

## Facilitator — October/November 2015



### Sharpen Your Tools

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#### IT'S ALL IN THE NUMBERS

A key to your company's success is the quality of your financial team

Leslie is the owner of a roofing company, which she inherited from her father. Back in the day, her father managed a small crew and operated with handshake contracts and stacks of cash. Now that her dad has retired, ambitious Leslie sees a different future. She wants to grow her company so she can make a fortune—and provide career opportunities for her beloved team. And she wants to build on the company's reputation for taking great care of its customers.

Leslie called me one day after reading one of my articles. She described the vision she has for her company and her intent to build an empire. In response to my questions, she shared the following:

- She knew how much she had in accounts receivable but only saw financial statements once a year at tax time.
- She didn't understand how the financial statements related to what she did every day—sales, payroll, materials—so she pretty much ignored the reports.
- She knew that she was in debt, but wasn't sure how much. She just secured another line of credit to keep the cash flowing.

Sigh. I confronted Leslie about her lack of financial literacy. "It's your company and your assets on the line. You need to know. Tell me who is in charge of the accounting at your company."

For the last 15 years, her mom has been the bookkeeper, as a favor to Leslie. She works 40 plus hours a week but nothing is ever really finished or ready for Leslie to look at, so she has quit asking for day-to-day financial information. Everyone else in the office avoids her mom, who seems to have a different set of rules from the rest of the team. While her mom is responsible for paying bills, who she pays and when are mysteries.

At the end of the year, her mom hands whatever it is that she assembles for financial information to an accountant named Art, who files the tax return. Leslie has asked Art for help understanding the balance sheet and income statement he prepares for the return. She called and set up an appointment to meet with him. His secretary scheduled a date to meet—in six weeks. At that meeting, Art leaned over his massive mahogany desk and patted Leslie's hand. "You worry about running the business. I'm a professional. I will take care of the accounting," he said dismissively, and then escorted her to the door.

Leslie's mom is holding her back. Art, the Intimidator, is holding her hostage. I advised Leslie to fire both of them.

"But, then what?" Leslie sputtered in response to my suggestion. "Where do I find another accountant? Who else would I trust with my money? Where do I start? And, by the way, my mother will disown me."

Leslie asked me to help her get a handle on her financial situation.

"I can do that. I can help you get to a known financial position. I can create a clean, accurate set of financials for you. However, to build an empire, you must learn to do that yourself. You must build a team of financial pros who will help you get timely, accurate data in a format you understand, so that you can make good business decisions. And, Leslie, your mom will get over it."

**Defining Responsibilities** Here's what I shared with Leslie about developing her financial team: Start by defining who is responsible for what. Create financial position descriptions. Here is a list of the basic responsibilities for each of these positions.

**The Bookkeeper.** Responsible for day-to-day data entry into the accounting system, including invoices/ accounts

receivable, deposits and bill paying/accounts payable.

A few notes:

- Bookkeeping should be done in-house. It is just not that hard to do! Ninety percent of accounting is entering invoices, making deposits and paying bills. Do these functions in real time in your accounting system. There is no sense in doing them and having an outside bookkeeper re-do them.
- Bookkeeping is a part-time position unless your company is very large.
- Bookkeeping needs to be up to date. At the very least, all information for the previous week should be entered and accurate by the following Wednesday.
- Your customer service representative (CSR) or dispatcher can help with bookkeeping duties. For instance, the dispatcher could be responsible for entering payables, and the CSR can enter invoices. This also adds system protection, because not just one person is responsible for all the accounting or all the money transactions.

**The Controller.** Responsible for assembling the financial reports on a weekly basis, including the balance sheet, income statement and any other financial reports you require or request to help you make good management decisions. Other responsibilities include:

- Assembling payroll information, including calculating commission and bonuses
- Verifying the balance sheet accounts monthly
- Balancing the bank statements monthly
- Checking and fixing bookkeeping errors

A few notes:

- This is a part-time position, perhaps just a few hours a week. This person could be in-house or a subcontractor who comes to your shop once a week.
- Use a payroll service, like ADP or Paychex. They do a great job. Then, the controller can make the journal entries from the payroll services reports.
- The controller duties are often neglected in a small shop. These responsibilities fall into no man's land. Take responsibility for these functions yourself if they are not being done well. Then, you can hand the duties off. Get the controller responsibilities handled and take note of how your decisionmaking improves.

**The Accountant.** Primarily responsible for state and federal tax compliance. A good accountant gives appropriate tax advice, and helps you manage your company to your best tax advantage. In addition, he or she:

- Prepares the tax return.
- Prepares monthly, quarterly and yearly tax reporting and payments.
- Creates the depreciation schedule.
- Helps manage assets and accounts for the sale or purchase of assets.
- Checks the controller's reports for accuracy and tax implications.

A few notes:

- Look for an accountant who is excited about helping you develop in-house accounting systems. He or she should be willing to train your bookkeeper and controller, or offer the help of someone on his or her team.
- There is no room in your life for a bossy, arrogant, know-it-all accountant.

**The Financial Planner.** Works with you to help you achieve your long-term financial goals. He or she:

- Reviews your personal and company goals and financial reports and makes recommendations for asset management.
- Helps you create end-game opportunities for selling or transferring ownership in your business.

**Building Your Team** These job descriptions briefly outline the responsibilities, what needs to be done, by you and your financial professionals. This does not mean you need four separate people. Here are a couple of possible financial team rosters: Option 1

- A bookkeeper who performs controller duties
- An accountant who helps with financial planning

### Option 2

- A bookkeeper
- An accountant who performs controller duties
- A financial planner

### Option 3

- A bookkeeper
- You perform the controller duties
- An accountant
- A financial planner

None of these professionals relieve you of the primary stewardship of your company. Your assets are on the line. You have to pay attention. A good financial team can help you make good decisions. You direct them; they don't direct you.

Be sure to have at least two people on the financial team and document each procedure in writing. This way you are imposing structure, accountability and a system of checks and balances. You will protect your assets, and keep your company safe from embezzlers. And, you will keep your financial team safe from suspicion. And you will never be held back or held hostage again.

Here are a few tips on where to look:

- Recruit new moms. The untapped resource of valuable professional skills lies with women who choose to work part-time or from home because they have young children. These moms value flexibility even more than money. Remember, all these financial positions are part-time. Also, new moms are great at multitasking. What they can get done in an hour is astonishing.
- Develop the skills of someone who works for you. For the bookkeeper and controller duties, you do not need someone with an accounting degree. Is there someone on your team who has some of the characteristics listed to the left? Talk to him or her about expanding his or her role at your company by taking on accounting duties.
- Be non-discriminatory in your recruiting and hiring. Look for folks who others may overlook. Physical disabilities are not a problem in these positions. I recently met a passionate bookkeeper for a big outdoor goods retailer. This woman was born with only two fingers. She loves her job and I bet she is great at it!
- Ask your accountant and/or financial planner to recruit for you. They know people who know people. Put the word out.

I went through this process myself when I realized that we weren't making any money and no one was going to figure out how to fix that for me. It was my responsibility. I found a great financial team and I learned enough about finance and accounting to understand how good my team is.

Finding the right financial team to help you build your empire may appear to be a daunting task. Take heart and take my advice: Do not put up with a weak financial team. Learn to do the duties yourself if you must. Do not be held hostage. There are people out there who love bookkeeping and accounting so find them. After all, you are building an empire. They will be honored to join your team.

Ellen Rohr started Bare Bones Biz, a venture capital and consulting company, in 1995 to help folks of all ages turn their big ideas into successful businesses. She is also a successful franchisor and professional speaker and will be a conference speaker at RFMA 2016.