



Roles of the CFO, Controller and CPA Firm

By Mike Derringer | FocusCFO

I was asked recently to give a presentation on the differences between a CFO and a Controller, and how both are different from your Certified Public Accounting (CPA) firm. This topic seems to fit my background, as I began my career in public accounting as a C.P.A. I later transitioned into private industry, working in various accounting positions including a Controller of a public company. I eventually moved more to the finance side of the company, which led to a CFO role. Since I've performed all three functions, hopefully I can shed some light on the differences.

Internal - Bookkeeper

To start with, it might make sense to look at a typical bookkeeper's duties:

- Enter vendor invoices into QuickBooks
- Run checks for owner signature
- Send invoices to customers
- Post payments

Sometimes all of the above is performed by compiling bank transactions at month end and categorizing the activities into proper buckets into QuickBooks. This can easily be accomplished by downloading your bank files. Regardless of how it is done, it is essential that every company have a bookkeeper. A lot of times you'll see the owner performing this function, or the owner's spouse.

Internal - Controller

As companies get larger, more complex, or advanced, they may need to up their accounting firepower and add a controller.

Typical controller duties:

- Prepare/review Journal entries for monthly activity (cash to accrual accounting)
- Prepare month end financial statements
- Develop financial controls/processes
- Prepare financial metrics/monthly reporting
- Review or prepare:
 - A/R
 - Set credit terms
 - A/P
 - Negotiate terms with vendors
 - Payroll
 - Oversee TPA for payroll and compliant tax reporting

Typically, this person is degreed, usually with a Bachelors in Accounting. Sometimes they are a CPA, and occasionally they also perform HR duties, so they also might have a background in HR.

External – Certified Public Accounting

All companies should have a CPA/CPA firm. CPA's perform:

- Audit/Review/Compilation services
- Tax returns
 - State
 - Local
 - Federal
- Tax planning
- Forensic accounting
- Other services by CPA firms may include:
 - Valuations
 - Financial and wealth advisory services
 - Consulting type projects

CPA firms have employees that are just about always certified, obtaining their certified public accountant status (C.P.A.).

Internal - CFO

Back to the internal roles - again, as the company evolves and becomes more advanced, they benefit from having on their staff a Chief Financial Officer. CFO duties have evolved greatly over the years to be more

operational and strategically focused, away from the accounting and even the finance circle. Typical CFO's spend their time on:

- Cash flow
- Information Intelligence
 - Profitability (margin analysis)
 - By customer
 - By product
 - Drive healthy sales
 - Proper cost control/effective ROI
- Operations connected to finance
 - Connecting the finance to the business strategy
- KPI's
- Strategic planning
- Forecasting/budgets
 - Cash flow forecasting
- External partnerships and relationships
 - With bank
 - With CPA firm
 - With investors
- Internal department relationships
 - Sales
 - Engineering/manufacturing/operations
- Financial leadership and planning
- SWOT analysis and strategic planning
- Financial strengths and weaknesses

Most CFO's have a degree, several an advanced degree, and most have significant experience in operations, as well as finance and occasionally accounting.

Your business needs will depend on where you are in the life cycle of your company. Early stage companies require both a bookkeeper and a CPA firm. As companies grow, they should have discussions with their trusted advisors as to when they need a Controller and a CFO. All companies can benefit from having both, as both will provide a return on their human capital investment. Obviously, fractional positions and fractional firms can bridge the gap until a full-time person is needed, thus providing an even greater ROI.

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