

REI Cleanup Methodology

18-Step Structured Cleanup System

This document outlines a structured, repeatable process used to clean up and rebuild real estate financials. It combines operational steps with simple control layers to ensure accuracy, clarity, and trust in the final results.

Step 1 – Project Setup & Scope

- Confirm entities, accounts, and reporting needs
- Define cleanup scope and expectations
- Gather required documents and access

Step 2 – Data Ingestion

- Collect bank, credit card, payroll, and supporting data
- Identify missing documents
- Prepare data for review

Step 3 – Triage & Risk Scan

- Review transactions for red flags
- Identify missing or incorrect classifications
- Spend more time reviewing large or unusual transactions
- Set aside important or unclear items for deeper review

Step 4 – COA Design

- Design clean, REI-specific chart of accounts
- Align accounts with reporting and tax needs

Step 5 – COA Mapping

- Map old accounts to new structure
- Identify areas requiring splits or cleanup

Step 6 – Clean & Classify Transactions

- Reclassify transactions
- Assign jobs/classes
- Split and clean transactions
- Maintain a simple log of major changes
- Use consistent rules for small transactions
- Keep a list of items needing clarification

Step 7 – Fixed Assets

- Identify and capitalize assets
- Create depreciation schedules

Step 8 – Loans

- Separate principal and interest
- Build loan schedules

Step 9 – Payroll

Reconcile payroll data

Ensure correct classification of wages and taxes

Step 10 – Opening Balances

- Establish starting balances
- Reconcile key accounts
- Compare to statements when available
- Recreate balances if they don't make sense
- Clearly note adjustments made

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Step 11 – AR/AP

- Match invoices and payments
- Clean up outstanding balances

Step 12 – Rental & Job Review

- Review rental income/expenses
- Validate job costing accuracy

Step 13 – Reporting

- Generate financial statements
- Produce job-level reporting

Step 14 – Quality Control

- Review financials for accuracy
- Validate reconciliations
- All accounts reconciled
- Tie balances to schedules
- No important items uncategorized
- Numbers make sense overall

Step 15 – Final Package

- Compile reports and documentation
- Deliver results to client
- Show your work, ensure changes trace back to source data
- Support Your Entries, explain major adjustments

Step 16 – Repeat Process

- Apply system to additional periods
- Improve efficiency over time

Step 17 – Strategy & Recommendations

- Provide high-level tax and structure insights
- Recommend improvements

Step 18 – Handoff & Training

- Provide summary and next steps
- Deliver maintenance guidance

This methodology is what transforms a set of unclear or unreliable books into financials that can be confidently used by CPAs, trusted by lenders, and relied upon by real estate investors and contractors to make decisions. By following a structured and repeatable process, every number is supported, every account has a purpose, and every report tells a clear story. The result is not just “clean books,” but financials that stand up to scrutiny, reduce risk, and support better outcomes across tax preparation, underwriting, and day-to-day operations.