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Accounting Department Structure

Finance departments that might be restructuring their accounting function should review this checklist of ten options for small and large finance operations.

> *We are a mid-sized family owned building materials distributor in the mid Atlantic. Our current accounting team is three people who all have a significant amount of overlap in daily responsibilities. As we continue to grow, I'm looking to build the team and redefine the roles with more specific job duties.*
>
> *I'm interested in any feedback related to how your accounting departments are structured. Trying to layer in better accountability so less falls through the cracks. I'm considering a traditional structure with one person handling AP, one handling AR, and one doing cash reconciliation and stricter accounting functions. But I'm looking for new ideas.*

1. I made this transition at a mid-sized software company a few years ago - moving people into specific roles (AP, AR, everything else). I also rotated these roles every 2-3 quarters, so people still got other exposure, new ideas on how to improve functions, and also served as its own control.

2. Overall, your approach is good. Only thing I would add is to ensure the team knows the workflow of each other. It's good a have a back-up in case someone leaves or falls sick. The other member of the team should be able to step-in. Process mapping might be useful as well. Hope this helps.

3. This is what we do- Accounts payable/procurement, accounts receivable and client relations also HR assistance, sales administration and then I oversee all and handle the month close, assignment overview, journal entries and budgeting.

4. I have managed teams of 1 to 80. I have seen this works for a smaller organization:

    a. Transactional processor: AP and AR, applying cash and printing checks/enter ACH/wire. But this person has no direct access to bank or approval rights.

    b. Approver but not signers to the bank: this person reviews the entries before they are posted and manage the overall flows of transactions (don't let anything ball dropped such as timely payments, timely collection from customers, all accounts are reconciled.) This person reconciles the bank statements.

    c. Signers to bank: no access to enter accounting records but have access to bank. GL accounting could be shared by all three functions.

    d. As the needs grow, it could be AR split from AP, or more AP processing, more GL accountants...

5. When I was in distribution many moons ago, I started the department like you described, AP, AR and then had an accountant. As the business grew, I added specialization and layers.

6. I had to go through the same thing with my company. We opted for separating accounting operations (A/R, A/P and payroll - basically anything deemed transactional) under one person. GL accounting, monthly close, fixed assets, leases and financial reporting under a different person. A third person has been more involved in financial analysis and variance analysis. As we've continued to grow, we've added people to those areas.

7. You would be best going with Bill.com and handling things through that process, I would look to automate as much as possible. AR/AP is a very simple process when you break it down, which bill.com does for you. Many CPA firms suggest this transition, so I would do one thing at a time, but it appears there are many opportunities for process improvement.

8. I have found outsourcing to be a great way to handle the busy work so you don't have to keep adding members in house. Outsourced accountants can be very inexpensive ($15 to $20 an hour and only have to pay for the hours they actually work) and can easily handle time consuming tasks like AP and AR entry and reconciliations; your team would just need to review their work.

9. I have found that the structures I have used in the past are often dependent in the capabilities of the individuals in the team. I have generally always looked to divide my team into:

    a. Management Accounting - reporting, expense management, etc. This team focuses on business analysis, reporting to other teams, costing, etc. This is generally led / assigned to your strongest analytical candidate (should be your best / backup to you). Mainly focused on P&L

    b. Financial Accounting - day to day transactional . Aim to have this team / side focus on recons, record processing efficiency (improvements), financial controls. Mainly focused on Balance Sheet.

    c. My current structure:

        i. management accounting > staff accountant & AP clerk (good to have AP in this group - assists with understanding and being on top of expenses, costing, etc)

        ii. financial accounting - AR manager (will be changing title soon > now providing her opportunity to take on more month end close work as she is strong in getting work done within deadlines). She has taken over cash management, fixed assets, etc) & AR clerk.

    d. We used to close month end in 20 days, when I joined > we now do it in 5 days. More focused, structured and clearer duties.

10. I've worked as a Controller for more than 6 years & CFO for almost 3 yrs for mid-size companies that had several team members with overlapped duties. To have a successful team for

company in its growing stages, for instance, I restructured the entire Accounting Dept, although, overlapping duties still existed. I'm big on cross-training, too, but to get the point of your question.

a. I placed 1 AR Specialist, 3 AP Specialist (although, I would have kept only 2 as 3 was only for initial reconciliation purposes - clean-up; the Controller I hired kept all 3), Financial Controller, myself (CFO, although I'm very hands on so I completed Controller duties, as well). Now, I'm working on getting an Operational Controller, Accounting Supervisor, Asst Controller in place. My AR Specialist is in charge of all AR duties & bank reconciliations; AP do all AP, accruals, debt, PPE duties. Everyone assists with month- end.