



TRINA W. DOWNEY

## Is Your Company Ready For a CFO?

### Financial Expertise Critical to Business Growth

In your busy schedule as a small business owner, problems can loom on the horizon before you know it. Do any of these situations sound familiar?

- *A key customer is behind in payments and continues to buy from you on credit*
- *A key employee starts missing work, causing staffing shortages and affecting morale*
- *Your group health insurance just went up by double-digit percentages*
- *After examining your most recent financial statements, your banker has lowered your line of credit*
- *Your workers comp carrier has called you to schedule an audit*
- *Your copier is on the fritz and the lease period is nearly over*
- *You are experiencing increasing employee turnover due to limited benefits*

Chances are in a growing business, the owner starts getting these headaches and begins to see a need for a person on staff to handle these and other situations. Before you need a Human Resources manager, you probably need a Chief Financial Officer (CFO).

Your CFO needs to bring strength and professionalism to the image you want to present to your bank, customers, employees, vendors and competitors. The CFO should define the climate of the workplace and be the source of valuable information to both management and employees. Consistent with the "F" in CFO, this person should oversee the financial aspects of your business including:

- *Payroll administration and reporting at the state and federal levels*
- *Interaction with outside CPA firms, insurance auditors, licensing and taxing authorities*
- *Monitoring customer and receivable issues, keeping management informed*
- *Controlling costs and payables, including timing of the cash flow and keeping up with your credit score*
- *Predicting cash flow issues in time to correct or detour*
- *Keeping up with equipment issues, such as copiers and phone systems to determine features required, new or used, lease or purchase options*
- *Exploring employee benefit opportunities and costs; keeping census information up to date*
- *Monitoring line of credit limits and levels*
- *Auditing vendor bills and checking them for errors*
- *Monitoring profit center performance*

An effective CFO needs to be kept in the loop with management's changing focus – a team member of management, informed of marketing strategies and new offerings. You as an owner have the knowledge about cash inflows that are vital to the information gathering process that will be required for your CFO to help you most effectively. In this way the CFO can present information necessary for decision-making and present it in a timely fashion.



On the flipside, the CFO needs to be the person available and knowledgeable for the employees and their issues, including:

- *Vacations and sick time*
- *Benefits administration, including eligibility*
- *Employee loans*
- *Policy and procedure issues and enforcement*

Another area of your business where a CFO can be valuable is in handling important issues that arise that are nobody else's job. For example, if you decide you are going to purchase a building and renovate it, there are all new sets of people with whom you need to interface. From city officials, contractors, designers, bankers, architects, etc., paperwork needs to be passed back and forth; checks or signatures are required, and so on. Your office assistant probably does not have the experience to understand the new situation effectively. A professional CFO can make the project run much more smoothly, while continuing to maintain the climate of your business, keeping you always informed.

When looking for a CFO, look for the skills that fit your business. First and foremost you need someone with good management experience and someone who has a reputation for integrity, confidentiality and professionalism. Some skills you probably will require will involve software knowledge, such as QuickBooks which supports job cost accounting. These days most of us understand spreadsheet presentations, so knowledge of spreadsheet analysis is a must.

Another area of skills might be in facilities management experience, if you are responsible for the upkeep of your location. Perhaps experience with IT issues and backup and recovery procedures would be valuable in this position as well. Web page design and upkeep might also be part of your desired skill set.

If you find you are not ready for a full-time CFO, you might consider as an alternative someone part-time or temporary to help set up effective systems that you could manage yourself. Some local CPA firms may be able to help.

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