models to ensure timely, accurate insights and improve liquidity management
- ☐ Inventory Management
  - ☐ Perform monthly inventory reconciliation between warehouse/3PL and accounting system and track inventory valuation and COGS accurately
  - ☐ Maintain inventory rollforward with purchases, sales, and ending balance
  - ☐ Implement SKU-level tracking and valuation (FIFO, weighted average, etc.)
- ☐ Establish internal controls (segregation of duties, approval workflows)

Team Evolution:

- ☐ Add FP&A function for forecasting and scenario modeling
- ☐ Collaborate with operations and 3PL for cycle counts and physical inventory audits
- ☐ Introduce monthly flux analysis and variance reporting
- ☐ Align finance with ops, marketing, and customer experience (CX) for real-time decision support

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STAGE 3

Audit & Exit Readiness (Mature Growth)

Milestones:

- ☐ Prepare GAAP-compliant financial statements (Income, Balance Sheet, Cash Flow)
- ☐ Conduct internal readiness assessment (maintain a financial reporting package)
- ☐ Build dashboards for real-time visibility into KPIs and controls
- ☐ Ensure sales tax compliance (Avalara, TaxJar, etc.) and nexus tracking
- ☐ Inventory Management:
  - ☐ Integrate inventory management system (IMS) with ERP/accounting software
  - ☐ Identify and adjust for obsolete, damaged, or slow-moving inventory (establish a reserve)
  - ☐ Reconcile 3PL inventory reports with internal records monthly
- ☐ Engage external auditors early and proactively prepare to meet the requirements of the Prepared By Client (PBC) list

Team Evolution:

- ☐ Strengthen ICFR (Internal Controls over Financial Reporting)
- ☐ Integrate ITGC (IT General Controls) for system access and change management
- ☐ Assign audit liaison and establish governance committees

STAGE 4

Audit & Exit Readiness (Strategic Liquidity Planning)

At this stage, your e-commerce business is likely preparing for a capital event – either a strategic acquisition or an initial public offering (IPO). The focus shifts from growth to institutional readiness, ensuring the company can withstand the scrutiny of external investors, auditors, and regulators.

Milestones:

- ☐ Establish timeline for acquisition or IPO
- ☐ Entity cleanup and cap table review – focus on legal and tax structuring
- ☐ Centralize financial data governance and reporting (investor-grade reporting packages)
- ☐ Maintain continuous monitoring of controls post-audit or IPO

Team Evolution:

- ☐ CFO or VP of Finance hired or elevated
- ☐ Strategic advisors or bankers onboarded
- ☐ External audit firm engaged
- ☐ Tax structuring and planning specialists involved
- ☐ Transition from reactive reporting to proactive strategy