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CFO Services Introduction

Accounting firms have historically provided a range of “after-the-fact” compliance services including year-end accounting and tax return preparation. Many firms also provide “write-up” services, which involve the recording of business transactions based on documents generated by the client, such as invoices, checks and deposit slips and documents provided by others, such as bank statements.

Today, major innovations in technology are giving accountants the opportunity to expand their services and to provide much more comprehensive, timely and useful information to their clients.

One area of expansion is offering clients a complete CFO service which will include:

- Assuming responsibility for a client’s accounting function
- Having the client outsource most, if not all, of the mechanical aspects of recording transactions to their accounting firm
- Processing data efficiently
- Producing reports that are accurate, timely and meaningful to the client
- Providing more and better advice

This manual will help you move your firm into the arena of CFO services—a service far more satisfying and rewarding than that of mere “scorekeeping.”

Outsourcing can be accomplished in two ways:

1. Outsourcing your client’s work to your firm (as stated above)
2. Outsourcing all or part of the work to a third party and the balance, if any, to your firm. The third party provider may be on-shore (US-based) or off-shore

An accounting office is an outsourced provider if they enter their client’s after the fact payroll derived from reports provided by the payroll company and reconcile bank accounts from statements obtained via a bank feed. The business owner utilizes the core efficiencies of both the payroll company and the bank, third-party providers, to complete transactions that are critical to the smooth running of their business. The business owner then turns to the core efficiencies of the accounting firm to make sure that all information is correct and properly recorded. In this approach the accounting firm is working from the historical source documents received, after the transactional event has occurred.

Technology is now allowing the interaction between the accounting firm and the business client to occur more and more often in real time. Software with direct downloads, portals, cloud servers and Software as a Service (SaaS) platforms allow for real time access which

means immediate access to what we want, when we want it. Business applications take it one step further by allowing the immediate access based on roles, rights and permissions. Typical compliance work, including after-the-fact bookkeeping, has become a commodity. These new technologies are opening up the potential for accountants and bookkeepers to serve their business clients in dramatically better ways.

Of the non-core functions that your clients could outsource, which ones do you want to insource?

Just as the accounting firm struggles to keep up with changes in business, technology and the economy, so too do all businesses. In the last decade, we have experienced an increasingly specialized economy. Smart businesses find out what they do well and do more of it by divesting themselves of those parts of their business that, although required functionally, are not part of their core competency and do not add to the bottom line. Having a website with a portal so that you and your clients can share documents is now standard practice; however, having your own on-staff web developer and portal manager is not cost effective. This is true for many businesses. Managing routine financial transactions, although necessary, is not work that adds to profits. Sending Payroll, Human Resources and Accounts Payable work to an outside service provider frees the business to focus on its core competencies and client/customer facing opportunities.

What Do You Want to Do?

Let's examine the core competencies of an accounting firm. The first thing that comes to mind is taxes. We all depend on well trained, educated tax preparers to take on the onus of tax return preparation. Whether you're a business or personal tax client, your preparer requires all the financial documents related to the business or individual for the year. Those source documents are then used to create a tax return. Knowledge is key here, specialized knowledge that the accounting firm has with which to complete that tax return quickly, efficiently and to the maximum tax benefit.

This specialized knowledge, core competency and trusted advisor status places the accounting firm in a unique position to utilize new technologies and to reinvent itself as a real time managerial accounting office. The question is how to best achieve this. Adding CFO services to your web site along with a portal is window dressing. To actually achieve this transition, the accounting firm needs to ask the following:

- What do we like to do?
- What are we good at?
- Which of our clients are best suited for this?
- Of the best suited clients, what parts can we effectively manage?
- What changes do we need to put in place?

Focusing on what you like most leads you to what you do best and then to the best clients

that need those services. Finding a client and then attempting to work their needs into your abilities leads to disappointment for both parties.

Taking on a client's internal accounting work requires a level of comfort on the part of both the business owner and the accounting firm. A client that has already provided you with access to sensitive financial data is easier to work with than a new business with no previous relationship. Understand that to be able to effectively insource your client's internal accounting work to your accounting firm, you need on-demand access to information. It doesn't work if you have to wait for someone to send you the information you need.

In anticipation of your move into comprehensive CFO services, let's look at the typical responsibilities of a CFO:

- Managing issues relating to overall financial management, profit optimization and capital efficiency
- Quantifying and managing risk
- Ensuring accuracy of recording of transactions
- Analyzing change, conducting risk assessments
- Formulating long term business plans, researching and reporting on factors influencing business performance
- Maintaining and monitoring financial statements, formulating all relevant reports, planning, conducting and finalizing audits of financial statements
- Performing budgeting, reviewing audit files and assuming responsibilities for interim and yearly audits
- Reviewing daily reports and preparing them for presentation to management
- Running month end system reports and checking integrity
- Ensuring accounting policy is compatible with double entry standards
- Formulating financial statements and consolidations
- Formulating annual budgets
- Liaising with banks
- Identifying and reporting on KPIs
- Benchmarking performance against plans and industry statistics

I often hear accountants, when they consider TRYING to move into the area of CFO-type services say, "I need to go out and find a new client to see if this works." Rather than look for a new client, take a look at what you already have. There are some clients that you enjoy working with, some whose businesses you find interesting, some who really could use the help, and some who undoubtedly see you as their trusted advisor.

The CFO's Role(s)

The Catalyst's Execution Challenges

Investment management

How do I ensure that our investments in innovation and growth yield the greatest returns?

Strategy execution

How can I partner with other senior managers to drive strategy execution across the enterprise?

The Strategist's Performance Challenges

Talent management

Given the heterogeneous nature of finance's roles, how do I attract, develop and retain the talent required to fulfill finance's mission?

Linking business activities to shareholder value

How do I create a common language that empowers management to see themselves the way investors do?



The Steward's Control Challenges

Internal Controls, Risk and Accountability

How do I manage my risk and reduce the burden of maintaining my control environment without compromising its integrity?

Information quality

How do I ensure that the data the company relies on is accurate and provides the most meaningful reporting and information?

The Operator's Efficiency Challenges

Cost reduction

How do I reduce costs while continuing to add value?

Operating model

How should I organize finance to serve the needs of the different stakeholders?

Diagram 1

