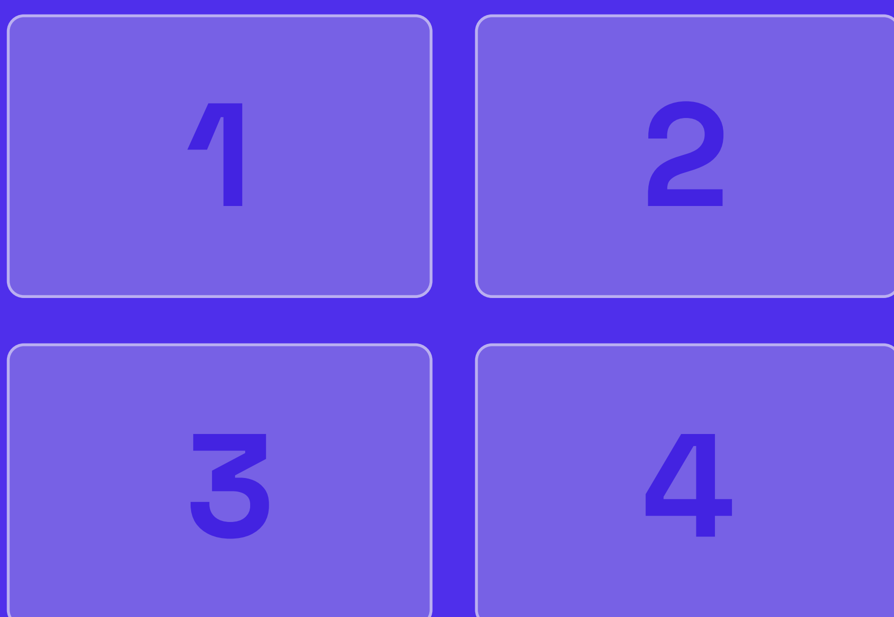
The IPO Readiness Audit

4 Tests Every Finance Leader Should Run Before the Window Opens



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Most CFOs know they need to be IPO-ready. Few know exactly where their gaps are until an auditor or underwriter finds them first — at the worst possible time.

This isn't a checklist of things to eventually fix. It's a set of tests you can run against your current finance infrastructure today. If you can pass all four, you're in good shape. If you can't, you'll know exactly what to prioritize.

Test 1 – The Audit Trail Test

Could you produce 3 years of auditor-ready financials right now?

First-time audits — the kind required before filing an S-1 — don't just verify your most recent year. Auditors routinely examine 2–3 years of historical financials, and they're looking for consistent controls, documented approvals, and clean revenue recognition across all of it.

The problem most pre-IPO companies discover too late: their current system was never designed to produce auditor-ready records. Revenue was recognized in spreadsheets. Journal entries lack documented approval chains. Historical periods have been adjusted without a clear audit trail.

Remediating this retroactively is expensive, slow, and distracting — typically adding $500K–$2M in advisory fees and months of finance team time during a period when leadership attention is already stretched thin.

Run this test

Pull a sample of revenue transactions from 18 months ago. Can you trace each one — from contract to recognized revenue — entirely within your system, with documented approvals and no spreadsheet dependencies? If not, your audit prep starts there.

Test 2 – The Close Speed Test

What would break if you had to close in 5 days?

Private companies typically close in 10-15 business days. That's fine until you're public. After IPO, 10-Q filings are due within 45 days of quarter-end (40 for large accelerated filers), and that window includes close, review, audit, legal, and SEC filing. In practice, finance teams need to deliver clean, reviewed financials in 5-7 business days.

The gap between your current close timeline and a 5-day close isn't a people problem — it's almost always a systems problem. Manual bank reconciliations, revenue schedules built in Excel, and intercompany eliminations done by hand don't compress. They just create more risk when you try to rush them.

Run this test

Map every step in your current month-end close and flag anything that depends on a spreadsheet, a manual export, or a single person's institutional knowledge. That's your critical path — and under public-company timelines, each of those steps is a liability.

Test 3 – The Controls Test

What would your CEO be signing if SOX certification started today?

Under SOX Sections 302 and 906, CEOs and CFOs of public companies must personally certify the accuracy of financial statements every quarter. This isn't a formality — it carries personal financial penalties and potential criminal liability for knowing misstatements.

Because controls need to be designed, implemented, and tested over time, companies that wait until late-stage IPO prep to think about this find themselves in a difficult position: there isn't enough time to test controls rigorously, which increases the risk of a material weakness finding post-IPO. A material weakness disclosure can reduce share price by 10–25% on announcement day and invites sustained scrutiny from investors and the SEC.

The controls that matter most — role-based access, approval workflows, segregation of duties — should be embedded in your system of record, not documented in a policy manual and enforced manually.

Run this test

Ask your Controller: if we had to demonstrate the operating effectiveness of our financial controls to an auditor today, what would we show them? The quality of that answer tells you a lot about where you stand.

Test 4 - The Metrics Consistency Test

Is there one system of record for every number in your investor communications?

Public companies get scrutinized on metric consistency across periods. ARR calculated slightly differently between Q1 and Q3, gross margin that shifts based on which costs get allocated where, churn figures that don't reconcile to revenue — these aren't just investor relations problems. They're audit findings and investor trust problems.

The root cause is almost always the same: key metrics live in spreadsheets that sit adjacent to the ERP, maintained by one or two people who understand the logic. When those people change, or when the business gets more complex, the numbers drift. By the time you're preparing an S-1, reconciling that drift can mean restating historical periods.

Run this test

Pick your three most investor-facing metrics — ARR, gross margin, net revenue retention, whatever they are. Can you trace each one back to a single, auditable source in your system of record, consistently, across the last 8 quarters? If the answer involves a spreadsheet for any of them, that's the gap.

Where Do You Stand?

If you passed all four tests, your finance infrastructure is in good shape for the road ahead.

If one or more surfaced a gap, you're not alone — and the good news is that the companies with the most successful IPOs aren't the ones who had perfect systems from day one. They're the ones who identified and fixed the gaps early enough to matter.

The window between "we should fix this" and "we needed to fix this 18 months ago" closes faster than most CFOs expect.