

# Organizational Structure and Governance of a CPA Firm

Human Capital Center Toolbox Series



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### **What is the PCPS Human Capital Center Toolbox Series?**

The Toolbox Series is designed to highlight the learning and tools available in the Human Capital Center (HCC), including templates, action plans, checklists and more. The HCC serves PCPS members by focusing on staffing best practices and providing the resources to master and implement those recommendations. Contributions to the Toolbox Series were made by the AICPA's Specialized Communities, including the Personal Financial Planning, Information Technology, Forensic and Valuation Services and PCPS sections. Visit the 11 segments of the Human Capital Center at [pcps.aicpa.org/Resources/Human+Capital+Center/](https://pcps.aicpa.org/Resources/Human+Capital+Center/) to discover more.



**This tool icon refers to Tools that are available  
in the PCPS Human Capital Center.**

## Organizational Structure and Governance of a CPA Firm

Source: AICPA MAP Handbook

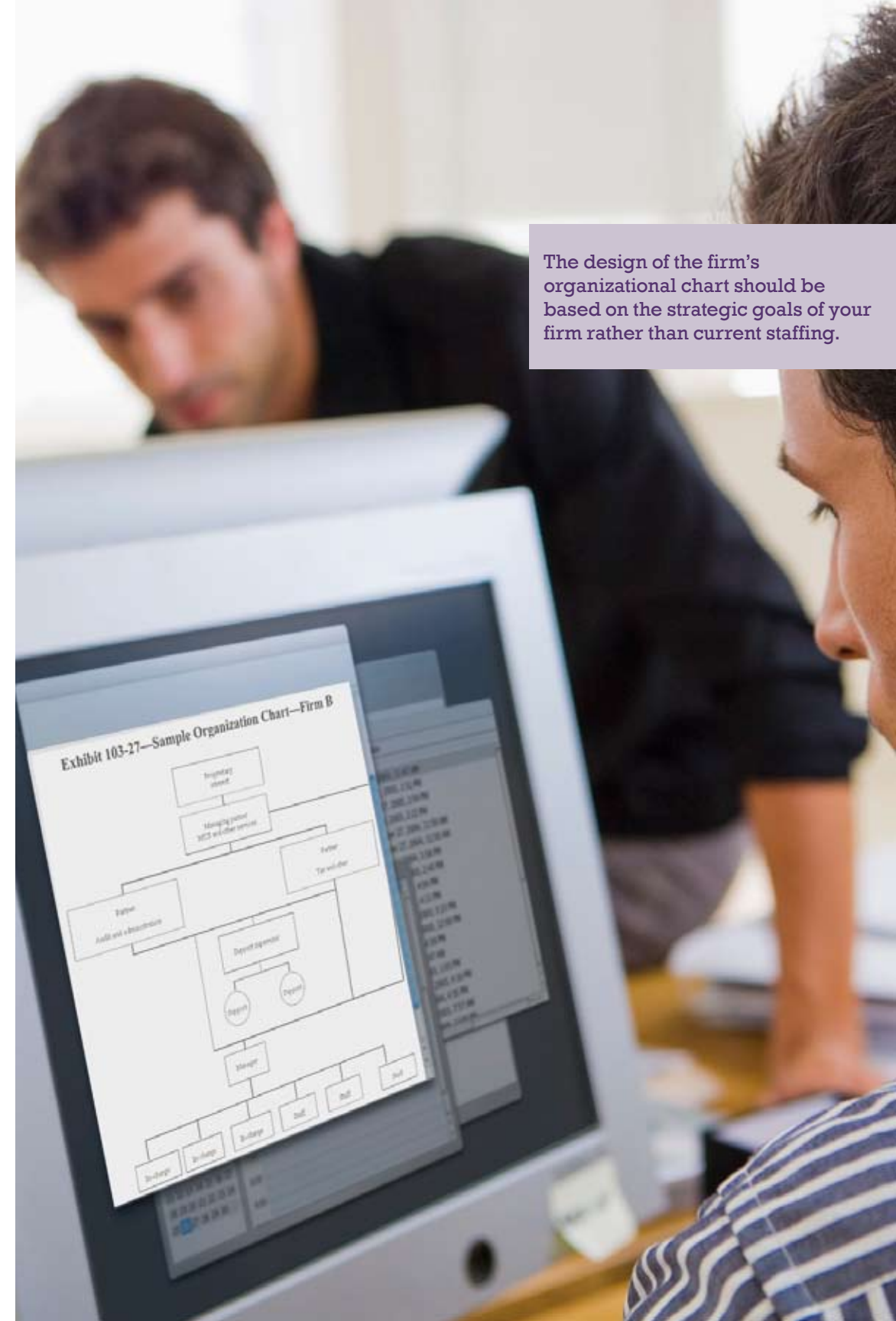
A CPA firm can take a variety of forms. The PCPS Human Capital Center contains information and tools that will help you form your firm's organizational structure.

The *AICPA Management of an Accounting Practice (MAP) Handbook* is a great starting point for determining the firm's organizational structure and governance, as this can be one of the most challenging tasks in practice management. The first step is to define functions and assign responsibilities; this will be the foundation for accomplishing the firm's objectives and operating effectively on a daily basis.

Organizing a firm is not a one-size-fits-all task. There are a variety of ways to define an organization, its functions and its collective responsibilities; however, some common characteristics include the following:

- *Clarity: defining "who does what" so that authority and reporting relationships are understood by all employees in order to facilitate communication*
- *Integration: individual functions are integrated to create a work-flow process*
- *Flexibility: the ability to effectively and efficiently respond to both internal and external change*

The design of the firm's organizational chart should be based on the strategic goals of your firm rather than current staffing.



## Basic Functions of an Organization

Regardless of the size or type, each firm must perform the same basic functions, which may be the responsibility of one person in a simply structured practice or may be delegated to separate individuals in a practice with a more complex structure.

### Policy making

In a sole proprietorship, the policy is set by the owner; in a partnership, policy decisions are likely to include all the partners. Other times, when growth requires, the use of an executive committee, whose principal function is to set policy and make major operating decisions, allows the firm to react to changing policy requirements. Consultants are a great support for the policy-making body because they can provide new perspectives on how to better operate the firm.

### Management

Most CPA firms designate a managing partner whose responsibilities range from implementing firm policy decisions to strategic planning to marketing to human resources. This person sets the tone on delegation that directly affects the profitability of the firm in terms of leveraging staff and delegating duties.

### Administration

The administrative function may vary from firm to firm; however, it is often broken down into focused areas, such as financial, human resources, facilities management and practice development, among others, as it relates to the daily operations of the firm. Many firm administrators act as the firm's chief operating officer or chief executive officer.

### Practice development

A CPA firm's marketing function should be handled by those who have the skill and mind-set to perform in this area. Depending on the size of the firm, marketing may be the responsibility of the managing partner or firm administrator (typical of a smaller firm) or of the marketing director and staff (typical of a larger firm).

### Technical services

Providing technical services is the responsibility of the partners and professional staff, regardless of firm size. These functions are typically designated by service line, such as audit, accounting, tax, personal financial planning or consulting.

### Support services

These services are provided by administrative staff, who—depending on firm size—might be full-time or part-time employees and may consist of one person or a team of administrative specialists.

## Organizational Charts

Organizational charts are useful tools in delineating not only responsibility and authority but also workflow processes. The design of the chart should be based on the strategic goals of your firm rather than current staffing. Hire employees with the skills and expertise needed to steer your firm toward achieving your firm's mission and long-term vision. A number of other benefits include:

- *Improving communication channels*
- *Eliminating overlaps and role conflicts*
- *Helping set compensation levels*
- *Clarifying reporting relationships*

The *AICPA MAP Handbook* offers useful tips on how to create an organizational chart as well as illustrative examples based on the firm size. The PCPS Human Capital Center contains excerpts from the MAP Handbook, including the following sample organizational charts:

**Firm A (6.5 personnel)** - a firm with six full-time employees and one part-time employee. The firm is not large enough to be departmentalized, although it has divided specific responsibilities between the two partners.

**Firm B (13 personnel)** - a firm with 13 people. This firm is in the early stages of departmentalization along traditional functional lines. The partners are assigned different technical service functions, but the staff and in-charge employees are not as restricted.

**Firm C (13 personnel)** - another firm with 13 people. While Profile Firm B was organized along traditional functional lines, Profile Firm C is aligned primarily along the firm's two major industry specializations, manufacturing and health care.

**Firm D (45 personnel)** - a larger firm with six partners and 39 staff members, including 22 professional staff members and seven support staff members. Departmentalization has become more evident, but the partners still will be responsible for more than one function.

**Firm E (45 personnel)** - a firm with six partners, and 39 staff members, including 22 professional staff members. Once again, note that the focus of the organization is on three principal areas of practice with a cooperative approach to the functional areas.

**Sole Practitioner** - a simple chart shows the sole owner; then firm team members are identified by technical and administrative roles. This organization chart will be a starting chart for a sole practitioner at the start of his or her practice. As the practice grows, the chart can be tailored to look like Firm A.

To order the full handbook, go to [cpa2biz.com](http://cpa2biz.com). PCPS member firms receive a discount on the purchase of this product. Visit [pcps.aicpa.org/Memberships/](http://pcps.aicpa.org/Memberships/) to learn more.

## Roles and Responsibilities in a CPA Firm

Depending on the size of the practice, a firm may have one or more employees at each of the following skill levels:

**Associate Intern:** The Associate Intern role is responsible for learning and using technical skills and working as a temporary part of a team in carrying out tasks under close coaching and supervision.

**Associate:** The Associate role is responsible for learning and using technical skills and working as part of a team in carrying out tasks under close coaching and supervision.

**Senior:** The Senior role is responsible for organizing and managing client assignments and projects, including the completion of assignment tasks and project components, as well as coaching, advising and directing team members in meeting client and self-development expectations.

**Manager:** The Manager role is responsible for managing client assignments and projects and delivering a high-quality service. This includes coaching, advising and supporting team members in meeting client and self-development expectations.

**Senior Manager/Director:** The Senior Manager/Director is responsible for leading a profitable functional area of the practice—leading the team, building the business and ensuring the team delivers exceptional client service.

This role also supports the business development and growth initiatives of the practice and is responsible for retaining talented people through strong leadership and coaching/mentoring relationships.



**Partner:** The Partner role provides leadership in a specialist part of the practice and is accountable for quality client service, winning new work, adding value through commercial acumen, and developing high performing teams.

The PCPS Human Capital Center contains an informative matrix that addresses the following attributes for each of the employee roles listed above:

- *Accountability*
- *Key success factors*
- *Responsibilities*
- *Key performance indicators*
- *Qualification, skills and personal attributes*

Visit [aicpa.org/pcps](http://aicpa.org/pcps) and become a member for even more useful tools and resources for developing your firm's organizational structure and governance. To find out if your firm is already a member, email [pcps@aicpa.org](mailto:pcps@aicpa.org).



## Access These Tools At [aicpa.org/PCPS](http://aicpa.org/PCPS)

### CPA Firm Role Descriptions

Firm A (6.5 Personnel) Organizational Chart Sample

Firm B (13 Personnel) Organizational Chart Sample

Firm C (13 Personnel) Organizational Chart Sample

Firm D (45 Personnel) Organizational Chart Sample

Firm E (45 Personnel) Organizational Chart Sample

Sole Practitioner Organizational Chart Sample



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