Quick and easy guide to delegation: key to profitability and growth

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Issued by the AICPA Management of an Accounting Practice Committee
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Introduction

Delegation is the process by which work is accomplished through others. It is the tool that allows firms and individuals to concentrate their energies on those areas in which they have a competitive advantage, and to delegate or outsource everything else. In this sense, delegating is essential to focusing efforts on core competencies. The assets of a firm, its partners, staff, and technology can then be allocated to their highest, best, and most cost-effective use.

What are the specific benefits of delegation? Why is there a reluctance to delegate more? What are the characteristics of effective delegation? What is the process of delegation? How can delegation be encouraged in a firm? This book will help you answer these and other questions.

It is important to note that, as a convenience, throughout this book the term partners refers to the owner or owners of the firm. The value of effective delegation is equally important to sole proprietors, shareholders in a closely held corporation, and limited liability company owners, as well as partners in a full partnership. Moreover, the term senior staff refers to staff who are in a position to delegate work and includes seniors, managers, and senior managers.
Chapter 1: The Benefits of Delegation

The ability to delegate effectively is an essential skill for meeting the challenges of this age of rapid economic and technological change. However, delegating is not easy. Effective delegation requires an investment of time and energy. Understanding the benefits of delegation encourages the willingness to make that investment. With effective delegation, the human capital of partners and staff will be allocated to its highest, best, and most cost-effective use for the firm. The benefits include enhanced profitability and growth for the firm, as well as the professional growth and development of the staff, and personal development of the partners.

Firm Profitability and Growth

The benefits of delegation to firm profitability and growth can influence the following five areas:

1. Improved productivity and cost effectiveness
2. Increased billings
3. Improved focus on priorities
4. Increased client relationship transfer
5. Improved client service

At the optimum level of delegation, work is accomplished by the lowest level staff qualified to perform that work. If staff is not trained, delegation initially results in reduced productivity, however, only for the short term. Effective delegation requires an investment in training in the work to be delegated. Staff productivity will increase, in terms of completing the work more efficiently, as staff members acquire training and gain experience in the firm’s work. Further, the work can be allocated to lower level
staff as they become trained. The firm will now be able to use the lower cost staff to complete work, which should result in the increased cost effectiveness and thus increase the profitability of each engagement.

This can be seen more specifically in terms of the improvements in leverage that can occur if a firm allocates the work down to its optimum level, through delegation. Leverage is one of the five components of the keys to profitability\(^1\) formula developed for professional services firms. The five components are as follows:

1. Leverage—ratio of total personnel to partners
2. Utilization—average chargeable hours per person
3. Realization—percent of gross fees billed and collected
4. Billing rates—gross fees divided by chargeable hours
5. Margin—ratio of net income to fees net of write-offs

Improvements in any one of these five components will have a positive impact on net income per partner. The following formula demonstrates that relationship: leverage \(\times\) utilization \(\times\) realization \(\times\) billing rates \(\times\) margin = net income per partner. For example, if a firm had a leverage of two staff per partner and was able to increase leverage to three staff per partner, the firm would have the potential to increase net income per partner by 50 percent, certainly a financial investment worth making.

This improvement in income per partner assumes that the partners are able to find more high-value work to replace the work delegated. Alternatively, with effective delegation, partners may elect to work less, reducing total utilization, which will offset some of the net income gain from increasing leverage. Essentially, effective delegating is a powerful high-leverage activity that is fundamental to the long-term productivity and the growth of the firm.

**Billings**

A second benefit of delegation that affects firm profitability is the potential for increased billings. Partners and senior staff become available to take on higher value work when routine or simpler task work is effectively delegated and allocated to the optimum staff level, as described in the paragraphs above. High-value services are characterized as more complex work that is highly customized, or work that may require a high level of technical expertise. High-value services are those that clients

both need and want, as contrasted with accounting services that basically fulfill third-party requirements, such as audits or tax return preparation. Examples of high-value services include help with budgeting, tax planning and consulting, and business expansion consulting. These are the kinds of engagements that can and should be billed on the basis of value to the client rather than on a per chargeable hour basis. Effective delegation frees partners and senior accountants to devote more time to these services.

Alternatively, the lack of appropriate, effective delegation imposes a limit on the firm’s ability to grow and ultimately survive. There are only twenty-four hours in a day, which is the absolute physical limit on the potential chargeable hours. Without effective delegation, that time limit becomes the *practice wall* beyond which the individual, and ultimately the firm, cannot expand. In fact, the inability to delegate will prevent the firm from achieving other strategic objectives that may more heavily influence the firm’s ability to survive. Delegation is a fundamental skill for the growth and health of a firm.

**FOCUS ON PRIORITIES**

Another benefit of delegation that affects firm profitability and growth is the increased opportunity to focus on priorities. Effective delegation frees partners from the day-to-day demands of client service, allowing them to focus on priorities that have direct impact on the growth and ultimately the survival of the firm. Some of these priorities include the following:

- Strategic thinking and planning for the firm’s future direction enables the firm to maintain quality service to clients while addressing the following ongoing challenges:
  - The increasing competition from CPA and non-CPA sources
  - Adaptations required due to rapidly changing technology
  - The increasing need for capital investment in new technology
  - The increasing regulatory burden and consequent liability concerns
  - The burnout resulting from seasonality and workload compression
- Innovative thinking and new approaches to problem solving provide the opportunity for higher billing as clients perceive greater value in the work.
- Marketing for new clients as fees are lost and competition for new clients intensifies. Consider what can occur when marketing for new clients is neglected. Many firms experience a 10- to 20-percent reduction in fees annually through the loss of clients and through declining fees due to increased firm operating efficiencies (less time charged to complete work). The client loss is not necessarily due to client unhap-
piness, but is the result of clients who go out of business, die, leave the area, and so forth. The firm or partner that does not engage in active business development will not only lose these fees, but will also lose out in the competition for new clients and fees to those firms that take the time to practice active business development.

- High-value or one-time consulting work that can support higher billing rates.

Unfortunately, statistically, less than 2 percent of top-level executive time is focused on future plans for the firm, adding potency to the partner’s lament: “I’m working harder, not enjoying myself, and not making enough money.”

**CLIENT RELATIONSHIP TRANSFER**

A fourth benefit of delegation to a firm’s growth and profitability is the increased opportunity to transfer client relationships. A large part of the client relationship, including billing responsibility, can be transferred to staff as they become more experienced through the delegation of increasing levels of responsibility. One of the benefits of this kind of client transfer is that it lightens the burden of the partners, freeing even more of their time to perform high-value work and focus on priorities.

**CLIENT SERVICE**

Effective delegation can benefit firm profitability and growth by improving client service. As staff members assume more responsibility for client work, they better understand what work needs to be done and the associated time deadlines. The client will be better served as more than one member of the firm becomes familiar with their work, so that questions may be answered and problems solved on a timely basis even in the absence of the partner. Communication between partners and staff will be improved, and they may often find that two heads are, indeed, better than one for solving client problems. As staff gain more experience in working with a variety of clients, their ability to identify new business opportunities improves, leading to expanded fees from the client base as well as better overall service to the client.

Delegation can also ensure that the workload in the firm is more evenly distributed. Partners and senior staff may become overwhelmed with work that is not delegated in a timely fashion. Unintentionally, these staff become bottlenecks in the work flow, which leads to missed deadlines and generally poor client service. An even greater danger is that as deadlines approach, work will be completed on an emergency or crisis basis. This can lead to costly mistakes in the work. It can also lead to inefficiencies and lost productivity, as other work must be set aside to accommodate the emergency work to be completed. One commonly held belief is that delegating will impair client service since “no one can
do this work as well as me.” This is a false assumption, as discussed in chapter 2, “Why Don’t We Delegate?” Although others will do the work differently, the overriding issue is timely, responsive client service. An added benefit is that if staff are trained and cross-trained, there will be improved coverage for vacations, illnesses, and unexpected staff departures.

**Staff Growth and Development**

Although delegation has specific benefits to the firm, there are also enormous benefits for staff members in terms of training and morale.

**Training**

Constant and increasingly rapid change makes it incumbent on partners and staff to continually expand and upgrade their skills. Although always important for effective delegation, staff training and development have taken on a new importance in this period of rapid change. The pace and magnitude of change require a commitment to lifelong learning in order to obtain and maintain the skills necessary for success in the future. Delegation provides a twofold opportunity for learning: one is the inherent opportunity provided in the training process, the other is the extra time made available to the delegator, which can be used for learning.

The presumption of a contract of lifetime employment, which was a hallmark of the industrial age, is no longer valid. The downsizing, reengineering, and other tactics of organizations to adjust to new economic realities have led to a new contract between organizations and their employees. Although still evolving, the nature of that contract is that there is no guarantee of continuous employment. Therefore, the employer must provide the opportunity for training and continuous skill improvement, in order to entice the best and the brightest employees to work with an organization. Employees are not looking for a job, but rather for a career or continuous skill building that will enable them to move to new careers as opportunity or necessity dictate.

**Morale**

In survey after survey, the desire for challenging work is listed as a major reason why people work where they do, or alternatively, why they change employers. Delegating work generally means that staff will have the opportunity for a higher level of work that will give them the opportunity to grow and be motivated by the challenge of something new. Additionally, staff morale improves if their time is more effectively used.

Finally, the responsibility and authority gained through effective delegation are extremely empowering to staff as they strive to gain some control over their environment. This is especially critical within the
evolving structure of work. Organizations are becoming flatter as the number of hierarchical levels declines, and thus there is no ladder to the top to climb. In this environment, job enrichment takes on more importance and the importance of delegation increases in value.

**Partner Personal Development**

The partners of a firm are the direct financial beneficiaries of the profitability and growth of the firm, as well as the indirect beneficiaries of staff growth and development. Effective delegation also directly benefits partners by providing them with the opportunity for their own personal growth, improved morale and motivation, and a more balanced quality of life.

Partners gain the opportunity for personal growth as more of their time becomes available through the delegation of work. A rapidly changing economic environment requires a commitment to lifelong learning in order to obtain and maintain the skills necessary for success. Often the pressure of chargeable hours and client service leaves very little time for partners to engage in learning, other than that required for continuing education. This is a mistake for reasons that include the following.

1. Partners may not stay abreast of regulatory and other changes affecting their business. This can lead to errors of omission or commission resulting in lost or unhappy clients, and potential legal liability.

2. Partners may not recognize significant trends affecting their business or the opportunity to specialize, which ultimately may affect the survival of the firm.

3. Partners may grow stale in their knowledge and thought process, becoming unable to adapt, in a timely manner, to changing circumstances.

Delegation need not only occur in a hierarchical mode. There may be a need to delegate within the partner group as a way to upgrade the skills of partners. For example, suppose that a high-level job, such as merger planning, is delegated by a skilled partner to a less-skilled partner in the same service area. The skill sets of the latter partner will improve. Potentially, this situation has a positive impact on both the firm and the partners involved, although it generally works only if the delegation is based on the relative skill sets of the partners, rather than their positions.
**Morale**

Partner morale and motivation will improve because staff will be able to take on more challenging work, and what is perceived as routine work is delegated to junior staff. The junior staff in turn will be motivated by the challenge of something new. Partners will see their value to the firm grow as they are able to focus on complex work that can be billed on a value-added basis. Improved partner morale and motivation should result in a positive snowball effect for the firm. Improved partner morale and motivation leads to improved partner confidence and self-esteem, which leads to increased confidence in others, which facilitates more delegation, which leads to continuous improvements for the firm and staff as well as the partners.

**Quality of Life**

More and more partners are experiencing career burnout that is attributable to the pressures of workload compression, increased competition, and rapid technological change. With the effective delegation of work to the optimum staff level, partners will more easily achieve a balance between family, health needs, and business demands, thus enhancing their quality of life. If a partner works too hard, on a long-term basis, he or she will tend to neglect family and health. The result is apt to be an unhappy, unproductive individual, who may even ultimately become a "career suicide." Burnout trickles down to the staff and eventually erodes the ability of the whole profession to attract the best and the brightest students. In the final analysis, this may be the preeminent reason for firms to work for a more balanced workload through effective delegation.
Chapter 2: Why Don’t We Delegate?

Most firms do not practice effective delegation, even though the benefits include improved profitability and growth for a firm, growth and development of the firm’s staff, and the personal development of the firm’s partners. Why don’t we delegate?

To delegate effectively, an individual must basically take part of his or her job and give it away. Although there are potential long-term gains, a certain immediate loss is inherent in the act of delegating. To encourage delegating in a firm, it helps to recognize why individuals resist delegating and also how the firm’s philosophy and structure may inhibit its employees from delegating.

Why Individuals Do Not Delegate

As a rule, people do not like change. Even though effective delegation can have far-reaching positive effects, individuals resist the interim changes it causes. A discussion of numerous reasons for avoiding delegation follows. Note that many of the reasons can be overcome with appropriate training and encouragement. Chapter 3, “The Process of Effective Delegation,” details some training procedures to overcome these obstacles.

Many partners and senior members of a firm share the concern that the quality of the work will decline if it is delegated to less experienced staff. This concern is valid if work is inappropriately delegated. Inappropriate delegation can have implications for client satisfaction as well as for potential liability. For example, if work is delegated without the necessary training and follow-up, the risk to quality is higher. It may be, however, that the real cause of the concern about quality is a lack of
confidence in others, and it may be true that no one else can do the work as well as experienced senior staff. Nevertheless, the proper training of junior staff is the solution; if junior staff can be trained to do the work almost as well, then the investment in training can reap an enormous payoff, as explained in the previous chapter. Moreover, the lower billing rates applicable to lower level staff permit the utilization of these people to conduct more thorough research and analysis of a given situation.

### Comfort with Current Work

A reluctance to delegate may have a number of underlying causes. People tend to fear and avoid change that disrupts their existing comfort level or introduces new challenges and risks.

Partners and staff have a natural tendency to want to do work that maintains an existing comfort level. This is the work that they have performed before, work for which they know the rules and regulations. They are experts in the field, respected for their knowledge, and they complete the work easily and efficiently.

In addition to not wanting to disrupt their comfort level, people are apprehensive about new challenges, such as business development activities or higher level work. Many partners and senior staff, for instance, are uncomfortable with marketing activities. They prefer to do rather than manage the work.

Higher level work also entails a higher level of risk. A simple example is merger planning (consulting work) versus tax return preparation (compliance). Consulting work may provide higher value to the client, and consequently higher billing potential, even though greater risk is implied since the work may be more subjective. However, remaining in the comfort zone of compliance work also carries risk, since the increasing competition for lower level compliance work ultimately results in downward fee pressure for that kind of work. A corollary to this argument is that if only low-level work is available in a firm, the firm may have too many partners.

Partners and senior staff may also resist delegating work that is interesting and provides them with good learning opportunities. Although this is a natural and valid reaction, sharing actually benefits everyone in the long term.

Reviewing work can be more difficult than actually performing it and there may be a fear on the part of a new delegator that he or she will fail to find any errors that may have been made.

### Reluctance to Invest in Training

If partners and senior staff are encouraged to delegate, often, one of the first objections voiced is the following: “No one else is trained to do this work, and I don’t have time to train.” This is a “catch-22.” In this situation, there is more work than the partners or senior staff can accomplish
alone, in a timely manner, and therefore there is no time to train others
to do the work. Additionally, there is concern that the process of train-
ing someone else to do the work will initially add to the cost of that
work. This situation will continue until there is a realization that training
time is an investment in the future success of the firm, as well as in the
professional development of the individual partners and senior staff.

Sometimes, the reluctance to invest in training time is based on a
fear of staff turnover. In other words, why invest the time to train a staff
member who might leave as soon as his or her audit practice hours are
complete, or who might find an opportunity in private practice with one
of the clients? The rebuttal is that a failure to invest in training assures
that the staff will look for opportunities elsewhere.

**Reluctance to Compromise**

Some partners and senior staff resist delegating work because they
believe that only they can do the work the way they believe it must be
completed. They know that they can do the work faster and better, and
they believe that if the work is delegated, it will not be completed “my
way.” The partner or senior staff who insists on doing all the work is
indulging a desire to control that can lead to high stress and burnout.

Another pitfall occurs if work is delegated but the partner or senior
staff insists on maintaining personal style preference. This drive may
result in overcontrol and continual reworking. The time invested in del-
egating, but then redoing the work, is written off, and the staff involved
suffer the demotivation of “never being able to do it right.”

Most professional firms consider high-quality work an ongoing goal.
It must be kept in mind, however, that a controlling, perfectionist part-
er or senior staff member can have an unintended negative impact on
the profitability and growth of the firm.

**Drive to Control Client Relationship**

Often, partners and senior staff resist delegation because they associate
it with giving up control of the client relationship, which may trigger a
number of fears. The chargeable hours or even the client may be stolen
by the staff to whom the client work is delegated. Partners and senior
staff may sustain financial loss as a result of delegation if their compen-
sation is based on the fees under their control.

The firm, as a whole, will suffer the same financial impact if the
delegatee who now controls the client relationship and fees elects to
leave the firm. This fear can be somewhat alleviated by viewing the
transfer of a relationship more as a “sharing” of the relationship, with
the partner retaining ultimate responsibility. With effective delegation,
the partner will, in most instances, maintain an ongoing relationship
with the client that is sufficient to keep the client even if a staff member
decides to leave.
Senior staff concern about job security is an issue that may be considered another dimension of control. A staff member who hoards work, rather than delegating, may want to be considered indispensable. For example, a staff member may be the only one who is familiar with a particular client’s work. Thus, the firm may be reluctant to lose that individual. Potentially, the firm can be held hostage by an individual who thus ensures for him- or herself a more favorable position for negotiating compensation and advancement.

The partner’s point of view on this issue is quite different. It may be a threat to the partner’s personal status, ego, or compensation that his or her work can be performed by a junior staff member.

A partner or senior staff member must be personally organized in order to delegate effectively. The difficult task of delegating becomes even more difficult for the poorly organized individual, especially in light of the seasonality of the volume of work in most firms. For instance, there may be sudden inundations of work that is subject to deadlines. Partners or senior staff must be organized enough to oversee the entire process of delegating time-sensitive work. First, the work must be sorted out to be delegated, an appropriate amount of time must be invested in the process, and tracking systems must be created to prevent the work from getting lost. Finally, partners and seniors must be organized enough to balance the workloads of junior staff, and communicate with one another in order to maintain that balance. In larger firms, weekly scheduling meetings with senior staff are very effective.

A major, often unacknowledged concern with delegating is a discomfort with the coaching and counseling aspects of the training process. Many people find it difficult to review problems with other staff, and feel unprepared for and uncomfortable with the role of managing others. A common complaint among seniors is that they assumed the role of delegator with no experience or training in how to delegate and supervise others. In many cases, the technical training required for the profession leaves little time for training and experience in the human relations of a business that is highly dependent on people. It is critical to the success of staff members that, as they advance in their careers and in the firm, they be given training in the review function. Too often, promotion to an in-charge position that includes the responsibility of delegating work is also a staff member’s first opportunity to gain experience in delegation.

Another aspect of discomfort stems from the seasonality of many practices. Staff are already working long hours during these high-volume work periods. Partners and senior staff often feel guilty asking junior staff
to work even harder. There is a tendency to just do the work themselves, which magnifies the workload imbalance, and, of course, can lead to burnout at the senior levels.

Finally, there may be a perception that clients do not want their work delegated to others. There are situations in which work cannot and should not be delegated, which will be discussed in a later chapter. Generally speaking, however, clients are better served if more than one member of the firm is familiar with their work, so that questions may be answered and problems solved on a timely basis even in the absence of the partner. To mitigate any concerns that clients may have, it is important that the partner reinforce with the clients that work may be delegated to others, but that the final review is not delegated.

Obstacles Created by Firm Philosophy

These are two basic obstacles created by firm structure that can inhibit effective delegation. The first obstacle is generated by traditional accounting firm philosophy—the chargeable hour. The second obstacle concerns personnel. Ways to encourage delegation through a change in philosophy or structure are addressed in chapter 4, “Methods to Encourage Delegation in the Firm.”

Historically, members of the accounting profession have billed for their skills on a per hour basis. The seemingly logical extension of that practice is that the more chargeable hours any member of the firm has per day, month, or year, the more valuable to the firm that individual becomes. If that mentality exists in a firm, senior staff, as well as partners, have tended to hoard rather than delegate work in order to maintain a high level of personal chargeability. Hoarding can become particularly excessive in firms in which the accountability of partners and senior staff for personal billable hours is not counterbalanced by goals in areas such as practice development and staff development. Obviously, this kind of practice management results in staffing inefficiencies and the further consequence of reduced profitability.

An often-heard complaint or excuse is: “We don’t have enough staff,” or “There is no one available to do this work.” Such complaints can become excuses rather than valid concerns if there is no action to improve the availability of appropriate personnel to whom work may be delegated. Nevertheless, if the complaint is valid, the problem of insufficient staff can be solved by using interns, part-time staff, independent
contractors, or by hiring additional staff. Inappropriate scheduling that leads to personnel shortages can also be corrected. If the shortage is really a shortage of capable delegates, however, then the training or hiring process in the firm must be improved.
Chapter 3:
The Process of Effective Delegation

Effective delegation is an investment of time and energy. It is best accomplished through the following process: Decide what can be delegated, select the appropriate delegatee, communicate expectations, and provide the necessary training and follow-up.

Decide What to Delegate

Some of the work delegated will necessarily be routine work that is easily mastered. It is important that this work not become the only work delegated. Staff morale, motivation, and self-esteem will be enhanced as they are given additional responsibility, challenging assignments, and an opportunity to interact directly with clients. The degree of client interaction delegated must be based on knowledge of the client and confidence in the staff. However, the more client work and contact delegated, the more beneficial the outcome, for both the firm and the staff member.

Effective delegators must themselves be organized enough in order to evaluate their work and determine which jobs to delegate. Setting aside a certain time each week to search for work that can be delegated is the most effective way to keep the work moving down to the level where it can be most efficiently performed.

What Not to Delegate

As a first step, the easiest way to determine what to delegate is to establish that which cannot be delegated. When deciding what work cannot be delegated, look for the following characteristics. Work that requires or entails these qualities cannot be handed over.
Delegation is not abdication. Ultimate responsibility to the client cannot be delegated. The client may be an internal client or an external, paying client. For example, from the viewpoint of senior staff, the internal client may be the partner who originally delegated the work. In this case, the senior staff may delegate all or a portion of such work to junior staff, but the senior remains ultimately responsible to the partner for the efficient and effective completion of the work. This ultimate responsibility is the same as the ultimate responsibility that the partner has to a paying client. No matter how much work is delegated, there will always be a partner or senior staff member who is ultimately responsible for the timely completion of a quality product that meets the client’s needs and expectations.

Any work that requires the unique talents of a partner or senior staff cannot be delegated. Tasks or specific projects that are a part of the work can be delegated with two considerations. First, the interrelationship of the tasks delegated and the big picture of the total engagement must be carefully communicated to avoid unnecessary or irrelevant work. Second, the delegator must perform a careful review of the completed tasks to ensure that the work is properly supported. Examples of work that require the unique talent of a specific individual include merger or acquisition consulting, contract negotiations, and expert witness testimony. Even this kind of work can be learned if properly managed. For example, the due diligence portions can be delegated.

Work that requires specialty of experience cannot be delegated. As firms become more specialized, the very fact of their specialization can limit their growth by constraining the ability to delegate. Examples of work that require specialty of experience include those services that require certifications such as business valuation services, network installations, and certified financial planners. Additionally, some of the consulting services listed above are further limited by industry specialization and cannot be delegated. For example, firms or partners that specialize in medical practitioners may become very expert in contract negotiations with managed care providers. In these instances, as in the case of work requiring unique talents, portions of the work, such as determining the effects of new contracts at various assumptions, can be delegated.

Work that requires a high degree of confidentiality or a specific level of sensitivity cannot be delegated. Personnel problems cannot be delegated, especially in today’s increasingly litigious society. Consulting work with a client on ownership or management succession may not be delegated.
due to the threat to confidentiality implicit with an increase in the number of people involved.

**Vague, Ill-Defined, or New Tasks**

Vague, ill-defined, or new tasks should not be delegated until they become familiar. In situations like this, the partner or senior staff may not themselves understand the situation well enough to be able to properly explain the work to be done. Subordinate staff would waste time deciding how to proceed with delegated work rather than actually completing it.

**WHAT TO DELEGATE**

Apart from the situations listed above, all work can be delegated. Effective delegation must, however, include responsibility and authority for completion of the project—regardless of whether the project is made up of simple *go-for* activities or a full stewardship.

Thus, the ability of the delegatee to assume responsibility and authority for the successful completion of the job becomes one criterion for selecting the projects to be delegated.

**Responsibility**

To the extent possible, all responsibility short of the final responsibility to the client—which cannot be delegated—should be relinquished. For instance, it is better to delegate projects than tasks. The delegation of pieces of work, or tasks, accompanied by very specific instructions means that the delegated responsibility is to complete the work exactly according to those instructions; the delegatee cannot be held accountable for the success or failure of the project. If instructions are inadequate or incomplete, the shortfall is not the delegatee’s responsibility.

**Authority**

The authority to do the job must be delegated at a level commensurate with the responsibility. For example, if client contact is necessary to successfully complete a job, then the authority to contact that client must be given when the job is delegated. When this occurs, it is important to bring the staff member in to meet with the client early in the process so that both parties are comfortable about communicating with each other. An example specific to the audit function is that senior staff responsible for the job must be given the authority to negotiate (with other senior staff through the scheduling function) for appropriate staffing for the job. The responsible senior must also be a part of the time-frame negotiations with the client. Finally, the senior staff responsible for a job should have the authority to bill for the job. Encouragement and approval for that billing can be provided by a billing meeting with the partner and others.

The authority to do the job is very empowering to staff members, and they will grow faster and more if that confidence is awarded to them. The authority to do the job also effectively provides for account-
ability. An employee can be delegated the responsibility for a job, but without the authority necessary to get the job done, that employee cannot be held accountable for the successful accomplishment of that job.

When partners and senior staff members are asked how much of their billable time is spent on work that could be delegated, they invariably indicate that one-half or more of the work they do could be delegated to others. An easy way to make this assessment within a firm is to survey the partners and staff, and compile the results in order to make the case for an increased focus on delegation.

Generally, routine services or lengthy, repetitive work should be automatically delegated. These services require little customization. They are task- or past-oriented, with no requirement for forecasting. They may be price-sensitive and are often billed below standard rates. The more these factors describe the work to be delegated, the further down in your staff cost structure the work should go. Administrative assistants, bookkeepers, and interns can perform work that is very routine.

Moreover, a number of firms have found that administrative assistants can be empowered to relieve the managing partner or firm administrator of many internal administrative duties, with the obvious exception of personnel. Entire areas can be delegated to an administrative assistant or clerical support personnel.

If you are a partner or senior staff member, the following list of internal work that can be delegated should help jumpstart your efforts to identify what to delegate.

1. **Organizing your time and coordinating appointments.** Clients, staff, and others should be able to schedule appointments without talking to you directly. Excellent communication between the partner and assistant is critical to the success of the delegation of this important work. The partner must indicate blocks of time that cannot be scheduled due to professional and community activities, or just personal time. The assistant must promptly communicate appointments made to the partner via e-mail, voice mail, a software scheduling program, or other agreed-upon method.

2. **Following up on scheduling and due dates.** Tax due dates, audit deadlines, and any other work that is time-sensitive should be included in a scheduling system that is maintained, by client, for the partner. Upcoming deadlines should be reflected on a weekly or monthly report, as appropriate for the firm. The assistant can follow up with responsible employees to determine the status of delegated work, report status to the partner, and update the scheduling report as work is completed.
3. *Collecting accounts receivable.* An assistant can review the accounts receivable listing with the individual partners and send collection letters and follow-up phone calls as appropriate. Close communication with the partners is important, since there may be special client circumstances involved.

4. *Performing basic research.* An assistant may perform basic research on projects the partner has retained due to sensitivity, special expertise, and so forth. In addition to gathering the information needed for decision making, the assistant may be responsible for maintaining these current projects files.

5. *Maintaining confidential records.* Personnel files and other confidential records can be maintained by an assistant. Since communication regarding these files is often processed by an assistant, maintaining the files is a natural extension.

6. *Organizing and setting up meetings.*

7. *Coordinating conference calls.*

8. *Screening and directing mail to the appropriate person.*


10. *Writing checks for partner signature on client trustee accounts.*

11. *Making copies of workpapers, tax returns, trial balance for clients, or other parties authorized to receive the information.*

12. *Coordinating the cleanliness and maintenance of the office, including janitorial oversight.*

13. *Providing for staff awards, recognitions, staff meetings, and special occasions.*

**Select the Appropriate Delegatee**

The next step in the process of effective delegation is to select the appropriate delegatee. Selecting the wrong person for the job can be worse than no delegation at all. The individual selected should be neither overqualified nor underqualified.

If deadline pressures require that work be completed within a very short time frame, it may be necessary to use more experienced staff to complete the work. Another possibility is that only higher level staff are available due to previously scheduled engagements. In these situations, it is often necessary to bill the work below the senior staff's usual billing rate. This can be demoralizing to the staff member. Therefore, it is important to communicate to that individual the reason for the delegation of the lower level work and potential write-down of the billing rate.
In other words, any firm performance reporting should be adjusted so that the staff member is not penalized for lower rate billing. If the work delegated to a staff member is substantially beyond his or her current abilities, the investment in time required to train him or her may be excessive. The unfortunate results could be an unsatisfactory job, a high level of frustration for the partner or senior staff member, and a loss of confidence by the junior staff person.

Selecting the delegate for the job should entail trying to match the level of skill required with someone who has some experience at that level, or for whom the work would be a challenge and a learning opportunity. If the firm has specialty niches, try to identify a staff member who has an interest in that particular specialty. Sometimes partners make the mistake of delegating work to the person who happens to be available at that moment rather than thinking in terms of the long-term growth of that person and the client, or industry fit. Partners also have a tendency to delegate work to those with whom they have a comfortable working relationship. Although this is understandable, it can lead to an unbalanced workload in the firm with resultant burnout of some staff and the underutilization of other staff.

When discussing the work to be delegated, display confidence in the delegatee. Build enthusiasm. Tell the person why you selected him or her for the job. Let him or her know that you believe they are capable of doing the job, especially when delegating stretch or growth opportunities. The often-cited Pygmalian effect, whereby people rise to meet the expectations of others, can be a major factor in successful delegation. Experience, plus study after study, demonstrate that when people are treated as intelligent individuals, capable of success, they will rise to a higher level of achievement to meet those expectations. There are obvious benefits for the firm as well as for the individual, since the collective quality level of the firm will rise as individuals grow in abilities. Finally, make sure the potential delegatee wants the job. Inquire: Do you have an interest in working on this project? If a staff member actively accepts the work, the results will be much better.

**Communicate Expectations**

Communicating expectations is clearly a very critical part of the process of delegation. It is often the linchpin that makes the difference between success and failure of the process. At the minimum, the following are the six key elements to communicate:

1. The big picture
2. The specific objective
3. Other considerations that may be important to understanding the job to be completed
4. Time requirements
5. The level of responsibility and authority for this job
6. The importance and emphasis on keeping the delegator informed

**The Big Picture**

When responsibility for work—but not the total project—is delegated, it is important to describe how this work relates to the total project. This overview—the big picture—provides the understanding necessary for efficient completion of the work and leaves room for creativity in getting the work done. Describe how the work being delegated fits into the total relationship with the client. Tell stories about the client that will illustrate the kind of people they are. This can make the client more personal, more real to the delegatee, which is especially important if specific tasks are being delegated, as opposed to the total job. This investment of time will save time and effort over the long term. If the client relationship is being delegated, it is beneficial to communicate how this relationship fits into the firm and its long-term direction. A useful technique is to ask the delegatee to bring a notepad to the initial meeting, with a comment to the effect that they may want to take notes because there will be a lot to remember.

**The Specific Objective**

Partners and senior staff sometimes do not take the time to clearly outline the objectives of the work to be done and make sure the delegatee understands them. This failure may be due to an erroneous assumption that, “They will know what to do with this.” The result is vague or incomplete instructions, or simply no more than a brief note attached to the file. Sometimes the failure to give clear direction derives from the fear that explicit directions imply that the delegatee does not know what to do. This misguided desire to reassure can lead to wasted time and the write-off of hours as junior staff struggle to figure out what to do. The task completed may not be the one that is needed. In the end, this attempt to be “nice” can result in frustration for everyone—staff and delegator alike—as well as a blown engagement.

Sometimes delegatees are embarrassed about asking questions about the directions or instructions that they have been given. They fear that they will show their ignorance. The result is that the delegatee does not communicate his or her lack of understanding back to the delegator, and time is wasted trying to do work that is beyond his or her experience. Delegatees must take the responsibility of communicating if they do not understand the assignment, or do not know how to do the work.
Delegators need to explain that it is okay—even mandatory—to ask questions in order to establish a good understanding. Delegators then need to listen carefully to recognize whether further explanation is needed, and to encourage delegatees to communicate their lack of understanding. Invite questions by noting that the work is complicated or difficult, and that it is okay to ask questions. This will also reassure delegatees in the event that they do not understand immediately. Make them ask questions with your own questions, such as the following: “I’m sure this is a lot to cover. What questions do you have? Which step might you have questions on later?” A useful technique is to ask the delegatee to repeat or summarize his or her understanding of the assignment.

**OTHER CONSIDERATIONS**

Sometimes background information is available that influences how a job is to be organized and completed. Ordinarily, this information should be available in the file. Reviewing this information with the delegatee gives him or her an opportunity to ask questions immediately, which may save time in completing the work. It also provides an opportunity for the person doing the delegating to make sure that all relevant information is contained in the file, and to update it if necessary. Cite other resources that are available to help the delegatee complete the job. These may include manuals, guidelines, or other staff members.

**TIME REQUIREMENTS**

In addition to communicating the specific work to be completed, it is critical to clearly communicate expectations for the time frame in which the work is to be completed. Has the client been told when to expect this work? The first step is to create realistic expectations with the client for completion of the work. Then, specify to the potential delegatee when the work is due, instead of politely asking, “Do you have time for this?” The delegatee may want to do the work, and may have time to do the work, but not within the time frame required to meet the client’s expectations. Directness will elicit a clear commitment to complete the work on a timely basis.

What are the absolute deadlines, if any? What level of detail is required, in terms of quality? For example, when delegating tax research, it is important to communicate that the desired objective of the work delegated is to obtain the best answer within a specified amount of time. By specifying the time frame, the delegator is guarding against creating an assignment that could far outstretch the time frame necessary to obtain a reasonable and satisfactory answer.

Avoid asking for rush jobs unless the request is absolutely necessary. This is especially important when delegating to a new or very junior staff person, but it is also important in terms of the total office.
Rush jobs create inefficiencies as existing work is pushed aside to accommodate the rush job. Additionally, rush jobs invariably create errors and omissions in the work and at the review level.

**The Level of Responsibility and Authority**

Although it is always preferable to delegate the whole job, it is not always practical or realistic. It is important to establish the levels of responsibility and authority that are being delegated. For how much of the total engagement are the delegatees responsible? How much authority do they have in completing the engagement? For example, do they have the authority to contact the client? The issue of delegatees communicating directly with clients is sensitive on all sides. If a junior staff member cannot be authorized to contact the client directly, courteously explain why to the staff member. On the other hand, clients who are concerned about their work being delegated need to be reassured. In these situations, the delegator must say the following in effect: "I have the final review of your work even though some tasks may be delegated to others."

Whenever possible, long-term responsibility for work extending more than one year should be delegated to the responsible senior. This completes the circle of responsibility for the engagement, and will encourage a cost-efficient attitude. Review of seniors' billing recommendations at a billing meeting serves as an excellent training tool for the seniors, and, if properly structured, will encourage a full-rate billing, unless there is a significant reason for a write-down of the work billed. It also provides for final billing approval by the partners.

**The Importance of Reporting**

The partner on the engagement is ultimately responsible to the client for the successful, timely completion of the work. Therefore, it is extremely important that the delegator be kept informed of the progress or problems on any engagement. This allows the partner to maintain credibility with the client. It also provides the partner with the opportunity to reset client expectations if due dates need to be extended. This edict also holds true for senior staff delegators, whose client may be the partner. Keeping the delegator informed also has dividends for the junior staff member. If he or she is successful in consistently keeping the delegator informed, that delegator will become more comfortable and confident in that junior staff member, resulting in more opportunities for growth and profitability for both.

**Train the Delegatee**

Though it may seem that there is seldom enough time to train junior staff, the failure to make this important investment of time and money
leaves a firm in a dilemma: Appropriate delegation cannot be carried out because potential delegatees have not been trained.

It is important to fully recognize the long-term payoff of staff training in order to accept the short-term increases in cost that are likely to be incurred. The added short-term costs on an engagement may be the cost associated with moving the junior staff along the learning curve, as well as the time of partners and senior staff allocated to instruction, training, and review. Nevertheless, long-term growth and profitability can be anticipated. It is increasingly apparent that the human capital of a firm is one of its most important assets and requires as much or more investment than other assets, such as technical equipment. For example, the latest and best technology without intelligent, trained staff to operate it is like a Cadillac without wheels.

There are many styles and methods for training. The most effective methods include the following elements.

**Demonstrate the Job**

In addition to demonstrating how to do the work, show the delegatee where to find the information necessary to complete the job. A good place to start this aspect of the staff instruction is the prior year's files. Have the delegatee review the permanent, administrative, and tax files, as well as those for working papers as appropriate. Discuss other resources, such as relevant software and reference materials, and their location.

**Discuss Alternatives**

Require that the delegatee not only do the work, but also demonstrate his or her understanding of the reasoning behind the work. One way to determine how well a junior staff member understands is to evaluate the thought process he or she used in deciding how to complete work. To do this, the delegator can ask the delegatee to list the alternatives he or she considered, and the rationale behind the final choice. At this point, the delegator has an opportunity to either concur, confirming the delegatee's thought process, or discuss why other alternatives may have been better. This kind of training encourages delegating by demonstrating to the delegator how the delegatee can be expected to approach problem solving in future engagements, as well as currently. The reassurance provided by this knowledge adds to the delegator's comfort about delegating.

Another approach is to encourage a written brief outlining the alternatives considered and the rationale for the alternative recommended. This approach has the benefit of saving discussion time, while providing the opportunity for the delegatee to improve their writing and thought skills. At the minimum, the delegator may request that the delegatee use workpapers to briefly outline the situation.
Set Up a System of Checkpoints

It is especially important in initial training to establish checkpoints marking when the delegatee should return to review work with the delegator. For example, a delegatee may be instructed to return with the work for review when the adjusting journal entries have been made, the trial balance has been run, and the preliminary net profit (loss) determined. This provides a specific time to review the work completed up to a certain point. Obtain the time frame commitment from the delegatee by asking questions such as the following: “When do you think you will have this work for my review?” If the delegatee sets a date that is too far in the future for good client service, respond with something like this: I think the client wants the work completed earlier than that. What about a date next week? The investment in a midpoint review will ultimately save time if the delegatee has misunderstood some portion of the training.

Give Immediate Feedback

In order to provide the most effective feedback to delegatees, it is important to review work and point out any errors in a timely fashion. Especially when working with new staff, timely feedback reduces the chances of mistakes being repeated.

Although it can be difficult to provide prompt feedback to delegatees during busy times such as the tax season, the firm can consider ways to expedite this part of training. For instance, a two-part review sheet for tax return review may be used. The second copy of the review can be sent immediately to the delegatee, communicating comments or corrections without delay.

It is critically important that partners and senior staff resist the temptation to simply correct errors and send the work to the client. Time pressure and the increasing ease with which corrections can be made, thanks to the multiuser capabilities of accounting software, make it seem expedient to simply correct the work, but this practice is actually counterproductive. Both training and delegation are undermined because the delegatee will continue to make the same mistakes, which erodes the delegator’s confidence in the junior staff, as well as the staff members’ confidence in themselves.

Repeat the Process

Invest the time to repeat the training process with a variety of tasks or engagements until the delegator is comfortable with the delegatee’s skills and thought process.

Listen Well

Make sure that the delegatee understands your instructions and feedback. Watch for uncertainty on the part of the delegatee. Ask him or her to repeat back to you their understanding of your expectations. Ask questions. Recognize that the delegatee may not know enough to know
that he or she does not know. This is especially true of new staff. More experienced staff may be too embarrassed to ask questions or otherwise reveal a failure to understand.

**FOLLOW-UP**

Keep track of what work has been delegated, whether on a simple notepad or through an elaborate due-date monitoring system. Monitoring the work will guard against it becoming postponed or lost in the system, and the further consequence of postponed deadlines and missed report dates.

Setting priorities, balancing the workload, and maintaining good communication are all important elements of the follow-up that must continue until the delegated work is completed. Both delegators and delegatees have roles to play in this part of the process.

Particularly in larger offices with multiple service lines, scheduling and monitoring entails many difficulties. One is the problem of too many bosses. For instance, the work delegated by one partner or senior staff may be preempted by the work of another. Good communication and a good method for coordinating work among staff can solve this problem.

A number of firms use a three-week scheduling system with weekly meetings among partners and senior staff to reorder priorities and redistribute the work as necessary. Such a scheduling program eliminates the need for partners or senior staff to delegate directly to staff delegatees; work need only be coordinated with the people who do the scheduling. In large offices, senior staff are delegated the responsibility of assigning work to junior staff.

Another important element of follow-up is for the delegator to keep the delegatee informed of any changes that affect the work that has been delegated. Generally, the partner has the most client contact. It is critical that any information communicated to the partner or other delegator be immediately relayed to the delegatee. With the continuing improvements in technological information systems, this communication can be easily accomplished through a brief e-mail message or transfer of a phone message through a voice mail system.

Delegatees also have a communication responsibility. They must inquire as to due dates and work priorities and instigate communication among all parties when assignments conflict.

**EVALUATE PERFORMANCE**

The delegatee should be apprised of his or her performance informally as well as formally. It is important to encourage people who are learning new work and taking on new challenges, and feedback on their performance is a source of that encouragement. Work that is done well should be acknowledged with praise and recognition. Delegators should not wait for the formal appraisal period, but should provide continuous feedback on an informal basis.
The caring, competent staff who make mistakes as they experiment in the effort to improve are staff that deserve to be coached. It should also be kept in mind that people who do not make mistakes are often those who are not trying to improve. These staff thwart their own progress and hold back the firm as well. The most dangerous people in the firm, however, are those who never admit a mistake. These individuals not only deprive themselves and the firm of the opportunity to improve; they can actually hurt the firm by making persistent mistakes that incur liability.

Formal evaluations may take several forms. For example, a firm may evaluate individual performance at the conclusion of each audit engagement or at the conclusion of the busy season. Written evaluations or check sheets should be reviewed with the staff member, with specific examples of what work was done well and what areas need to be corrected. These interim evaluations, taken collectively, will become a part of the annual evaluation, particularly as they demonstrate progress or lack of progress in improving performance or gaining new knowledge and capabilities.

Partners and senior staff should be evaluated on their success in delegation and training. This input may be obtained through focus groups, internal staff surveys, or specific engagement rating sheets. Combine staff input for incorporation into partner and senior performance evaluations as trainers and skill-builders.

The Pitfall of Reverse Delegation

Reverse delegation occurs when the delegatee turns to the delegator for answers to issues that arise during an engagement. Though reverse delegation is usually driven by staff, it may be allowed or even encouraged by partners or senior staff. Taken to its extreme, the delegators may actually take the work back and complete it themselves rather than insisting that the junior staff complete it. Such a situation can be very time-consuming, overworks the partners and senior staff, and places an absolute limit on the growth of the firm.

Reverse delegation may be attributable to a lack of confidence among junior staff. If these staff have been criticized rather than coached, they may rely on reverse delegation to avoid criticism by directing all questions or problems back to the delegator. At the same time, reverse delegation can occur only if the partners or senior staff take back the work.

The most effective way to solve the reverse delegation problem is to follow the previously described training method. It should be com-
communicated clearly that any problem brought to the attention of partner or senior staff member should include the alternatives that the junior staff member believes are viable, along with the recommended course of action and rationale for that recommendation. If diligently followed, this course of action will result in the clear communication, “Bring me solutions, not problems.”
Despite the many benefits of delegation to the firm, its partners, and staff, there can be stubborn obstacles to fully effective delegation. Some obstacles can be overcome by training and staffing. Others may be rooted in the philosophy of the firm, and the implementation of procedural changes may be required to encourage a more proactive attitude toward delegation. The following are some of the techniques that CPA and other professional service firms have used to successfully overcome these difficulties.

1. **Profitability accountability.** The performance evaluation of partners should include an evaluation of their ability and effectiveness as delegators. This may mean that the evaluation system should be revised to hold partners accountable for the profitability and volume of engagements under their control since compensation ultimately is derived from the profitability of the firm.

   Almost all firms include in their evaluation of partners and staff the measure of individual chargeable hours. Most firms take the evaluation process one step further and include billings per partner and write-up or write-down per partner. Although this level of evaluation addresses delegation, taken as a whole, it does not address the quality of the delegation as it relates to profitability. Generally, firms evaluating at this level do not have access to billings and write-up or write-down per senior staff person.

   Firms need to move to the next level of performance evaluation in order to address the quality of delegation. A gross profit report is an effective way to measure not only the profitability of each engagement, but also the effectiveness of delegation. A higher
The gross profit report tends to indicate that work was effectively delegated to the staff that was least costly yet had the capabilities to efficiently and competently complete the work.

The gross profit report is used to measure both the volume and profitability of engagements, and effective delegation at two levels: senior staff members and partners. The report will reflect profitability on an engagement-by-engagement basis as well as a combined profitability for all engagements controlled by the senior. This information provides an excellent tool for evaluating individual performance in terms of the engagement management skills of profitability and delegation. At the partner level, the report will reflect all clients controlled, regardless of whether a senior has been designated as the responsible employee on an engagement.

The gross profit report should provide a tool for evaluating the delegation performance of senior or responsible employees in terms of both the volume of jobs and how well each job is managed. The gross profit report should calculate gross profit on a client engagement by offsetting the fully loaded cost of employees (total employee compensation cost plus benefits divided by expected chargeable hours) utilized on the engagement against the accrual fees for that engagement. Adjusting the gross profit by write-up or write-down of accrual fees (standard rate times actual hours) employee costs incurred in the engagement will be the final gauge of whether the most cost-effective staff were utilized on the engagement. The collectivity of engagements would then roll up to a partner level so that a total profitability may be evaluated on a per partner basis.

The gross profit report, as a management tool, puts less emphasis on chargeable hours. The result is that it encourages staff training and the acceptance of responsibility for more engagements as well as their proper management. Without the gross profit report, partners have a tendency to utilize the most experienced staff on their engagements or those with whom they are the most comfortable. The staff selected in this manner may or may not be the most beneficial for the profitability of the engagement, which may negatively affect the profitability of that engagement as well as that of the total firm since staff will not be allocated to their best, most cost-effective use. An example of a gross profit report follows in exhibit 4.1.

2. **Skill building accountability.** Partners and seniors must be held accountable for their performance in training and developing others


**Exhibit 4.1**

*Sample Gross Profit Report*

<table>
<thead>
<tr>
<th>Client Name</th>
<th>Accrual Fees</th>
<th>Employee Cost</th>
<th>Adjustment</th>
<th>Expenses Advanced</th>
<th>Gross Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acme Co.</td>
<td>$5,275</td>
<td>$2,556</td>
<td>$851</td>
<td>$209</td>
<td>$3,361</td>
</tr>
<tr>
<td>Sales Inc.</td>
<td>1,389</td>
<td>599</td>
<td>4</td>
<td>190</td>
<td>604</td>
</tr>
<tr>
<td>Trust Co.</td>
<td>551</td>
<td>302</td>
<td>4</td>
<td>0</td>
<td>253</td>
</tr>
<tr>
<td>MTD Total:</td>
<td>$7,215</td>
<td>$3,457</td>
<td>$859</td>
<td>$399</td>
<td>$4,218</td>
</tr>
<tr>
<td>YTD Total:</td>
<td>$70,365</td>
<td>$26,701</td>
<td>$4,454</td>
<td>$550</td>
<td>$38,660</td>
</tr>
</tbody>
</table>

**DEFINITIONS:**

- **Accrual Fees** — Total time charged to the client on this engagement in dollars (standard rate *times* actual hours)
- **Employee Cost** — The fully loaded cost of the employee *divided* by his or her estimated total annual chargeable hours
- **Partner Cost** — Partner cost is zero, or the salary cost, depending on the firm's partner compensation philosophy
- **Adjustment** — Write-up or write-down from standard
- **Expense Cost** — Other nontime charges to the engagement, included in the gross fees
- **Gross Profit** — The combination of the above revenue and expense items (Gross profit does not include overhead—supplies, rent—nor partner compensation.)

in the firm through effective delegation. A significant factor in the selection of partners and seniors should be their ability to grow the firm in terms of staff as well as new business and client management.

The gross profit report is an excellent tool for this measurement, since the results of effective delegation will be apparent. In addition to this information, obtain input from staff regarding the training they have received on various engagements and throughout the year.

3. **Development of training tools.** Develop tools to assist new delegators in reviewing work they have delegated to others. Partners and seniors are often unwilling to delegate work because they are concerned about their own ability to properly review delegated work. Develop checklists to serve as a reminder of what is important to the review process and to expedite the process, which will ultimately build confidence for the reviewer. Exhibit 4.2 is an example
### Exhibit 4.2

#### Sample Review Procedure Individual Tax Return

A. **Overview.** This process should take approximately ten minutes, and is important in order to set your mind for this client.

1. Review the *permanent file* section for any changes in the last year (sale of assets, new partnership, new will or trust).

2. Review the *prior year tax return* and carry over items (net operating losses, capital losses, credits). Other carryover items to check include state tax payments paid in the current year.
   a. As part of this review, familiarize yourself with the client (rental property held, sole proprietorships, partnerships).
   b. Check for notes in the file from the prior year tax preparation, or notes made during the year, referencing items to be changed or checked in this year's tax return (losing a dependent, getting married).

3. Review *estimates* that were to be made during the year, especially noting when state tax payments were made, in order to compute the deduction for state income taxes paid. For example, was the fourth installment state tax estimate paid in December, before year-end, or in January? Also note state tax refunds received during the tax year.

4. Review any estimates prepared by the firm during the year for projected tax liability. This is to establish what the client's tax liability was anticipated to be.

B. **Validation of review return to supporting documentation.** Review return is the full tax return obtained before the final tax return is run.

1. Review system diagnostics (assumes in-house computerized tax preparation).

2. Review income tax return checklist prepared by the staff person. Review problems or questions noted, if any.

3. Using the federal tax *review return*, compare each entry on the tax systemizer, if systemizers are used, or the supporting documents in the file. Supporting documents should be filed in the same order as the tax return for ease of reference. Check-mark the review return as each item is verified. At the conclusion of this review, each number on the review return will be check-marked, if the review return is accurate to this point. Circle items that appear on the review return that are not check-marked, for further investigation.
   a. Whenever numbers on the systemizer or documentation are being combined, there should be an adding machine tape confirming the numbers. This confirmation should be taped **(continued)**
to the systemizer or documentation in the first location of the numbers being combined. For example, home mortgage expense may include amounts from several lenders. The numbers being combined can thus be easily confirmed to the systemizer or documentation, and the total to the review return.

b. Use the front page of the review return, or a separate sheet, to make two kinds of notes as the review return is being validated. The first set of notes is questions about the return that require further research, either by talking to the client, or inquiring of the staff person preparing the return (for example, Where did you get this number? Did you think about this item?). The second set of notes is training notes to be reviewed with the staff person preparer.

4. Review and compare the state tax return to the federal in order to verify differences between federal and state.

5. Make any corrections on-line, at the time of review, so as not to forget to do so. If authorized to contact the client, call immediately with the tax requirement while the information is familiar and on-screen. This provides the opportunity for the client to raise any questions or issues. Inquire as to whether the client wishes to pick up the tax return and review it with you (set the appointment), have it delivered, or mailed to them. Note on the tax routing sheet that the client has been contacted and the disposition of the return. If not authorized to contact the client, run a new review return, if changes were made, and deliver it to the partner for contact with the client.

6. Review the training notes with the staff person who prepared the return.

of this kind of review checklist. This sample review procedure for an individual tax return is also adaptable to other tax entities.

4. Management skills training. The educational background of accounting professionals has traditionally emphasized the technical aspects of the profession. Emphasize the importance of management and interpersonal skills training as a part of the continuing education of partners and staff. A common complaint among seniors is that, before becoming delegators, they have had neither experience nor training in how to delegate and supervise others. This kind of expanded continuing education melds well with the lifelong learning mode required by rapid change. Firms should allocate a certain number of hours for training per year in their
budgeting process, and then manage to that allocation. The preferable way to manage the investment in training required for effective delegation is to charge training time to a separate training work code rather than charging the time to any particular engagement. Manage is the operative word, however, otherwise this training account may become a very costly black hole, with insufficient control of the hours charged by any one person to training.

5. **Engagement monitoring/scheduling system.** Develop an engagement monitoring/scheduling system to be used throughout the firm. Engagement profitability can be improved by attempting to match engagement staffing needs with the lowest staff level qualified to do the work. Implement integrated planning meetings on large jobs and those jobs that were above budget in prior years. Challenge the traditional staffing plans in order to maximize leverage. Develop an automated follow-up system to ensure that work is completed as scheduled or rescheduled.

6. **Target value-added work.** Develop a firm marketing plan that targets high value-added potential work such as consulting. Partners will be more comfortable in delegating their work to others when there is new, interesting work available for them to do. Use the annual evaluation process to challenge partners to develop personal marketing and development plans that complement the firm’s desired growth direction.

7. **Billing responsibility.** Many firms delegate the billing recommendation to responsible staff, which completes the cycle of client service and gives staff the insight into the whole firm profitability process. This will encourage and empower the senior to improve engagement profitability. Implement a billing meeting whereby client billing is reviewed by partners and seniors before being finalized, and where only positive billing adjustments are encouraged.

8. **Hiring philosophy.** Be willing to pay for and actively recruit the best people available to staff the firm. This hiring practice will maximize the potential for effective delegation. It will also maximize the firm’s potential to successfully compete in a rapidly changing technological environment where the ability to learn, analyze, and make judgments are crucial elements of success.

9. **Opportunities for growth and ownership.** Staff training and effective delegation will provide staff with the opportunity for challenge and personal growth that leads to a high level of work satisfaction. Staff turnover will decline, leading to even higher levels of productivity and client satisfaction, a winning formula for all concerned.
Ultimately, firms that provide the opportunity of ownership to their staff will reap the greatest rewards in terms of firm profitability and growth. People will always behave in their own best interest as they perceive it. Those with a stake in the future of the firm will work the hardest and most creatively to achieve that future.

In conclusion, it is important to remember that effective delegation requires an investment of time and energy on the part of the individual partners and senior staff members of the firm. It may also require a change in firm philosophy and procedures to encourage a proactive attitude toward the delegation of work. The ultimate success of this investment in time, energy, and change will be worth the effort. This is because delegation is not only the most powerful determinant of a firm’s profitability and growth, it is an indispensable skill for the members of a firm improving their own personal growth and quality of life.
Appendix:
Publications From the Management of an Accounting Practice Committee

To order AICPA MAP Committee publications, call the AICPA Order Department at (800) 862–4272 or (201) 938–3000 (outside U.S.).

MAP Handbook, a comprehensive 1,000-page, three-volume loose-leaf reference service on practice management, is updated annually. It includes more than 200 forms, sample letters, checklists, and worksheets, all easy to reproduce or adapt for your practice needs. It provides detailed financial data and policy information, for firms of various sizes, that enable you to compare your performance with that of comparable firms. Topics covered include developing an accounting practice, administration, personnel, partnerships, and management data.

MAP Selected Readings, a companion book to the MAP Handbook, is a readers' digest of over 500 pages of articles on successful practice management, specially compiled from leading professional journals. The articles contain numerous profit-making ideas for your practice. A new edition is published annually.

On Your Own! How to Start Your Own CPA Firm provides nuts-and-bolts advice on how to start a CPA firm. It contains a wealth of hands-on information on operating profitability, and is useful to both new and established firms as well as to prospective firm owners. Product No. 012641.

Organizational Documents: A Guide for Partnerships and Professional Corporations is a guide to drafting a partnership agreement and corporate documents. The book includes a sample partnership agreement with more than 100 provisions and a step-by-step approach
to incorporating. Book: (No. 012640); WordPerfect 4.2 disk: (No. 090091); Book and WordPerfect 4.2 disk set: (No. 090096).

**Management Series** booklets cover the issues you and your clients are dealing with now. Designed to help solve management problems, the series includes *Management of Working Capital* (No. 090060), *Financing Your Business* (No. 090061), *Making the Most of Marketing* (No. 090063), *Managing Business Risk* (No. 090062), *International Business* (No. 090064), and *Human Resources* (No. 090065).

**Practice Continuation Agreements: A Practice Survival Kit** explains how you can preserve the value of your practice in the event of death or disability. A practice continuation agreement can prevent the value of your practice from dissipating, provide financial and emotional benefits to your family, and help fulfill your professional responsibility to your clients. Product No. 090210.

**Managing the Malpractice Maze** offers firms specific techniques for lowering their risk of liability. It identifies criteria for evaluating a firm's existing defensive practice program and shows how to develop such a system if one is not in place. The book also features a ten-step plan to follow when a claim is brought and discusses such vital management issues as practicing without insurance, documenting engagements, selecting an attorney, and implementing a quality control system. Product No. 090380.

**Winning Proposals: A Step-by-Step Guide to the Proposal Process** takes you through every step of the proposal process from its preliminary steps to conducting a postmortem following the prospective client's decision. Detailed chapters explain how and where to conduct research, what to look for during on-site visits, how to map out a strategy that distinguishes your firm from competitors, how to identify the appropriate composition of the proposed document, and how to ensure your sales presentations work. Product No. 090390.

**Managing by the Numbers: Monitoring Your Firm's Profitability** assists you in your efforts to improve your firm's long-term financial performance. It helps you identify immediate opportunities within your firm and provides you with a dynamic tool to manage your practice better on a regular basis. The book instructs you step-by-step how to examine the numbers behind the numbers and uncover situations that may not be obvious in conventional financial statements. Product No. 090220.

**Seasonality: Practitioner's Suggestions for Managing Work Load Compression** is a summary of creative approaches that address this
profession-wide problem. The suggestions come from the responses of over 100 managing partners to a MAP Committee survey on seasonality, as well as tips gleaned from AICPA MAP conferences and professional publications. *Seasonality* is an impressive compilation of initiatives used by firms to increase profits and improve quality of life for owners and staff. Product No. 090400.

**Strategic Planning: A Step-by-Step Guide to Building a Successful Practice** provides a detailed approach to the design and implementation of a strategic plan. The process can be applied by both small and large firms. It will produce not only action plans and a documented strategic plan, but also create the synergy, focus, and commitment that enables firms to maximize opportunities for growth and profits. Product No. 090402.

**WordPerfect in One Hour for Accountants** is a crash course in the most popular word processing and document storage software package used by accountants. It is designed for the busy practitioner who wants to get up to speed in WordPerfect basics without slogging through a complicated user manual. In four easy lessons, you will learn the basic steps for getting a simple job done using WordPerfect. The four lessons average about 15 minutes each. That’s your WordPerfect in one hour! Product No. 090085.

**WordPerfect Shortcuts for Accountants: Merge and Macros in One Hour** is the next step in mastering WordPerfect functions. In four easy lessons designed to take no more than 15 minutes each, you’ll soon learn how to automate a multitude of functions by taking advantage of WordPerfect’s macro and merge features. Product No. 090086.

**The Marketing Advantage** is your one-stop reference on how to market a CPA firm. This book contains comprehensive, practical advice for CPAs and marketing professionals from CPAs and marketing professionals. Over two dozen managing partners, marketing directors, and consultants contributed to the book. Product No. 090404.

**Advisory Comments for Growth and Profitability: A Guide for Accountants and Consultants** shows you how to identify client problems; develop client-specific recommendations; determine and overcome political obstacles that may cause a client to reject helpful recommendations; prepare an effective management advisory letter that includes clear, concise, and readable advisory comments; and follow-up on cross-selling opportunities. Product No. 090408.

**Breaking the Paradigm: New Approaches to Pricing Accounting Services** is designed to help you maximize your firm’s profits by chang-
ing the way you price your services. In this book you will find effective strategies and new techniques that you can put into practice immediately. Product No. 090401.

**Management Review Guide: A Do-It-Yourself Practice Analysis** shows you and your partners how to spot practice management problems and team up to improve your firm's management practices. This publication is an interactive tool structured around a unique fast-paced question/answer format. Book: (090410); WordPerfect 5.1 disk (090419).

**CPAs That Sell: A Complete Guide to Promoting Your Professional Services** demonstrates step-by-step how you can break down barriers and build a successful sales approach that you will be comfortable with. If you've been searching for a guide on how to identify prospects and turn them into clients—you'll want to read this book. Product No. 090420.

**The MAP Roundtable Discussion Manual** contains guidelines for organizing a MAP roundtable discussion group. Such a group can help firms find practical solutions to common problems through regular meetings and information exchange. The guidelines include sample correspondence, forms for administering a roundtable, and nearly forty suggested discussion outlines on topical management issues. To order, call (212) 596-6138.
About the Author

Sheryl Barbich is owner and founder of Barbich Associates, a management consulting firm specializing in strategic planning, trend monitoring, organizational planning and structure, and business development. Her clientele includes: accounting, law, and other professional service firms; nonprofit organizations such as the AICPA Small Firm Advocacy Committee, Greater Bakersfield Chamber of Commerce, Agricultural Education Foundation, Tree Foundation; governmental agencies such as the Golden Empire Transit District, the County Board of Trade, and the County Mental Health Department; and agriculture, oil service, and medical companies.

Before forming her firm in 1987, Ms. Barbich was Vice President and Manager of the Bakersfield Business Banking Center for Security Pacific Bank, where she was responsible for a commercial loan portfolio exceeding $100 million. She was also the Chief Financial Officer for Coleman Homes, Inc., a regional homebuilder. She has provided strategic planning services for accounting firms, governmental agencies, and chambers of commerce.

Ms. Barbich is a graduate of the University of California at Davis, with a B.A. degree in Economics, and the Pacific Coast Banking School at the University of Washington.

Ms. Barbich is the author of Strategic Planning: A Step-by-Step Guide to Building a Successful CPA Firm, published by the American Institute of CPAs. She is a frequent speaker and has written several published articles. She has served in leadership positions for a wide variety of community organizations, including: Board Member, University of California Davis Foundation; Past President, Bakersfield Memorial Hospital Foundation; Past President, American Association of University Women; Board Member, Bakersfield College Foundation; and Member, California State University Bakersfield, School of Business and Public Administration Advisory Council.