

Annual Business Owner's Audit Checklist

Legal pitfalls can derail even the most successful of businesses. While business owners are typically focused on their product or service, and the growth of their success, they often overlook the important protections to avoid legal pitfalls. Even if legal issues are addressed at the creation of a business, every business evolves. It is important to do periodic audits, which we recommend on an annual basis.

When conducting an audit, it is important to start with the basic corporate documents. Depending on the type of business entity, it is important to have the applicable state and federal filings, the appropriate articles, and tax registration. It is also critical that you have the correct corporate governance documents, including Bylaws or an Operating Agreement. If there are business partners involved, there should be terms for management and terms for events such as disability, death, divorce, or any other issues that cause removal of an owner (ie. Buy-Sell provisions). Such a checklist is unique to the type of entity, whether C-Corp, S-Corp, LLC, Franchise, or otherwise.

Further, the checklist should address internal operations. This would include the important documents pertaining to employees, such as employee manuals, job descriptions, and policies and procedures. Internal benefit programs should also be reviewed. Government compliance, including tax and licensing issues should be addressed. Tax structure should be reviewed to ensure the best tax strategy.

The checklist should also include external operations. This includes disclaimers of legal liability and insurance for services and products. It would also include point of sale provisions, contract with suppliers, lease agreements, and any other legal contracts at issue for the industry. Accounts receivable should also be reviewed and considered.

Finally, an annual audit checklist should reflect upon succession and estate planning. Are the correct documents in place in the event of tragedy, such that the business will continue for the benefit of any beneficiaries? This may include a limited Power of Attorney to allow someone to step into the owner's shoes and operate the business in the event of disability. This also may include Trust provisions, as well as tax considerations.

For a sample of a comprehensive business audit, click [here](#). Please recognize that the sample is not specific to any industry, and particular questions concerning a given business should be directed to a team of professionals, including an attorney, an accountant, and a financial planner. If you desire any additional information or resources, feel free to go to www.vaughn-law.com, or call (303) 586-5905.