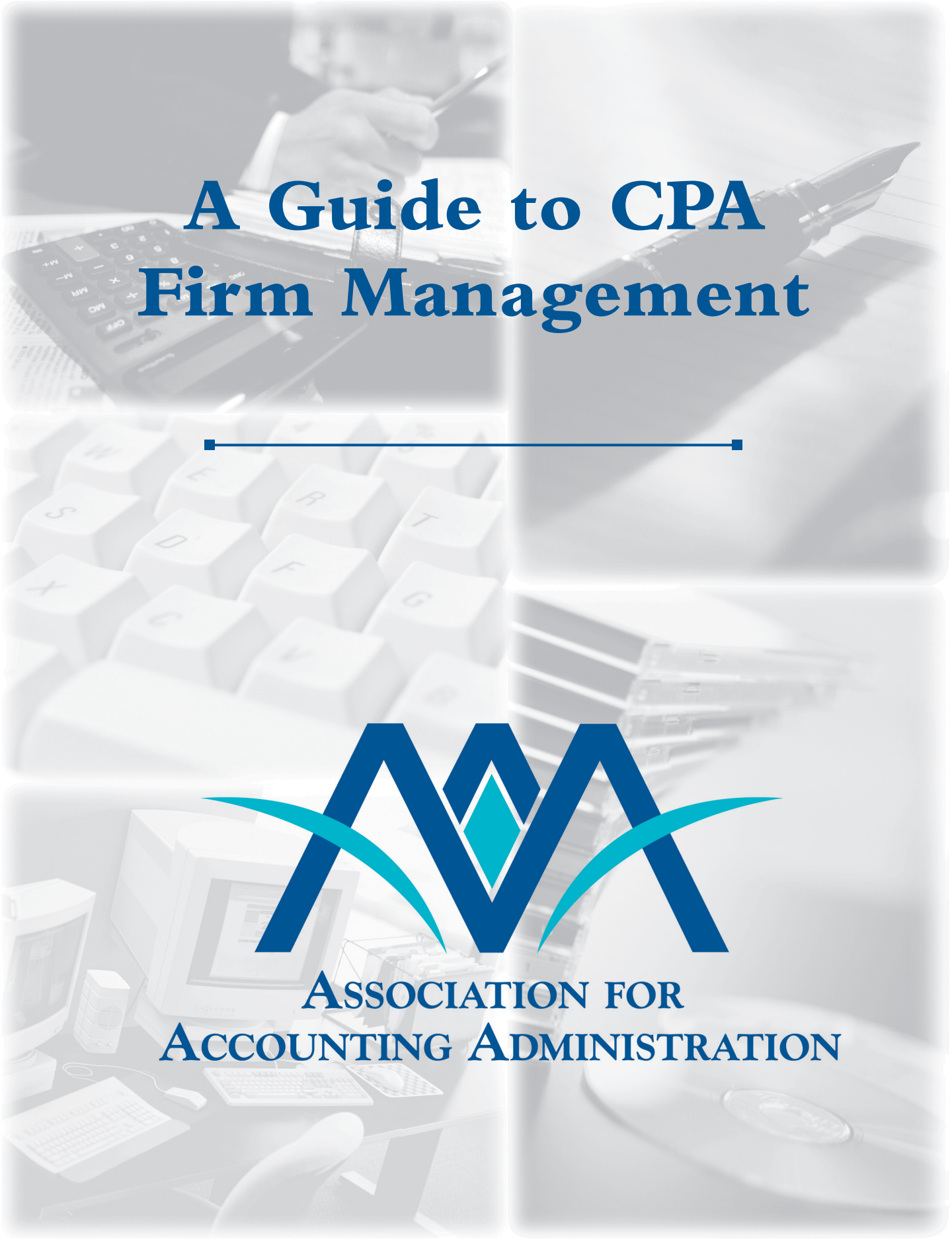
A Guide to CPA Firm Management



Association for Accounting Administration

a guide to cpa firm administration

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foreword

"What does an administrator do?"

"How much should I expect to pay an administrator?"

"How do I assess the administrator's role?"

These questions and others pertaining to the area of operating a certified public accounting business are asked by managing partners and other stockholders/partners.

Research has established that the scope of the administrator's position cannot be determined by the size of the firm; it must be determined by the responsibilities and duties of the administrator.

This booklet addresses these questions and provides valuable data for managing partners who are establishing a job description for an administrator. In addition, the information serves as a guideline for administrators mapping their career path.

Disclaimer: The use of the pronouns he/him/his throughout this publication is intended to be non-gender related. The use of the term shareholder/partner refers to the executive management level of an accounting firm (i.e. shareholder, director, partner, owner, etc.).

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Guide to CPA Firm Administration

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DETERMINING THE NEED

When does a firm need an administrator? This seemingly simple matter is often one of the more difficult decisions for partners to make. The direct effect of an administrator on costs can be calculated with to-the-penny precision, but the benefits a professional administrator brings to a firm—including enhancement of the bottom line—are often difficult to determine in advance.

Several years ago the owners of an equipment company were struggling with a difficult decision. Should they make a very large capital investment in a punch press? The numbers looked right, but in addition to the multi—million dollar financial commitment, the acquisition would necessitate major changes in their entire engineering and manufacturing operations.

In other words, there was more than just money involved. There was that most frightening factor of all—change!

After months of deliberation the decision was made; the order was placed, and several months later it was time to flip the switch and begin the process of integrating the new machine into production operation. The managers of the company waited anxiously for the results.

After enough data was available, the manufacturing engineers and the cost accountants began their analysis. They quickly found that a serious mistake had been made. The numbers were incontrovertible. The company didn't need a punch press. It needed two.

Few accounting firms will be installing punch presses, but the decision faced by the manufacturing company is analogous to the decision faced by a firm considering employing a firm administrator. It's a business decision, and all business decisions should focus on the same objective—improving the performance of the business. The basic question is always: "Is this the right time?"

The mistake the electrical equipment manufacturer made is similar to the mistakes professional firms often make when introducing a major innovation, not being bold enough. An accounting firm won't need two administrators, but the analogous error is making less than a total commitment to the firm administrator structure. This typically manifests itself as a firm establishing the title "administrator," but not assigning sufficient authority to the individual to permit him to function as an administrator. Alternately, a firm may "enhance" an existing position by adding decision-making authority in a few insignificant areas. This does not represent commitment to the firm administrator concept.

Just as a company considering making a major capital investment must plan in detail before making and implementing the decision, an accounting firm needs to take specific actions to facilitate the administrator decision process and the eventual integration of the administrator into the firm's operations.

ASSESSING THE NEED

The process starts with strategy. Develop a strategic plan for the firm. Establish goals for current and future services, staff size, number of offices, number of shareholders/partners, then evaluate this plan against the functions of an administrator. Will an administrator help the firm to reach its goals? He can be part of the strategy by understanding the firm's strategic plan and the methods of measuring goals combined with regular oversight and reporting to the managing partner. Talk with shareholders/partners from other firms to see what successes they have encountered.

Accountants with their professional expertise should understand that often the best way to positively impact profits is spending in the right place. Monitor non-billable hours of shareholders/partners as well as other billable staff. How much of this work could be done by an administrator, freeing up valuable billable hours? Honestly consider how much are shareholders/partners really willing to give up?

Don't limit the assessment to billable hours. Consider all the things that are not being done now because no one has time or possibly the aptitude to do them.

- Is there a marketing plan? Who monitors it?
- Who is monitoring staff productivity?
- Who prepares the annual budget?
- Who handles
  - Administrative staff problems?
  - Staff scheduling?
  - Office remodeling projects?
  - Personnel issues?
  - CPE?
  - The firm's financial affairs?
  - Billings and collections?

And the list goes on.

Shareholders/partners should be using their billable time doing practice development activities. Although efficient administration contributes to the success and profitability of the firm, it will not bring in new clients.

Surprisingly, firm size is not necessarily an important factor Although their functions may vary dramatically, administrators are found in all sizes of firms. A firm may want to start with someone at a lower level and offer that person the opportunity to advance to a higher level.

The most important factor is commitment to the firm administrator structure. The managing partner must be 100% committed to the concept of having an administrator. If not, the administrator will fail. There must also be total buy-in at the shareholder/partner level.

In firms that have delegated the administrative functions to the administrator, the partners have found that the lists of things to do will more than fill the administrator's daily schedule.

ESTABLISHING THE ROLE

Once the decision to add an administrator to the staff is made, the next task is to effectively integrate the administrator into the operations of the firm. This task starts with defining the role of the administrator. Here are action items and points to consider during this important process.

- Talk with other firms. Obtain copies of the administrator's job description.
- Talk to the AAA. Obtain copies of the administrator's job description.
- Make a list of the administrative duties in your firm.
- Meet with the shareholders/partners group. Brainstorm the expectations of the shareholders/partners if an administrator is hired. Conduct the same exercise with the staff. (And don't forget the administrative staff.)
- Once the job description is determined—inform everyone of the details. Keep in mind, an administrator is a high level (manager or partner) employee—everyone needs to recognize this in advance. (This job description may need to be rewritten periodically.)

PROMOTE OR HIRE?

When the need for an administrator is determined and the role of the administrator established, it's time to move on to the hiring process. The firm will now be faced with another important and difficult decision—promote from within or hire an experienced individual from outside.

If you promote from within, the administrator will know the firm's culture and day-to-day operations. However, it may be more difficult for the administrator to gain the respect of shareholders/partners and staff. There's also the question of availability of a suitable internal candidate. Is there someone wihtin who could naturally fill this position? If so, don't expect him to continue to do the previous duties as well. You won't receive the full benefit of the position. If you decide to promote someone from within, hire a replacement for that person.

An outside hiree may be inexperienced in accounting but may have more experience in management. If hiring from the outside, it may take a year for the administrator to gain a thorough understanding of the culture of the firm and how an accounting firm operates. (Many firms who have hired legal administrators have found them to be a good choice.)

PRACTICAL CONSIDERATIONS

Finally, there are a few practical operational considerations the partners of a firm employing its first administrator need to keep in mind:

- The administrator should report directly to the managing partner and be a part of the management team. The higher level administrator should be included in shareholder/partner and management meetings. They should have the authority to make decisions and the shareholders/partners should support their decisions.
- It is essential that the managing partner and administrator have a good working relationship.
- Once an administrator is hired, the managing partner needs to share the strategic plan with him. The managing partner and the administrator need to develop specific projects and set goals for the administrator and they need to meet on a regular basis.
- The administrator should have a private office since he will be handling confidential firm and personnel information.
- The firm needs to dedicate training time and expenses for the administrator's development. Lessons learned and skills acquired about managing a firm, technology, human resources, etc. will help the firm run more efficiently.

SKILLS NECESSARY FOR A SUCCESSFUL ADMINISTRATOR

There are many skills necessary for success as an administrator. The administrator functions as the cheerleader, firefighter, artist, handyman, police officer, psychologist, and business manager in a constantly changing, challenging environment. These different hats are worn in all sizes and shapes and for different periods of time depending on the firm and its culture. There are certain interpersonal and leadership skills that are key to success as an administrator. These include:

INTERPERSONAL COMPETENCIES

The ability to . . .

- identify effective methods of communicating and interacting with specific individuals and groups
- clearly communicate ideas, facts, feelings, and concepts
- challenge employees to give their best
- support and encourage inter and intra department teamwork toward achieving firm goals
- develop and maintain effective working relationships with all levels of personnel
- resolve conflict with others in a manner that produces win-win results as often as possible

LEADERSHIP COMPETENCIES

Capacity to . . .

- provide leadership for the organization
- lead by example
- communicate and actively support the values of the organization and communicate these values to others
- recognize key and priority issues within the organization
- identify and be instrumental in implementing methods that departments/teams can effectively support and enhance the work of the other departments/teams
- provide effective leadership in accomplishing organizational goals
- nurture individuals in learning and discharging their responsibilities
- convert problems to opportunities
- lead the organization through change processes
- facilitate innovation in the organization
- maintain flexibility and responsiveness to a continually changing work environment
- manage time and energy effectively
- persuade individuals to consider other options and different viewpoints
- effectively lead group meetings (facilitation skills)
- make quality and timely decisions
- anticipate possible problems and their possible ramifications (related to staff, equipment, processes, materials, and budget)
- creatively solve problems
- apply lessons learned (during the life of the project or task)

THE RELATIONSHIP: MANAGING PARTNER AND ADMINISTRATOR

The role of the administrator within a CPA firm is usually one of constant challenge and change. Although the actual need and value of an administrator has become more widely accepted, there are still many questions in the minds of managing partners and administrators as to how the working relationship should be structured. That is where the "constant challenge and change" becomes relevant.

Most successful, high-level administrators were not hired at their current level. They started — in the "learn as you go" mode. This usually happens when the shareholder/partner group realizes the managing partner, in order to be more effective, needs help but something more high level than an executive assistant. He needs management help - not just someone to carry out his orders, but someone who is at a decision-making level, who has the authority and will take the responsibility in many management areas of the firm.

The role of the other shareholders/partners is also important. The need for their full support of the "firm administrator concept" is critical to the success of the relationship and the firm. They must be willing to relinquish their responsibility for various administrative duties, perhaps some that have been their responsibility for many years. An example might be CPE. Perhaps one of the shareholders/partners coordinated the firm's CPE activities for years. He must now be willing to relinquish these responsibilities to the administrator.

The most efficient and profitable firms concentrate almost all their administrative duties in the management team of the managing partner and administrator. The other partners can now focus on serving clients, managing and mentoring staff, and practice development activities. The more billable time the administrator can make available for all shareholders/partners, the more effective the group becomes.

The administrator should have one client — the firm. The administrator is the conscience of the firm, the heart of the firm and should constantly focus his efforts towards the best interests of the firm — not one individual shareholder/partner. As the administrator's responsibility increases and he becomes more experienced, the administrator can play a key role in bringing consensus to the shareholder/partner group about issues facing the firm as well as introducing other related issues for growth potential.

Consider the role of the managing partner in relation to the administrator. He is the mentor, the teacher and the leader. Most managing partners have several years experience in management activities for the firm. The administrator may be new to many of these activities and possibly new to the firm itself. In preparing to enter into this relationship, we suggest that the managing partner talk to firms who already have been through the process of hiring and using an administrator. The AAA can provide names of firms for the managing partner to contact. Relinquishing administrative duties probably will be as difficult for the managing partner as it is for the other practice shareholders/partners, but as trust builds so will the duties of the administrator.

As the administrator and managing partner work together to face the business issues of the firm, the duties naturally seem to settle with the person most qualified or most suited for that particular duty. Many of the duties become interchangeable. However this transition may not happen overnight. Building the relationship, defining the duties of each and gaining the confidence of the shareholders/partners and staff takes time. It is also very important to keep in mind that avoiding duplication of efforts is a major challenge. As the firm grows and the relationship strengthens, the team will realize that duplication of efforts can be very frustrating for both of them, as well as non-productive.

Education should be a major focus for both the managing partner and administrator. Some of the most successful administrators have obtained knowledge and expertise about how to successfully manage a CPA firm from attending many administrative and management conferences, such as AAA's National Conference. Having exposure to nationally known experts in the field of CPA firm management, marketing and technology, and being able to network with administrators from other successful firms is the most valuable way an administrator can grow professionally. Bringing these ideas back to the firm is very important. However, more important is the fact that the administrator, working with the managing partner, is able to implement these ideas in the firm.

At least annually, the administrator and managing partner together should attend a major Management of an Accounting Practice (MAP) conference. When both are focused on new ideas and are working together toward a common goal, changes simply happen faster. It is very difficult to stay focused on improving systems and procedures when one is faced with "putting out fires" on a daily basis (much of what an administrator does). When you have two people, both committed to a new idea, it has a better chance of implementation. Attending a conference together also facilitates getting to know each other better and becoming comfortable with individual management styles.

Once the knowledge level begins to build and the managing partner and administrator proceed with their various duties, it is important that they stay in-tune with each other's activities.

Regular meetings should be scheduled so the two can exchange status reports and make future plans. If these meetings are not put on the calendar and taken seriously, they will never happen. A weekly meeting is optimum and should never take place less than twice per month. Some successful administrator/partner teams also do joint goal setting for the coming year.

As time goes on and the administrator and managing partner see results of their efforts, the momentum will build. Success breeds success. A smooth-running, profitable firm is a firm that has very little partner dissension, is able to hire and keep the best and brightest staff, as well as attract and retain the most successful clients.

CAREER PATH OF AN ADMINISTRATOR

Like everyone pursuing an occupation or profession, CPA firm administrators are concerned with their prospects for growth and advancement within their chosen field. A realistic assessment of the administrator's advancement potential must include consideration of many factors.

Shareholders/partners, as well as administrators, need to deal with these factors. Administrator concerns center on three key questions:

- Can the administrator be an owner?
- Is there a salary cap?
- Is this a career or a job?

Administrators can be owners and have unlimited compensation potential when approaching CPA firm administration as a career and not a job.

Considerable responsibility for determining the answers to these questions lies with the administrator. The administrator must determine his career goals and structure his job description to focus on managerial responsibilities as opposed to support/administrative responsibilities and duties.

The shareholders/partners ultimately define the administrator's position in the firm. It is shortsighted not to treat administrators as shareholders/partners if they can contribute to the bottom line as shareholders/partners do, but it is difficult to quantify the dollar value that an administrator brings to the organization unless key performance indicators are established to measure against such as collections, average days outstanding for accounts receivable, staff retention, etc.

Administrators usually leave firms because the shareholders/partners don't overcome the attitude that the administrator is merely overhead. Many times an administrator is hired (or promoted) to tackle a particular problem or to initiate new procedures/systems, and once the systems implemented the administrator is replaced by a secretary or bookkeeper who can keep the systems running at less cost.

Administrators should be creative and proactive in helping set up their own compensation plan, which might include bonus dollars for expenses cut, extra vacation in lieu of dollars, CPE dollars, incentive money for new systems in place, etc.

The question is often asked about whether or not the administrator should be billable. Some factors to consider include whether or not the administrator has the firm on a solid foundation from an operational and management standpoint. Does the support staff work well together and do they have the communication and crisis handling skills necessary for the firm to run smoothly if the administrator is unavailable? The administration of the firm should be the first priority as it relieves the shareholders/partners of administrative work, freeing their time for billable work.

The administrator probably needs an assistant to handle the day-to-day operations if he is billable. Does the billable administrator have the professional demeanor, strong interpersonal skills, good planning and presentation skills, etc. necessary to work with the firm's clients?

Once the decision is made that the administrator is going to perform billable services for clients, those services need to be marketed and supported by the management group and shareholders/partners. Some areas of services for the administrator would include personnel consulting and hiring for clients, software training, personnel manuals, recruiting, administrative reviews, insurance analysis, equipment reviews, and/or computer consulting.

Effective time management is crucial to being a successful administrator. It is essential to make sure the administrator and the shareholders/partners are realistic about the administrator's availability to do this work and the priority it will take over the firm's internal requirements.

Survival in the world of CPA firm administration requires administrators to go beyond the original job description, continually update their skills and knowledge and be flexible to change within the firm. Often an administrator has met all the requirements and expectations and still feels there is no prospect for upward mobility. Administrators with continuing ambitions are qualified to move in many different directions - law firm administrator, engineering firm administrator, essentially any organization providing services. The skills developed as an administrator of a CPA firm allow administrators to manage many organizations that require flexibility, the ability to handle multiple priorities, good communication skills and the personality that provides answers instead of reasons that things go wrong.

SUPPORT & TRAINING

CONTINUING EDUCATION

The CPA firm environment changes so rapidly that continuing education is essential. The administrator must keep abreast of changes in technology, human resources and marketing trends. It may be advantageous to write a comprehensive Continuing Professional Education (CPE) policy for the firm, or to incorporate CPE requirements in job descriptions. For individuals at the administrator level, an annual educational budget, consistent with the upper management, would be reasonable. In some cases considerably higher commitments may be appropriate. Fortunately, there are numerous sources of continuing professional education resources. CPE resources that should be high on any administrator's list include:

AAA RESOURCES

Educational Programs

The AAA Natioanl Practice Management Conferences have something for everyone involved in accounting administration. From the high-level technical sessions to the smaller breakout sessions geared to specific problem-solving and information gatherings designed to facilitate networking and information exchange, AAA conferences and workshops provide needed education to those involved in the management and administration of a firm. These sessions are designed to enhance the professional skills of even the most experienced professional administrator through a wide variety of exceptional and timely educational programs led by successful professionals and experts from around the country.

A Resource Center and Knowledge Bank

AAA has resources that can assist professionals managing accounting practices and firms by streamlining administrative procedures and fine-tuning responsibilities. AAA has produced publications and maintains a web-based searchable database containing samples, survey results and more.

Chapter Programs

The AAA is structured as a network of local chapters throughout the country. All chapters hold regularly scheduled programs and events and many are active participants in individual state societies. The local chapter allows more frequent networking for administrators and has proven to be one of the most successful resources of the AAA.

COMMUNITY/LOCAL RESOURCES

Local Community College Courses

Many local community colleges provide classes in computer technology, interpersonal relationships, team building, time management and many other opportunities for increasing an administrator's expertise.

Networking

If there is no AAA Chapter in the local area, it would be beneficial to form a networking group by inviting other CPA firm administrators to meet regularly on an informal basis. This relaxed "give and take" approach can assist with problem solving and be a stress reducer as well as being profitable to those who participate.

Read! Read! Read!

Publications such as *CPA Practice Management Forum, Accounting Management and Administration Report, INSIDE Public Accounting, Accounting Today, The Journal of Accountancy, Accounting Technology, the AAA Report,* and other magazines, newsletters, and journals contain valuable information for people at all levels in accounting firms. While reading, be alert for announcements of other educational opportunities. AICPA and state society programs frequently offer practice management training aimed at shareholders/partners that could also be valuable to the administrator. Other local organizations, such as human resource groups, management societies, and marketing associations may offer programs that would be appropriate to administrators with responsibility in these areas. Shareholders/partners should monitor their mail for programs appropriate for the administrator and forward them to the administrator. Visit http://www.cpaadmin.org for a more inclusive list and subscription information.

Firm administrator training/CPE should be tailored to the responsibilities of the individual administrator. If, for example, the administrator has responsibility for technology, then significant CPE would be needed in this area. If the administrator is responsible for administration, personnel policies, etc., the administrator would need to keep current in these areas.

The role of the administrator changes as the firm evolves. The amount of CPE/training will need to reflect this. If the administrator is to assume additional responsibilities from the shareholders/partners, the firm should expect additional CPE will be needed to enable the administrator to competently handle those responsibilities.

LEVELS OF RESPONSIBILITY OF THE ADMINISTRATOR'S POSITION

Management involves firm-wide policy setting, problem solving and decision making. Implementation of these policies, decisions and solutions to problems comes under the heading of *administration*. As there are differences between firm management and firm administration, there is a disparity in the levels of responsibility for those engaged in firm management and firm administration.

The levels of CPA firm administration responsibility are generally included in one of three position descriptions:

Firm Administrator Level I
Firm Administrator Level II
Firm Administrator Level III

Firm administration and implementation dominate the responsibilities of the Level I administrator, while firm management and planning usually become major factors in the responsibilities of the Level II and Level III administrators.

While the managing partner has the ultimate responsibility for both administration and management, practically all the administrative workload and much of the management workload can be handled by the administrator. Because firm administration can include diverse responsibilities from routine clerical duties to being the firm's chief operating officer, it is impossible to define each position clearly and accurately.

The size of the firm, its organizational structure, and the multi-office vs. single office firm are only a few of the variables that determine the level of firm administrator needed. Of these factors, size is often the least important. The specific duties assigned to the administrator are more a function of the needs of the firm than the firm's size. The differences in job responsibilities between large and small CPA firms are generally of quantity rather than scope. The administrator in the small firm will have more "hands on" duties, while the administrator of a large firm may have an assistant and will have more supervisory responsibilities resulting in a higher percentage of delegation of duties.

Many of the responsibilities listed in the matrix (see Figure 1) overlap between levels. By completing the matrix, an administrator will have a better idea of where he falls within the level descriptions.

The following is a composite of these level descriptions:

Firm Administrator Level I: Administers the affairs of a CPA firm and reports to the managing partner or executive committee. Generally supervises or conducts the accounting function and exercises direct, day-to-day supervision over the administrative functions of the firm. May assist the managing partner in preparing budgets, and recommends changes in systems, major purchases, and personnel benefits. Involved with benefits administration, orientations, etc. Supervises secretarial, filing, and other support services, including copying, library filing, reception, telephone, fax, and messenger services. Generally conducts or assists in employment recruiting and interviews, trains new employees, allocates and assigns administrative work, and maintains personnel records. May purchase supplies, monitor client due dates, and administer staff benefits.

Firm Administrator Level II: Administers the affairs of a CPA firm and reports to the managing partner or executive committee. Meets regularly with the firm's shareholders/partners or executive committee. Formulates annual budgets; prepares and interprets management reports; approves allocated budgets for administrative staff, equipment and supplies; supervises all accounting functions and systems; negotiates for office space; maintains firm insurance; and has final responsibility and authority in administrative personnel matters including hiring, training, salary advancement, discipline and discharge. May supervise other administrative employees, such as office managers, supervisors of administrative services, secretaries, and librarians.

Firm Administrator Level III: Directs the administrative affairs of a CPA firm. Operates at the partner/principal level and reports to the managing partner or executive committee. Formalizes finance, personnel, and general administration policy. May recruit accountants and direct administrative personnel recruiting. Directs and supervises the firm's financial affairs. Supervises management data and reporting. Responsible for supervision of all administrative personnel and physical facilities. Is an ex-officio member of all committees, and attends all partner and executive committee meetings. Communicates partnership actions to partners not in attendance at partner meetings. Performs all controller functions, if firm does not have a controller, and oversees marketing matters, if the firm does not have a marketing director/coordinator.

The Level III administrator will be responsible for firm administration, support functions, non-CPA personnel, financial management, business planning and analysis, and systems management. The administrator will employ staff as necessary to ensure the adequate execution of these responsibilities and establish the duties and authorities of such subordinates.

Titles for any of these levels should be left to the discretion

of the firm. Some of these titles include firm administrator, director of operations, administrative partner, chief operating officer, office manager, administrative manager, etc.

Since all three levels are synonymous with firm administration, an administrator's duties may fluctuate with supervisory and/or "hands on" experience. Any one of the levels could be responsible for some or all firm administration, support functions, non-CPA personnel, financial management, business planning and analysis, and systems management. In any case, the administrator will employ staff (or assist with employment) necessary to ensure the adequate execution of these responsibilities and authorities of such subordinates.

THE FUNCTION/RESPONSIBILITY MATRIX

There is a strong analogy between the administrative function in all types of professional firms. The definition of the top position in the firm administrative hierarchy, as it appears in *Job Descriptions for Law Firms and Corporate Law Departments* by Altman Weil Pensa Publications, Inc., applies just as well to CPA firms.

> *The Administrator/Director of Administration will be responsible for firm administration, support functions, non-CPA personnel, financial management, business planning and analysis, and systems management. The Administrator will employ staff as necessary to ensure the adequate execution of these responsibilities and establish the duties and authorities of such subordinates. The purpose of this position is to free partners and other CPA's of as much administrative detail as possible, so as to increase the hours which CPA's can devote to client affairs, and to strengthen the firm's administrative team and provide backup and continuity for key administrative and operational functions. Routine daily functions shall be delegated to subordinates as appropriate.*

To further define the differences and reduce the misunderstandings about job responsibilities within a CPA firm, a matrix helps identify major functional areas and the level of involvement each of the three level descriptions may have in firm administration and management. The *Function/Responsibility Matrix* lists the three level descriptions, identifying whether that function/duty is the primary responsibility ("does it") or the supervising responsibility ("delegates it").

The matrix illustrates how the primary responsibility for facilities and general administration, for example, are usually found at the level I or may overlap with level II, while the level III administrators usually have supervisory responsibilities for facilities and general administration. Also, the matrix shows how in the areas of finance, and accounting, and strategic planning and goals, for example, the primary responsibility is usually the level III administrator. The level I and II administrator will often have minimal responsibility in these areas. Thus, the matrix indicates that those in levels II and III spend a high percentage of their time with management (problem solving, planning, policy setting, etc.) issues while the level I administrator spends a high percentage of his time with administration issues (implementation of solutions to problems, implementation of policies, etc.). The functions and/or responsibilities included in the matrix will vary among firms.

Obviously, the administrator may not fulfill all of these functions and his responsibilities may not be limited to these functions. However, they serve as guidelines for determining what responsibilities the administrator should have in a particular firm. It is important that the firm takes advantage of the administrator's strengths and attempts to utilize them in order to meet its needs.

It is doubtful that a firm will find the perfect administrator, so it is important that the administrator's major strong points be given greater consideration than minor negative details. It is also important that the administrator's skills, regardless of level description, be compatible with the firm's priorities.

Finally, the role each administrator plays is unique, based both on the specific needs of the firm and on the skills the administrator brings to the job. There is no stereo typical mold from which administrators are shaped.

See **The Function/Responsibility Matrix,** beginning page 16.

TECHNOLOGY MANAGEMENT

Administrators are often involved in the technology decisions within the firm as technology impacts virtually every part of the practice. Depending on the size of the firm, the number of support personnel, and the complexity of the environment, the responsibilities can range from overseeing a technical support department to providing actual hands-on maintenance to end users.

At the owner level, Level III firm administrators would be responsible for implementing the firm's technology plan and budget. Activities would include attending management training on how technology will impact the various departments of the firm and delegating exploration of the various options to members of the technology team. The higher level administrator will probably work closely with the managing partner to implement the "vision" of what the firm can become. This person usually oversees the internal technology team, hires and reviews technical personnel, and supervises implementation of technical initiatives.

Administrators usually work with the managing partner to monitor progress of the firm's technical initiatives. They work with the technology team and oversee the preparation of the firm's technology plan and budget and work as a member of the team to implement administrative initiatives. They are frequently responsible for interviewing and selecting technology personnel under the direction of the managing partner. Administrators may create and enforce computer policies and procedures as well as the management of the practice management system. They may be responsible for monitoring the business continuation plan, become involved with evaluating administrative software and equipment, and oversee the training function within the firm.

Administrators may be involved with accumulating the information for the preparation of the firm's technology plan and budget and work with management to monitor progress. They are usually responsible for determining software requirements for vendors. In most firms, administrators are responsible for the practice management function to ensure that timesheets and expense reports are prepared on a timely basis and that billings go out on time. They are often responsible for training administrative staff and hiring outside training resources.

The administrator works with administrative personnel to determine requirements for administrative software applications. They may be responsible for making backups and seeing that they are stored offsite. Administrators may be responsible for training administrative personnel on software applications and providing basic help-desk support for administrative staff.

COMPENSATION

The theories and practices of compensation are no different when it comes to administrators than any other position within the accounting firm. Similar to any other position, there must be a review of the actual duties as opposed to the "title" of the position. The management of an accounting firm has several specific steps to take to ensure that the pay structure for this position is internally equitable and externally competitive.

Step One

Identify the specific job expectations and duties of the administrator's position. Throughout this publication, the wide range of potential areas of responsibility and authority for administrators can be seen. The management of the accounting firm must step back and review these specific duties and job expectations to ensure that all shareholders/partners are in agreement with the responsibility and authority they are requiring of this position. It is at this point that a formal job description needs to be drafted identifying the specific objective, duties, responsibilities and authority of the position. This job description must then be evaluated by the shareholders/partners—especially the managing partner—and reviewed with the prospective administrator.

Step Two

Once the job description for the administrator has been drafted and agreement has been reached regarding the responsibilities, management must assess the market to determine comparisons for external pay rates. Specific information can be obtained from several sources:

- The AAA maintains current data on file at its National Office in Dayton, Ohio. Likewise, they cooperate with other societies and chapters in producing an annual salary survey.

Many publications conduct an annual salary survey which can be obtained from various sources.

- Specific AAA Chapters conduct their own salary and benefit surveys.
- Specific AAA members throughout the country have an expertise in the field of human resources and compensation. It would be beneficial to seek these members using the AAA's National Office in Ohio.

Step Three

Consistent with any other position within the firm, you'll want to pay the administrator within a salary range as determined in Step Two. In Step Two, the average salary in a specific market was found. For example, if the average salary was $100,000, establish a range of $80,000 as the minimum, $100,000 as the midpoint, and $120,000 as the maximum. This is using a 50% spread from minimum to maximum.

Formula:
(1) Identify spread
(2) Multiply midpoint by 2
(3) Divide by 2.spread (i.e. 2.5 for 50%) = minimum
(4) Minimum x 1.spread (i.e. 1.5 for 50%) = maximum

It is imperative to take a step back and evaluate the relative position and impact that this administrator salary range has with the other positions within the firm. Again, this is consistent with the level of responsibilities that is discussed in this publication and consistent with the matrix that is found in Figure 1.

The range is important for any given position so that the incumbent has room to grow as he progresses in performance over the years. This enables not only a merit increase, but also a movement upwards as he gains more expertise in the given position—with the goal of paying at the midpoint for a person who is performing the job in a 100% competent fashion.

Step Four

Benefits and prequisites are areas that must also be considered when evaluating the "total compensation" that is attributed to the administrator's contribution. The management of the firm must again evaluate the specific role that this position is to play within the firm and attribute benefits and perquisites consistent with the role and the market. It would be difficult for this book to identify given listings of benefits and perquisites insofar as they must be identified with the job duties, responsibilities and relative importance that the management places on this position — which varies between accoutning firms. (Guidance may be found by referencing AAA's annual salary survey). Consistent with Step Three above, management may wish to make use of the surveys mentioned and evaluate the need for specific areas: i.e., insurance, car allowance, pension programs/profit sharing, parking, memberships, etc.

In summary, management must keep focused on primary objectives. These are establishing the specific duties and responsibilities of the administrator's position within the firm, documenting the specific duties and authority and responsibilities, and then ensuring the pay level is consistent with the internal structure. The prime objective as stated above is to ensure that the system, and the compensation level for the administrator is internally equitable and externally competitive.

CONCLUSION

The management of a CPA firm is a complex project. This guide has attempted to provide the reader with a broad understanding of the scope of responsibilities and the qualifications of the person who undertakes the challenge.

The role of the administrator is different from one firm to another, depending upon the needs of the firm and the desired career path of the administrator. Regardless of the firm size or the specific job description of the administrator, there are some traits that are common among successful administrators. These individuals work for the firm 24 hours a day. When they are at home, they are thinking about the firm . . the time and billing software decisions; how to improve the morale of the staff during tax season; where to find additional desk space in an already crowded office. Administrators are flexible. The administrator goes from the critical decisions that need to be made in every firm to the minute details that could be easily overlooked. The firm is the client of the administrator. They function in a "servant" capacity because servant leadership is the strongest form of true leadership.

There is an opportunity for individuals in this position to develop personal skills and new interests. Some administrators spend more time in the area of human resources, others in firm financial management and long-range planning, and others in technology management. Very few professions provide the wide range of specialization that is possible in today's CPA firm. CPA firm administration is not for the weak-hearted. Strong leadership skills are a requirement. The ability to think beyond the immediate; the desire to initiate and monitor change . . . to be a pivotal person in the firm; the common sense to attack a problem with calmness and a sense of direction . . . these are characteristics of a good administrator.

Firm administration is a challenge, but a good CPA firm administrator thrives on challenge. The rewards are realized as the firm grows its client base and develops leaders among its staff.

AAA's FUNCTION RESPONSIBILITY MATRIX

Please complete by circling whether you supervise or perform the task. If you do neither, please leave the item blank. If you perform the task and no one supervises you, please circle the supervise number.

1.0	FACILITIES	Supervise	Perform
1.01	Maintain integrity/appearance of office and physical operation of the facility	6	5
1.02	Plan for expansions including analysis of space utilization and resulting recommendations	6	5
1.03	Negotiate office lease or purchase for approval by partners including maintaining records	6	5
1.04	Coordinate office moves/relocations	6	5
1.05	Select, purchase and coordinate furniture and accessories	2	1
1.06	Make office assignments	4	3
1.07	Establish and maintain physical security for firm	4	3
1.08	Office maintenance and repair	2	1
1.09	Negotiate operating equipment leases and purchases including maintaining records	4	3
1.10	Maintain libraries and reference materials	2	1
1.11	Oversee and manage tenants/subtenants	6	5
1.12	Provide recommendations for the use of office space and equipment	6	5
	Totals		

2.0	FINANCE & ACCOUNTING	Supervise	Perform
2.01	Approve all accounts payable	4	3
2.02	Approve expense reports	4	3
2.03	Authorize disbursements below $XXX	4	3
2.04	Sign disbursement checks		6
2.05	Sign payable checks		6
2.06	Establish billing rates for all staff	4	3
2.07	Coordinate time and billing system	2	1
2.08	Authorize client billing write-downs over $XXX	4	3
2.09	Process billings to clients	2	1
2.10	Approve billings and ensure timely billings to clients	4	3
2.11	Collection of accounts receivable	4	3
2.12	Develop and maintain budgets and forecasts	6	5
2.13	Prepare firm's financial statements	6	5
2.14	Review firm's financial statements		6
2.15	Prepare (or have prepared) firm's tax returns	6	5
2.16	Review firm's tax returns		6
2.17	Maintain cash flow and cash position	6	5
2.18	Compute and prepare periodic draws for partners	6	5

2.0	FINANCE & ACCOUNTING continued	Supervise	Perform
2.19	Determine annual capital requirements	6	5
2.20	Arrange/handle firm's financing as required	6	5
	Totals		

3.0	GENERAL ADMINISTRATION	Supervise	Perform
3.01	Control all firm filing/recordkeeping systems	2	1
3.02	Develop firm's record retention policies	4	3
3.03	Develop procedures for administrative functions within the firm	4	3
3.04	Review and recommend improvements for administrative systems and forms	4	3
3.05	Direct activities of clerical/secretarial staff	4	3
3.06	Provide for the operation and maintenance of all equipment (telephones, voice mail, computers)	4	3
3.07	Assure adequate forms and office supplies are available	2	1
3.08	Standardize office procedures, systems and forms	4	3
3.09	Distribution of all mail	2	1
3.10	Enforce firm's office hours	4	3
3.11	Plan employee special function(s)	2	1
3.12	Maintain the firm's reference manuals	4	3
3.13	Relieve partners of all possible administrative duties/responsibilities	4	3
3.14	Schedule and assist with all partner meetings and retreats	4	3
3.15	Serve as a member of relevant committees within the firm		6
3.16	Stay abreast of trends in office automation/ technology and recommend improvements to existing systems, etc.		6
	Totals		

4.0	BENEFITS & INSURANCE	Supervise	Perform
4.01	Establish firm's insurance needs:		
	Hospitalization	6	5
	Disability	6	5
	General Business or Property and Casualty	6	5
	Workers Compensation	6	5
	Professional liability	6	5
4.02	Obtain annual bids and provide recommendations for:		
	Hospitalization	6	5
	Disability	6	5
	General	6	5
	Professional liability	6	5
4.03	Evaluate annual bids and packaging options for insurance	6	5
4.04	Ensure all coverages are adequate and up-to-date	6	5
4.05	Maintain all insurance policies and evidences of coverage	2	1
4.06	Administer cafeteria plans	6	5

4.0	BENEFITS & INSURANCE continued	Supervise	Perform
4.07	Administer retirement plans	6	5
	Totals		

5.0	PERSONNEL/HUMAN RESOURCES	Supervise	Perform
5.01	Develop and maintain job descriptions for all personnel	4	3
5.02	Maintain personnel files	2	1
5.03	Determine staffing requirements for all administrative functions	4	3
5.04	Conduct administrative staff meetings on a regular basis	4	3
5.05	Hire, fire and evaluate all administrative staff including conducting annual and/or semi-annual review meetings	5	6
5.06	Monitor productivity of administrative staff	4	3
5.07	Establish/maintain contacts with universities and other employment sources	6	5
5.08	Plan annual recruiting efforts for firm including school assignments, etc.	4	3
5.09	Coordinate on-campus recruiting activities	2	1
5.10	Conduct campus and/or office interviews	4	3
5.11	Develop and provide all materials and information needed by partners for annual staff reviews	4	3
5.12	Schedule meetings for purposes of annual staff review by partners	2	1
5.13	Propose competitive compensatory increase guidelines to partners for annual staff reviews	4	3
5.14	Assist with development of staff career path objectives	6	5
5.15	Conduct accounting/auditing/tax staff performance reviews	6	5
5.16	Hire, fire and evaluate accounting/auditing/tax staff	6	5
5.17	Supervise and/or assist with staff scheduling	2	1
5.18	Develop and maintain upward evaluation system	6	5
5.19	Orientation of all new employees	4	3
5.20	Develop, maintain and interprete personnel policies for staff	4	3
5.21	Maintain and administer all insurance and other employee-related forms and applications	4	3
5.22	Administer employee benefit programs	4	3
5.23	Maintain a file of resumes	2	1
5.24	Maintain personnel manual in accordance with applicable employment laws and guidelines, update personnel policies, etc.	4	3
	Totals		

6.0	PRACTICE DEVELOPMENT AND PUBLIC RELATIONS	Supervise	Perform
6.01	Coordinate dissemination of news releases, etc.	2	1
6.02	Coordinate and/or publish firm's newsletter for clients and prospects	6	5
6.03	Track speeches, articles and other practice development activities	2	1
6.04	Coordinate and track mailing to prospective clients	2	1
6.05	Determine extent and type of public relations activities	6	5
6.06	Maintain firm's thank you/gift lists	2	1

6.0	PRACTICE DEVELOPMENT AND PUBLIC RELATIONS continued	Supervise	Perform
6.07	Coordinate firm's public relations and marketing efforts (yellow page ads, etc.)	4	3
6.08	Coordinate client seminars and in-house tours or open houses	2	1
6.09	Determine extent of partners/staff involvement with professional and civic organizations	4	3
6.10	Develop and maintain a coordinated firm image for firm's printed materials and other related needs	6	5
6.11	Develop promotional materials (brochures, booklets, etc.)	5	3
6.12	Work with outside consultants/agencies to develop promotional materials	5	3
	Totals		

7.0	PRACTICE MANAGEMENT AND MANAGEMENT REPORTS	Supervise	Perform
7.01	Coordinate the recording and distribution of the minutes of all partner meetings	4	3
7.02	Maintain a close, direct working relationship with the managing partner	4	3
7.03	Maintain all management records including partnership agreement, partner retirement agreements, etc.	4	3
7.04	Assist with annual review of partners' performance	6	5
7.05	Review of expense reports for accuracy, receipt substantiation and propriety	4	3
7.06	Determine the firm's personnel requirements	6	5
7.07	Develop and maintain practice management reports (time, expense, etc.)	4	3
7.08	Maintain leave status reports including vacation, sick and personal leave, etc.	2	1
7.09	Maintain monthly record of all staff billable vs. non-billable hours (percentages, etc.)	2	1
7.10	Develop and maintain practice management input forms/sheets (new client set ups, additions, deletions, etc.)	4	3
7.11	Maintain internal and external practice management systems including client engagement, expense and work service codes	2	1
7.12	Prepare client billings	4	3
7.13	Identify and analyze firm's most and least profitable clients	6	5
7.14	Analyze all periodic firm-wide reports	4	3
7.15	Monitor client due date lists to ensure all work is completed in a timely manner	2	1
	Totals		

8.0	QUALITY CONTROL AND CONTINUING PROFESSIONAL EDUCATION	Supervise	Perform
8.01	Develop and maintain firm's quality control manual	4	3
8.02	Develop, revise and maintain all internal quality control forms	4	3
8.03	Maintain all records in accordance with peer review and other quality standards	4	3
8.04	Coordinate and track CPE scheduling and expenditures	4	3
8.05	Coordinate selection of CPE with long-term professional development plans for each staff member	4	3

8.0	QUALITY CONTROL AND CONTINUING PROFESSIONAL EDUCATION continued	Supervise	Perform
8.06	Plan in-house professional development	5	3
8.07	Coordinate CPE travel, course registrations, and other arrangements	2	1
8.08	Maintain required CPE records for internal and external meetings, seminars, courses, workshops, etc.	2	1
8.09	Report to appropriate state licensing authority and professional associations as needed	2	1
8.10	Coordinate client orientation of firm's policies (billing, collection, credit, etc.)	4	3
8.11	Coordinate criteria for client acceptance and retention	6	5
8.12	Develop and conduct annual client satisfaction survey	4	3
8.13	Determine when appropriate and assist with dismissal of clients	6	5
	Totals		

9.0	SCHEDULING AND PRODUCTION CONTROL	Supervise	Perform
9.01	Schedule and approve personal time and vacation of all employees	2	1
9.02	Arrange and coordinate staff meetings and technical sessions	2	1
9.03	Schedule all clerical and administrative personnel	2	1
9.04	Schedule accounting/auditing/tax personnel	4	3
9.05	Supervise paraprofessional/bookkeeping services department	4	3
9.06	Develop and publish firm's annual calendar (partner meetings, all firm functions, outings, etc.)	2	1
9.07	Schedule and plan annual partners' meetings/retreats	4	3
9.08	Develop system which ensures timely completion and delivery of all clients' reports, tax returns, etc.	2	1
9.09	Communicate deadline and workload conflicts to managers and partners	4	3
	Totals		

10.0	STRATEGIC PLANNING AND GOALS	Supervise	Perform
10.01	Develop staff projections with senior management	4	3
10.02	Develop facilities plans to accommodate growth	4	3
10.03	Establish specific annual goals for the firm	6	5
10.04	Develop procedures for long range planning and participate in development of long range plans	6	5
10.05	Supervise progress in achievement of firm's goals	4	3
10.06	Develop forecasts and budgets for future planned growth	6	5
10.07	Determine matter in which firm members donate time to community	4	3
10.08	Develop and monitor personal and professional goals and training for the administrative staff	2	1
10.09	Assist with the development of the accounting/ auditing/tax staff's personal and professional goals and monitor progress	4	3
10.10	Foster communication among all firm personnel facilitating their understanding of the firm's plans and goals	2	1
10.12	Propose/investigate acquisition or merger opportunities	6	5
10.13	Assist partners with development of personal and professional goals	6	5
	Totals		

11.0	TECHNOLOGY	Supervise	Perform
11.01	Act as technology visionary for firm	6	5
11.02	Prepare technology plan and budget	6	5
11.03	Develop and oversee business continuation plans	4	3
11.04	Evaluate and analyze hardware and/or software requirements in conjunction with IT and departmental personnel	6	5
11.05	Specify, recommend, or purchase administrative hardware and software	4	3
11.06	Provide training for administrative software applications to new personnel	4	3
11.07	Oversee information technology department and personnel, including hiring/ evaluations	6	5
11.08	Oversee training function including hiring/evaluation of training coordinator	4	3
11.09	Write and enforce computer policies and procedures	4	3
11.10	Oversee practice management system	4	3
11.11	Annually review contracts for wireless connectivity and Internet broadband.	4	3
11.12	Verify that backups are made, tested regularly and stored offsite	2	1
	Totals		

12.0	OTHER Please list additional items. (Assign scores between 1 (low firm priority) and 6 (high firm priority).	Supervise	Perform
12.01	Leadership in professional CPA organizations	6	5
12.02	Author of articles for accounting industry publications	6	5
12.03	Giving speeches related to CPA administration	6	5
12.04	Hiring personnel for clients	6	5
12.05			
12.06			
12.07			
12.08			
12.09			
12.10			
12.11			
12.12			
12.13			
12.14			
12.15			
12.16			
12.17			
12.18			
12.19			
12.20			
12.21			
12.22			
	Totals		
	Total for the matrix		

Administrator Level I = Less than 275 points
Administrator Level II = 276 to 475 points
Administrator Level III = 476 or more points

MULTIPLE OFFICE AND REMOTE LOCATIONS

Multi-Office and Remote Locations

There are many factors involved in operating a firm with multiple locations which today includes remote users working from client sites, their homes, and from any location where they can get a secured Internet connection and access to the firm's resources. Technology has had a significant impact on how people, information and applications can be managed, causing firms to re-think the most effective ways to optimize these resources, which is often the responsibility of today's firm administrator. Virtually "ubiquitous" Internet connectivity impacts the firm's management, communications, and technology decisions and has created opportunities to transition from the traditional decentralized environment to a more centralized operating environment where all firm data is consolidated. While all of this information can be accessed centrally by anyone authorized to do so, the lines are blurring as to where this information physically resides, whether it is in one physical location managed by the firm, a hosted application service provider on the Internet, or a combination of both.

Decentralized Firms: Multi-office firms traditionally worked in a decentralized environment where new offices were opened or other practices acquired, bringing with them their own processes and network infrastructure to work autonomously. This environment traditionally worked well for CPA firms where the partners in each office were responsible for all production and performance and were rewarded accordingly. With limited sharing of staff and expensive connectivity, each office acted independently but shared administrative functions such as financial reporting, marketing, human resources and payroll. In this environment, firm administrators are often challenged to work with the individual cultures of each office that are dictated by the management of those offices. Some firms still function successfully as a conglomeration of independent locations, but most are finding that in addition to centralizing administrative functions, that the firm can be even more effective by consolidating applications and support resources, that will allow them to manage from a firmwide perspective, which provides efficiencies that create a competitive advantage.

Centralized Firms: Most firms are finding that personnel costs are their largest expense and that it is critical to maximize this resource regardless of where that person may reside. Centralizing practice management and providing real time access to production information not only allows each office to manage their own people, but also allows firmwide management to monitor performance in a near real-time basis. Core applications such as Practice Management and Firm Email/Productivity are traditionally the first applications to be centralized which is done using either Virtual Private Networking or remote access technologies such as Citrix, Windows Terminal Server, or remote access to individual workstations. The next applications to be centralized tend to be Tax and Audit production, which also include document management and workflow capabilities. While audit data must be capable of being checked out to local workstations, all data can be centrally synchronized.

Communications: Successful multi-office firms rely on efficient and reliable communications systems which includes telephone, email, instant messaging, and collaborative tools such as intranets and portals.

- *Telephone and Voicemail:* The telephone continues to be an important tool for both intra office and interoffice communications and today's Voice Over Internet Protocol (VOIP) systems allow individuals in any office to connect to other firm employees extensions as if all personnel were in one location. An evolving technology known as "soft" phones allow individuals to take their handset with them and connect to the firm's phone system anywhere they have an Internet connection and many of today's phone systems can be configured to forward calls and voice mail messages to a mobile phone, which has become prevalent for all management personnel and most staff with direct client responsibility. Mobile phones with integrated Internet connectivity can be utilized to access the firm's resources for checking email and voice mail, or act as an Internet "tether" to provide these capabilities to a laptop. Telephone service plans are now consolidating costs for local, long distance, and toll free usage, as well as wireless and Internet connectivity. It is the responsibility of the firm administrator to be aware of telephone technologies and evaluate the costs for both the equipment and the services at least every other year to take advantage of current and stable technologies that optimize voice communications.

- *Email/Instant Messaging:* Email has become an irreplaceable management tool to allow personnel to communicate and transfer information in a near real-time basis. In most firms it is integrated with their Contacts, Calendars, and Tasks, so it is the Firm Administrator's responsibility to make sure that all personnel are trained extensively on using its features,

as well as understanding proper usage and etiquette, which should be part of a formal computer and Internet usage policy. All technology policies must be reviewed annually to take into account evolving technologies which allow access to firm email such that the access is authorized and secure including remote access via home computers, laptops in the field, smart phones, or other remote terminals. Many firms also allow Instant Messaging (IM) between firm members as it has been shown to be an effective firm communication tool, but have found that allowing instant messaging connectivity to people outside of the firm has impacted productivity negatively.

- *Collaborative Tools:* Multi-Office firms traditionally used interoffice envelopes to transfer information physically to the central office which had a cost associated with delivery as well as an issue with timeliness, which has been almost completely replaced by digital means. Email and digital fax have replaced most inter-office deliveries as documents can be scanned in and delivered within seconds to the central location in a digital format that can be quickly routed to the appropriate person in a digital format. Email with attachments is the most prevalent tool utilized by firms for transferring files but there are concerns about the security of email, particularly for client communications, so many firms are setting up Internet portals or using the collaboration features of their intranet. Intranet technology has become much more robust allowing for information and workflows to be integrated into applications such as Practice Management and Contact Management, so it is important for firm administrators to be aware of these tools and promote standardized usage. Most document management systems today have an integrated portal feature that allows both employees and clients to move documents securely and with an audit trail, which is ideal for managing administrative functions such as firm financial data, human resources, payroll, and internal accounting as well.

Firm Financial, Managerial and Operational Considerations

Firmwide financial information should be centralized, but at the same time provide individual financial reports for each office to monitor their revenue and expenses. All financial reports should be archived electronically in a secure digital "drawer" on the firm's network so that they are available to all authorized users. Some accounting systems also allow direct access into the firm's accounting system, similar to how individual's access practice management information. Most of these accounting applications can be set up to give owners and managers "view-only" access and some accounting products allow them to "drill down" to not only a specific source document within the financial statement, but also to see an attached image of the scanned invoice, credit card charge or journal entry. These source documents can also be setup to be searched and reviewed through the firm's document management system.

Each office will require their own petty cash account, but in most cases, payments can be made via credit card that is managed centrally or by sending invoices digitally to the central office for payment. Checking accounts that have traditionally been set up locally for depositing client payments can now be centralized with many firms going to remote deposit which allows each office to scan checks and have them digitally deposited or to utilize a central lockbox where all payments are handled in one location.

Today's Practice Management products can handle any number of personnel in a centralized environment and it is imperative that the Firm Administrator drive it's effective utilization including the promotion of daily time entry, release and posting, which will allow for real-time billing, collections and analysis, which can be optimized with daily alerts, dashboards and understanding the reporting that is available.

From a personnel perspective, all human resources and payroll files should be managed centrally and employee orientation should be done in one location whenever feasible. Hiring, reviews, termination and handling personnel issues should be a joint effort between the central and satellite offices. This process shows consistency on how people are treated. It is also a good idea to have personnel from the central office travel to the satellite offices when possible or communicate via telephone or video conferencing to improve communications and offer personnel attention to address staff's concerns.

Information Technology Infrastructure and Support

It is imperative for multi-office firms to have real-time connectivity available at all times, particularly for access to all firmwide applications. Firm Administrators should re-evaluate Internet connectivity contracts at least every other year as new providers are constantly entering the market driving down the costs. With such reliance on the Internet for connectivity, it is important for firms to have a redundant Internet connection that is on a different Internet backbone whenever feasible. By connecting these at least two providers through a dual broadband router, the firm will have redundant reliability to communicate with the firm's central infrastructure.

Providing support in a multi-office environment can be challenging from both a technical and personal perspective. By centralizing all servers, information technology personnel can be located centrally, which is usually a combination of internal

personnel doing maintenance and providing support, as well as external network integrators that can provide higher level and specialized implementations which internal personnel may not have experience with. Centralization reduces licensing fees for software, reduces the cost of hardware and maintenance in each office, and allows the firm to centralize their backup procedures. Firm data is much more precious than applications (which can be easily re-installed) or hardware (which can be easily replaced).

Firm Administrators are often charged with the task of overseeing the technology budget, directing the IT support staff, and ensuring that proper training is available, which is more challenging in a multi-office environment. Developing a firmwide IT budget that includes all hardware, applications and services, broken out by each office and an integrated strategic plan will allow the Firm Administrator to monitor the firm's overall technology initiatives

ELEMENTS OF AN EFFECTIVE COMPENSATION PROGRAM

The issue of compensation comes to the forefront when speaking of administrator levels described in this guide. The handling of wage and salary issues relative to these types of positions should be no different than you would practice and employ in your firm wide operations as you address the issue of performance, salary administration, and equity. The elements of a sound compensation program evolve around 10 basic steps:

- Policy Statement
- Objectives for Salary Administration
- Organizational Alignment Established
- Documented Job Descriptions
- Internal Evaluation of Each Position
- Development of Salary Ranges
- Performance Appraisal
- Merit Guide to Pay for Performance Ensuring Internal Equity
- Integration with Benefits Package
- Incentive Programs—Going Beyond the Basic "Wage Paid"

POLICY STATEMENT

As with the other issues impacting firm operations, there should be a short succinct statement of the philosophy your firm intends to employ relative to wage and salary administration. The following is one such statement that is currently in operation in several accounting firms:

> *The policy stated herein shall apply to all departments within this accounting firm. It shall be administered without distinction among employees because of race, creed, color, nationality, religion, age or sex.*
>
> *In the interest of maintaining an adequate and efficient staff of trained personnel, ensuring necessary additions and replacements, and confining training costs to a minimum, the accounting firm shall, in addition to other incentives, continue to pay wages and/or salaries to their employees equal to or above the average of like businesses in the immediate geographic area where the individual employee's work activities are performed, especially with regard to those falling within the so-called professional, administrative, and executive categories.*

"Communication" is an important aspect in a salary administration program and each employee should understand how the salary policy applies to him. It is included in the orientation procedure of the human resource department, but must be explained and repeated by the supervisors of the employee. Any breakdown in the communications or misunderstanding can defeat the purpose of the entire program. Each employee is entitled to know his grade, the salary range within that grade, and the progress within the grade he can expect based on his performance.

OBJECTIVES FOR SALARY ADMINISTRATION

The fundamental objective of a salary administration plan is to ensure that employees are paid in relation to the value of the work they perform. This will mean the accounting firm receives a fair return on its salary investment and the individual employee a fair return on his ability and effort. The specific objectives of any plan should be:

1. To pay competitive salaries as a basis for attracting superior people and motivating them to do their best.
2. To establish and maintain a logical, consistent scheme of value relationships between positions which reflect objective analysis of the division of responsibility.
3. To pay the individual fairly according to his relative contribution to the effectiveness of operations, the objective of measurement of which is considered to be the relative value of the work each individual performs and the results he achieves.
4. To establish and maintain a competitively sound structure; one that provides strong inducement to individuals to advance and assume greater responsibilities.
5. To establish and maintain salary ranges for the respective salary grades which afford ample latitude for recognizing and rewarding performance improvement and superior performance. To establish and maintain logical

earnings relationships between supervisors and their subordinates.

6. Maintain a competitive compensation structure—one that recognizes that wage and salary structures are subject to various economic pressures such as inflation, salaries of other companies, and the profitability of the accounting firm.

7. Recognize meaningful differentials in compensation between individuals performing at significantly different levels and administrator adjustments in a manner to create and maintain these differentials.

8. Comply fully with provisions of all government regulations regarding compensation.

9. Plan and implement all compensation expenditures through the budget system.

10. Communicate to all employees the compensation policy and the methods of administering this policy.

ORGANIZATIONAL ALIGNMENT ESTABLISHED

The compensation program requires the need for a clearly defined organizational structure, which allows each employee to understand his relative supervisory relationship.

DOCUMENTED JOB DESCRIPTIONS

The advantages of having carefully prepared, properly used job descriptions should be obvious to anyone in management. The benefits are as follows:

1. Job descriptions clarify who is responsible for what within the firm. They also help define the relationships between departments, etc. When used to advantage, they can settle grievances, prevent conflicts from occuring, and improve communication.

2. Job descriptions help the individual understand the responsibilities of the position. This not only enables the employee to assess the relative importance of everything he is accountable for, but also provides a sense of where the job fits into the large responsibilities of the accounting firm as a whole.

3. Job descriptions are helpful to job applicants, to employees, to supervisors, and to human resource staff at every stage in the employment relationship, from recruitment to retirement. They provide information about the knowledge, training, education, and skills needed for each job. They prevent misunderstandings by telling employees what they need to know about their jobs. They can guide a new employee who may have forgotten or misunderstood some aspect of the job, or a supervisor who may think the new hire doesn't fully understand the job. Best of all, they provide this information in a completely objective, impersonal way.

4. Job descriptions help management analyze and improve an accounting firm's structure. They reveal whether an accounting firm's responsibilities are adequately covered, and where these responsibilities should be reallocated to achieve a better balance.

5. Accurate job descriptions provide a basis for job evaluation, wage and salary surveys, and an equitable wage and salary structure. (Job descriptions can be used to either support or discredit comparable worth and other job description complaints, and it is for this reason they should only reflect the truth about the job in question.)

Despite these and many other potential benefits, job descriptions have traditionally had a poor reputation among managers and supervisors. Even companies that have spent a great deal of time and money preparing job descriptions often end up ignoring them.

"Job descriptions? Sure we have them. They are in the bottom drawer of that filing cabinet with the big stack of books in front of it."

Such an attitude is more prevalent than most of us would like to think.

How are job descriptions used? One reason many organizations have job descriptions, but don't use them is that they simply aren't aware of the many uses for such documents. Many employers think of job descriptions only in terms of wage and salary administration, or as a necessary evil when it comes to complying with certain employment laws. But these are only two of the many practical uses of job descriptions, most of which can be grouped under one of the following four headings.

1. Personnel Administration
   - Manpower planning
   - Recruiting and screening
   - Hiring and placement
   - Orientation
   - Training and development
   - Career ladders

2. Wage and Salary administration
   - Job evaluation
   - Job classification
   - Wage and salary surveys
   - Pay structure

Performance appraisal

3. Legal Compliance
   - Fair Labor Standards Act
   - Equal Pay Act
   - Title VII of the Civil Rights Act of 1964
   - Occupational Safety and Health Act
   - Age Discrimination in Employment Act
   - Employment Security Act
   - American Disabilities Act

4. Collective Bargaining

INTERNAL EVALUATION OF EACH POSITION

Salary administration is still coming of age in the accounting industry. It will be some time before our industry begins evaluating the job content of each position to adequately and systematically weigh the positions internally against one another to properly compensate the positions for their relative value in relation to other positions in the firm.

By definition, job evaluation is a consistent, logical and equitable analysis and measurement of job responsibilities and duties. The emphasis is put on a job to minimize the impact of the qualifications of the employee presently occupying the job. The objectives of job evaluation are to:

1. Eliminate or decrease wage and salary inequities to reduce complaints by employees of inequitable pay rates.
2. Provide accurate data for hiring employees.
3. Assist supervisors in determining which employees qualify for promotion.
4. Determine whether employees are qualified for their present positions.
5. Help train supervisors to counsel employees in order to improve job performance.

To introduce properly a job evaluation program, it is important that the details and objectives be communicated first to the managerial and supervisory group and then to the employees whose positions will be evaluated. Communications should be written and should carry the endorsement of senior management.

There are various types of evaluation plans and systems in use among non-accounting industries that could be adapted to accounting firms. The most popular type of plan is the point factor technique, followed by the ranking factor comparison, and lastly by a combination of these techniques.

DEVELOPMENT OF SALARY RANGES

Although more is heard about the salary range when discussing external comparisons of each position, it is imperative to identify the need for the establishment of a salary range. This concept is relatively new to the accounting profession, having come into common use in the last ten years. The salary range allows an employee to progress systematically within a predetermined salary range. Usually a new employee starts at the minimum of the pay range for which the job is identified. Depending upon the type of plan utilized, he advances in pay within the range on either a merit increase or an automatic increase basis to the midpoint of the range. The midpoint is usually considered as a "going rate" for the job and is indicative of normal or standard performance by the employee. Increases above the midpoint, are awarded to those capable of doing above standard work.

In the case of salary positions, increases are usually given not automatically, but on an individual performance basis unrelated to length of service. To assist in awarding merit increases, some accounting firms utilize *step-rates*. *Step rates* are fixed, equal increments within the range. The disadvantage of this type of plan is that it tends to standardize the amount of increase awarded and to underplay the individual performance of an employee. For example, an employee's performance might be judged to be worth a $1,500 increase, but the most he could receive would be a $1,000 increase. In this sense, it is rather inflexible.

The width of the rate range in salary positions will vary in proportion to which performance differentials are possible. In the case of administrative staff, i.e., receptionists, file clerks, etc., the opportunity to demonstrate performance may be limited. On the other hand, in the case of a department manager who has responsibility for delegating work to subordinates, training new employees, meeting department goals, and maintaining standards of quality and quantity, the opportunity for demonstrating performance is much broader. Wage and salary administration suggests that the width of the range for varying kinds of jobs should be as follows:

Administrative - 35%
Management - 40%

The objectives for establishing a pay structure are to maintain competitive rates of pay and to maintain differentials between jobs within the accounting firm. The latter is often called internal equity.

Job evaluation, which has already been discussed, has its objective: establishment of proper job differentials. The next step is to analyze and apply competitive pay rates to these jobs, referred to as external competitiveness.

INTERNAL EVALUATION OF EACH POSITION

The approach usually taken is to make a wage or salary survey of the accounting firm's industry and area of operation by benchmark jobs. Benchmark jobs are those that are similar enough in content to allow same industry comparisons. In making a survey of this type, it is very important that the comparison be made not on the basis of job title alone, but on careful consideration of job responsibilities as well.

There are many wage and salary surveys available. It is the practice of the Association for Accounting Administration, as well as specific AAA chapters, to conduct surveys on a periodic basis. Some accounting firms do their own surveys as they feel the need for such information. In any survey, certain basic procedures result in the most valid findings.

In surveying hourly pay rates, it is best to analyze these rates on a localized or metropolitan basis, because they tend to be determined in this manner. The same would be true with nonexempt salary rates. In the case of exempt salary rate and managerial surveys, however, care must be taken to determine the impact of industry and national trends. Management salaries above the level of $50,000 per year, for example tend to follow national patterns. However, there are wide variations in management salaries from one industry to another. As a matter of a practice, the Association for Accounting Administration, will make available each year an annual survey of the salaries of firm administrators in the accounting profession.

PERFORMANCE APPRAISAL

Though the issue and concept for performance appraisal is discussed elsewhere in this guide, it is imperative that it also be included in this section on compensation—as it is the prime ingredient to salary change. The following outline will walk the reader through the various steps in establishing an appropriate performance appraisal program.

Section I: Setting goals for organization unit for coming budget period.

1. Identify common goals for organization unit for coming budget period. Examples of common goals:
   a. Profitability
   b. Competitive position
   c. Productivity
   d. Technological leadership
   e. Employee development
   f. Public responsibility
   g. Employee relations
2. Clarify working organization chart in terms of titles, duties, relationships, impending changes.
   a. Follow the organization. Have each supervisor work out objectives for those reporting directly to him.
   b. Take individual stock of each person for whom the performance budget is set, e.g., past work assignment, appraisals, salary progress, what is expected of him, etc.

3. Set objectives for the next budget year with each person.
   a. Ask the subordinate to make notes on his objectives for the coming year. Objectives will fall into four categories.
      1) Routine duties
      2) Problem-solving goals
      3) Creative goals
      4) Personal goals
   b. List objectives which the subordinate should include, noting innovations and improvements needed in his function.
   c. In a personal meeting, review the subordinate's objectives in detail, then offer suggestions or changes.
   d. Have two copies of the final draft of his objectives typed; give him one and keep one.
   e. Working from the final document, ask the employee what can be done to help him meet his goals. Note the suggestions. Keep them with the firm's copy and include them in the firm's objectives, if pertinent.

4. During the year, check each subordinate's goals as promised milestones are reached.
   a. Is the employee meeting the targets - time, cost, quantity, quality, and service?
   b. Should the targets be amended? Eliminate inappropriate goals, or add new targets if special opportunities arise.
   c. Is the firm delivering on its part to help the subordinate?
   d. Use jointly agreed upon goals as a tool for coaching, developing and improving the subordinate's performance on a continuous basis. Reinforce good results by feedback of success. Allow the subordinate to make some mistakes, but use failure as a platform for coaching.

Section II: Measuring results against goals.

1. Near the end of the budget year, ask the subordinate to prepare a brief "statement of performance against budget," using his copy of the performance budget as a guide, and relevant figures where applicable. He should explain variances and list additional accomplishments not budgeted for.

2. Set a date to go over the report in full detail with the subordinate. Search for reasons for the variances. Ask yourself:
   a. Was it the firm's fault?
   b. Was it failure on the subordinate's part?
   c. Was it beyond anyone's control?

3. Get an agreement from the subordinate on just how good his performance was and where he didn't meet his expectations.

4. Cover other things which may be on the employee's mind - job, opportunities, job related problems. Don't rush. Set another date for this meeting, if appropriate.

5. Set the stage for establishing the subordinate's performance budget for the coming year.

MERIT GUIDE TO PAY FOR PERFORMANCE ENSURING INTERNAL EQUITY

Since the fundamental concept for the salary program is that individual pay should be based on progress and improvement, you must now translate the performance evaluation step into a salary decision.

For this philosophy to be meaningful, individual salary decisions must be appropriately related to judgments about employee performance. The responsibility for successful achievement of this key relationship, both in actuality and as perceived by the employees, rests with the immediate supervisor.

Once an employee's performance results have been measured, the next step is to select the appropriate merit treatment for that person. To assist the partner/supervisor in this decision a set of percentages and frequency guides should be established for each job classification. The word, guide, is used purposely to differentiate from the word, rule. The indicated percentages and frequencies are intended to provide a guide for management discretion, not to establish rules within which partner/supervisor must operate. Guides are never the reason for giving or not giving an increase.

Increase guides cannot be effectively applied simply on the basis of performance and position of current salary in the range. One additional piece of information is needed — the employee's rate of performance progress. This factor is important in determining how quickly an increase should be given. Likewise, any personal factors or special situations should now be considered and the merit amount and frequency should be adjusted accordingly.

The proper use of any guide will link performance evaluations to individual salary progression and emphasize pay movement through the salary range at a rate and to a position in the range that depends upon the individual's performance progress. It is the intent of the salary program that those employed who consistently far exceed expectations progress to the upper portions of their salary range while employees who make steady performance improvement generally retain their position within their salary range.

Using this philosophy, it is necessary for the partner/supervisor to determine each employee's performance relative to their peers in addition to their performance results against the established job standard and agreed upon objectives. These two ingredients will determine precisely to what position in the salary range an employee will progress and how long it will take an employee to get there. Individual salary decisions made by the partner will reflect that result.

INTEGRATION WITH BENEFITS PACKAGE

Salary is the core of the total compensation. An effective salary structure must be internally equitable and externally competitive. However, a company with aggressive growth plans probably needs to also emphasize the other elements of total compensation, i.e., paid vacations and holidays, pensions, health insurance, disability income programs, post-employment agreements, incentives, etc.

INCENTIVE PROGRAMS—GOING BEYOND THE BASIC WAGES PAID

When discussing the incentive plans, one must recognize the difficulties in establishing such a plan. They are the segregating of measurable and controlled factors in weighing these factors equitably. Higher management incentives are more typically established on the basis of corporate return on investment or increase in profits. A point should be made here that incentives or bonuses do not necessarily apply to every accounting firm. They are most effective in companies where:

1. Senior management is willing to assess individual contribution.

2. Decision making processes make for individual accountability.

3. Profits are a result of management action and not economic conditions.

4. Information systems give data on individual contributions.

The frequency of bonuses or incentives paid to employees range from monthly to annually. Experience indicates that bonuses should be paid no less frequently than every six months and more specifically every 12 months. When they are paid frequently, participants are inclined to view the payout more as salary than as a bonus or incentive. The following suggestions are made to accounting firm management who wish to consider the installation of an incentive plan for employees.

1. Establish clear objectives of what the incentives are expected to accomplish.
2. Communicate the plan clearly to employees affected.
3. Ensure that the plan is simple and understandable in application.
4. Standardize procedures, methods, and organization practices so that all employees will have the same bonus opportunities.
5. Pretest the plan, but guarantee to employees that the plan will prevail for the bonus year before changes are made.
6. Set incentive limits to prevent the effect of run away production or windfalls with consequently higher and inequitable bonuses.
7. Establish an incentive which research indicates is a motivating amount as applied to a specific group under consideration.
8. Establish a fair and equitable base salary structure because a base salary is normally one of the factors in the equation.
9. Establish incentive standards on factors over which the measure that he meets, surpasses or fails to meet the standards, with this award determined accordingly.

The reason organizations adopt management incentive plans are as varied and complex as the plans that ultimately result from these decisions. Also, it is evident from experience that many of these plans fail to achieve the goals that the management initially set out to achieve. Again, the reasons for these failures are as varied as the plans that have been created. Often failure could have been avoided had the organization thoroughly examined the kinds of issues addressed above.

Incentive plans often fail because systems are not carefully thought through and end up "rewarding A while hoping for B" (Steven Karr, http://www.geocities.com/athens/forum/1650/rewardinga.html).

The differentiation between a bonus plan and an incentive plan must be understood. This is cited because there is so much confusion in the industry today, even among consultants in the major consulting firms.

- Bonus plans are those plans which reveal organization results at year end, and based on some predetermined criteria, or on a discretionary basis, provide rewards to participants. Results are typically not planned in advance and organizational performance and expected bonus pay out is impossible or difficult to track throughout the year.

- Incentive plans are those plans that clearly state the payout opportunities relative to an organization, unit, or individual performance at the beginning of the year, with the promise of payout as results are delivered.

Properly developed incentive plans offer greater motivational value than bonus plans because individuals can track the reward potential throughout the incentive period.

ASSOCIATION FOR ACCOUNTING ADMINISTRATION RESOURCES

Listed below are many of the resources provided by the Association for Accounting Administration. Administrators have found these resources to be immeasurable in assisting them in their daily tasks.

An On-Line Searchable Membership Directory

…that allows members and chapters to search by a variety of fields, such as name, location, firm size, email address, website, firm name, etc., to find resources.

Local and Regional Chapters

…that enable members to network with administrators in their area, exchange ideas, and set directions for personal career path management.

An Electronic Newsletter

…highlighting developments in accounting firm administration, products and services useful to administrators, as well as AAA activities.

A Lending Library

…containing a comprehensive collection of audio and video programs, as well as printed materials, compiled specifically for those involved in accounting administration, on a variety of topics.

A Salary and Fringe Benefits Survey

…listing salaries and benefits paid by CPA firms sorted by firm size and geographic area.

Group Purchasing Programs

…from magazine discounts to tax software. Save your firm bottom-line dollars by participating in these programs.

A Job Market

…offered to members free of charge to assist those seeking positions and firms searching for seasoned administrators.

A Resource Center and Knowledge Bank

…that can assist you and your firm by streamlining administrative procedures and fine-tuning your own responsibilities. Publications produced by AAA include: *ADA Job Descriptions*, a *Survey Manual*, *Expose Yourself by Marketing*, a collection of samples, *Disaster Planning for CPA Firms*, *A Guide to CPA Firm Intranets*, *The Funtastic Firm*, *A Guide to Paperless CPA Firm Administration*, *A Guide to CPA Firm Management*, and *A Guide to Record Retention and Destruction Policies for CPA Firms*. The Knowledge Bank is a web-based searchable database containing samples, survey results and more!

Member to Member Surveys

…through a sophisticated EmailNetwork. Members are periodically surveyed on topics of interest to members with results available to all members.

Educational Programs

AAA hosts a practice management conference each June. The two-and-a-half day event covers a wide range of administration issues, including technology, marketing, human resources, and management, while providing unlimited networking opportunities and two pre-conference full-day programs; one on technology issues and the other targeted to human resource issues. AAA is a registered CPE Sponsor by NASBA and is approved to offer HRCI credits through SHRM.

An Interactive Website

…provides a wealth of information including resource samples, AAAnswers.now, on-line registrations and more.

AAA National Office

…provides assistance and information to anyone seeking advice on administration of CPA firms.

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