

CFO vs. Controller Services - What Engineering Firms Need to Know

9 min read



Congratulations! Your engineering firm is growing and changing, and the demands of your back office have likely become more than you and your small bookkeeping and accounting team can handle.

Key Takeaways

- **Your Back Office Has Fewer Than Three People:** If your back office is operating with fewer than three people (or if you're the third person, but your time is limited), then your accounting system is very vulnerable to internal fraud...
- **You're Neither Audit-Ready nor Tax-Ready:** If you fear an audit and dread tax season, then this is a sure-fire sign that you need the expertise and experience of a controller...
- **You Don't Have a Financial Strategy (or Yours Isn't Working for You):** If you are struggling with cash flow problems, tax planning, pricing, hiring, or any other aspect of your business's function, then a better financial strategy can help you...

As a result, you might be struggling to keep up with the books, maintain compliance, generate reliable and timely financial reports, and plan your firm's financial future. In other words, you might need additional help in the form of a chief financial officer (CFO), a controller, or possibly both.

To determine whether a controller or CFO (or both) is right for your company, you first need to understand the roles of a controller and a CFO and how their services can help ease your engineering firm's back-office growing pains.

The Key Differences Between CFO and Controller Services

While the roles of [controller and CFO](#) have some overlap, they do differ in the scope and responsibilities of the positions. Keep reading to learn more about the jobs of controllers and CFOs.

Controller Services: What Does a Controller Do?

A financial controller typically acts as the head of accounting in a business. They are responsible for managing back-office staff in addition to establishing and monitoring a company's bookkeeping and accounting system. They are responsible for creating internal controls and typically also responsible for selecting the financial management software that the business will use.

Additionally, controllers are responsible for:

- Oversight of daily financial functions, tasks, and management
- Preparing financial reports (balance sheets, income statements, and statements of [cash flow](#))
- Maintaining compliance
- Performing internal audits and managing external audits
- Helping with budgeting
- Providing some analysis of financial data

The responsibilities of a controller can vary to some degree depending on the size of the company they are operating in. In smaller businesses, controllers are typically responsible for overseeing every financial aspect of the business's operations from payroll processing and reporting to receivables and payables management. In larger companies, a controller's duties are more managerial with responsibility over back-office processes and staff. The controller reports directly to the CFO.

When outsourced, controller services include establishing and maintaining a sound system of checks and balances and distribution of powers in addition to the implementation and use of financial management software within a business's accounting processes. They take on an organizational and supervisory role to improve every aspect of the back office's day-to-day function, performance, and compliance.

Read More: [What's the Difference Between a Financial Controller and a CFO?](#)

CFO Services: What Does a CFO Do?

Controllers are typically in senior positions while CFOs are in the executive suite. As a result, both positions are responsible for managing staff within a business's back office. Controllers oversee the details of a company's bookkeeping and accounting system, while CFOs are more concerned with the big picture and future vision of a company's finances.

The CFO is a strategic leader that is responsible for analyzing a business's financial data and reports – rather than generating them. Additionally, the CFO differs from the controller because they look at financial reports and data with an eye for financial strategy, rather than compliance. It is the CFO's responsibility to evaluate financial data and identify financial strengths and weaknesses, assess financial health and performance, implement risk mitigation strategies, identify opportunities, avoid financial pitfalls, and develop strategies for maximizing profits and fueling growth.

The CFO is a business's financial leader, and it is often their responsibility to be a public face for a company. CFOs work with the board of directors. They are also often responsible for dealing with investors and expanding a business's network of financially important contacts.

Read More: [Top Outsourced CFO Services for Engineering Firms- 2023 Review](#)

Which Back-Office Services Do Engineering Firms Need?

Both controllers and CFOs play important roles in a business's financial function. However, not every business needs both a controller and a CFO on their team. Consider the following best practices to better recognize when your engineering firm might need a controller or a CFO.

[Engineering firms often struggle to know if their jobs are profitable.](#)

[This guide has the answers.](#)



[The AEC Scorecard™: The first \(and only\) KPI scorecard designed exclusively for AEC Firms.](#)

Controller Services Best Practices: 7 Signs Your Business Needs a Controller

1. Your Back Office Has Fewer Than Three People

If your back office is operating with fewer than three people (or if you're the third person, but your time is limited), then your accounting system is very vulnerable to internal fraud. Enlisting the services of a controller can help you complete your back-office team while creating a more secure bookkeeping and accounting system in addition to sound back-office policies and procedures.

2. Your Financial Reports Are Inaccurate

Financial reports must be accurate in order to be of any use. However, a back office that is not set up and managed by an experienced bookkeeping and accounting professional will always struggle to produce accurate reports. This is a result of inconsistent processes, [manual procedures](#) that leave too much room for human error, and unreliable systems. A controller will

develop a back-office system that standardizes your reporting and ensures accuracy so that you can always rely on your financial data.

3. Your Financial Reports Aren't Reliable

When assessing business performance and financial health, it's essential that your data is not only accurate but also current. If you're consistently struggling to generate financial reports and close out financial periods on time, then you're not going to be able to make management decisions based on the latest financial data, and this can significantly hinder your ability to lead your engineering firm successfully.

4. You're Vulnerable to Fraud

Lacking enough people on your back-office team leaves you vulnerable to internal fraud. Having enough people but poorly designed policies and procedures can also leave you vulnerable to fraud. Additionally, unsound cybersecurity practices in your back office can also put your business at an elevated risk of suffering online security breaches. A controller can help ensure that all of your systems and procedures are as secure as they can possibly be to minimize the risk of fraud and cybercrime in your company.

5. You're Neither Audit-Ready nor Tax-Ready

Having a well-functioning back office is essential for financial management, it's also essential for compliance. If you fear an audit and dread tax season, then this is a sure-fire sign that you need the expertise and experience of a controller to implement systems that ensure your business is always audit and tax-ready.

6. You Lack Defined Back-Office Processes

Just ensuring everything always gets done isn't enough when it comes to your business's [bookkeeping](#) and accounting functions. You need to ensure that these tasks are being completed on an intentional schedule using a defined, consistent system of procedures. Otherwise, your data won't be reliable and you might not be operating compliantly.

7. Your Bookkeeping and Accounting Processes Are Manual

Manual bookkeeping and accounting processes leave room for error, waste time, and take up valuable resources that could be better spent on higher-value tasks. A controller can help you select and implement back-office technology and financial management software to automate manual processes and streamline your day-to-day bookkeeping and accounting tasks.

CFO Services Best Practices: 7 Signs Your Business Needs a CFO

1. You Don't Have Time to Manage Your Back-Office Team

Your back-office team (bookkeepers and controller) requires oversight and guidance. If you don't have the time or expertise to manage these members of your staff or to provide them with insightful direction, then the performance of your back office team could improve with the help of a CFO.

2. You Don't Understand Your Financial Reports

Many business owners know how to read or fully understand their financial reports. As a result, they miss out on a wealth of financial data that can inform their strategy and management decisions while improving operations and maximizing profits. A CFO can help you interpret the data contained in your financial reports to identify trends and assess your company's financial health.

3. You Don't Know How to Use Your Financial Reports

Beyond learning how to read and understand your financial reports, a CFO can also help you use the financial data contained within them to set goals, measure progress, manage growth, identify trends, test new strategies, and make data-driven leadership decisions with real financial data.

4. You Don't Have a Financial Strategy (or Yours Isn't Working for You)

You likely understand the importance of a business plan, and you're probably also aware that having a financial strategy to support your business plan is also essential. If you are struggling with cash flow problems, tax planning, [pricing](#), hiring, or any other aspect of your business's function, then a better financial strategy can help you improve your business's operations and profits.

5. You Don't Know If Your Future Vision Is Feasible

A financial strategy can also help you determine whether or not your business goals and future vision are feasible. A financial strategy can also help you establish data-based benchmarks and goals that will generate real progress and make achieving your future vision possible.

6. You're Not Comfortable Talking About Your Business's Finances

When leading a business, it's necessary to be able to talk comfortably and confidently about your finances. You need to know your numbers and understand what they mean so that you can communicate clearly with your leadership team, stakeholders, potential investors, and the board of directors. When you bring in a CFO, the responsibility of communicating the numbers becomes theirs, leaving you free to focus on talking about the core function of your business.

7. You Need to Raise Funds

If you need to raise capital, a CFO can use their financial expertise to help you find investors or obtain financing.

Better Compliance, Operations, and Business Strategy With Outsourced Back-Office Services for Engineering Firms

As you can see, the services of a controller and CFO are integral to the proper function of a business's back office. In small and medium-sized engineering firms, however, hiring these employees in-house can often be unaffordable. With outsourcing, you can access the expertise and services of an entire back-office team – controller and CFO included – at a fraction of the cost! Making the improved financial management of your business not only affordable but also, with your vastly improved financial management, potentially profitable.