



## The Overlooked Benefits of Outsourcing Nonprofit Accounting

*By Jim Simpson, CPA and director, Financial Technologies & Management*

In the nonprofit community, outsourcing typically means long-term delegation of key operation to outside experts. The accompanying expectation is improvement of the quality, strengthening effectiveness, and lowering or controlling costs.

A key difference in the nonprofit sector is not only controlling costs, but becoming a more effective organization. Finance and accounting departments are two essential back-office areas in nonprofit organizations.

With limited resources, a nonprofit can outsource some or all its financial functions, which can help a nonprofit efficiently staff and conduct its financial operations. It also respects the board and executives limited time or expertise to manage the finance functions, and allow more allocation of resources toward mission and program outcomes.

Here are six overlooked, and sometimes unknown, benefits of outsourcing nonprofit accounting.

1. **Improved efficiencies.** The less time internal staff members spend on duties that can be outsourced, the more time they can focus on mission and program outcomes. Typically, outsourcing also results in more timely and accurate financial information, which leads to a better operating organization. One way to assess this is to review how much time is currently spent weekly on accounting and finance to determine where this time could be better utilized with a better functioning finance department.
2. **Reduce costs.** The organization can save money by outsourcing the finance functions that are not core to its mission. It is not uncommon for an organization to save 20 to 40 percent in total personnel costs and control these costs. By purchasing services and expertise for time needed by your organization, you can better afford the multiple staff levels an organization needs that includes bookkeeping, accounting, controller, and CFO service levels.

An additional cost saving is that services can be provided off-site, which can save facility costs and overhead-related expenses. Outsourcing can be used for major finance projects including the annual audit, budget preparation, software implementation, and other projects that drain internal staff's time and energy. There are many intangible benefits to include timely and accurate financial reports, eliminated frustrations related to staff management and turnover, and



saving management's valuable time. If your accounting staff leaves for another job, the knowledge and expertise leaves the organization, as well, and is typically costly and difficult to replace.

3. **Reduce fraud threat.** Segregating accounting duties between internal and external staff inherently reduces fraud risks. Outsourced accounting provides the organization with checks and balances along the proper oversight to prevent fraud. Many nonprofits rely exclusively on external auditors to detect fraud but these are not intended to detect fraud and only detect fraud it 3 percent of the time. The increased segregation of duties strengthens your internal controls and procedures, while providing increased transparency and accountability in the overall financial operations.
4. **Higher level of expertise.** Many nonprofits can't afford to employ a staff member who has controller and CFO skill sets and can perform the day-to-day bookkeeping and accounting needs for an organization. By outsourcing, you can take advantage of an expert team's significant financial expertise, while staying current on the latest regulations and laws. Best practices and improved efficiency can result from the implementation and improve your accounting and reporting functions. The higher-level expertise provides a strategic and fresh perspective to identify deficiencies and add capacity to enable bookkeeping and accounting staff to complete day-to-day activities.
5. **Ability to scale.** A nonprofit organization needs the flexibility to increase or decrease the size of its finance department, a difficult task when you have allocated internal staff to the finance function. With outsourcing, you can scale your service level up or down to meet your current situation and needs. You can outsource certain finance functions or the entire accounting function. Outsourcing can be performed on-site or off-site, which also provides flexibility to the organization.
6. **Accounting software expertise.** It is unlikely that the internal staff will be able to stay current and fully utilize the updated accounting software. Normally, an organization is faced with staff turnover and no training budget. It is likely that the internal staff has never experienced a new software implementation and is relying on how previous internal staff utilized the accounting software. Furthermore, internal processes and systems don't change to accommodate new software features and enhancements so software utilization doesn't improve.

Outsourcing accounting provides nonprofit organizations with a team of experts who have multiple client experiences which benefits its clients and the nonprofit organization's it serves.

Having the right team in place allow you to focus more resources on your mission and related program outcomes while having a better functioning finance function. It is important that you have the right expertise with an outsourcing firm that you trust and enjoy working together so that a long-term relationship can develop. Keep in mind the



organization will still be making the financial decisions, but should be able to make better decisions with the financial advisor performing the role and making recommendations to assist with the organization's decision-making. Look for a firm that will tailor to clients' needs and become an extension of the organization's team regardless of the service levels.



***Jim Simpson***, CPA and director of Financial Technologies & Management, is a nonprofit financial leader and trainer, CFO, controller, forensic consultant and software advisor, including Abila MIP Fund Accounting since 1999. He has served CFO, controller and software advisor for over 25 years to over 350 nonprofit organizations.

Contact Financial Technologies & Management to see how we can help your nonprofit with accounting solutions. You can schedule an appointment directly from the website at [WWW.FTMLLC.COM](http://WWW.FTMLLC.COM), email [info@ftmlc.com](mailto:info@ftmlc.com) or phone at 317-819-0780.