

How Fractional Accounting & Advisory Changes the Game | Transcript

Jill Prendergast & Jennifer Houck

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Jenny Houck:

Jill, can you tell us a little bit about the fractional practice with Barnes Dennig and where it started and where it is today?

Jill Prendergast:

So our fractional practice started with the acquisition of Ducks in a Row. And we started that in 2019. And in 2023, we pivoted to an advisory practice. And with that, we wanted to grow in servicing middle market clients, be able to tap into the expertise and knowledge you would get with a fractional CFO, controller, accounting manager, which are three levels of advisory, to meet their needs on an ongoing basis, whether they were at a pivoting point of leadership turnover or wanting to really grow, but not knowing how to do it, or just becoming a little bit more proactive versus reactive. That's what our fractional practice has the basis of today, is helping that leadership and ownership group really know where they're headed next and help them grow to that next level.

Jenny Houck:

One of the questions I routinely get when I talk to people about this is what is fractional? What does that mean?

Jill Prendergast:

So I think fractional right now is getting what I would call a little bit of a facelift from what it has been. And a lot of times it was individual providers and right now fractional is growing heavily in the CPA world and you're getting people who aren't necessarily thinking of themselves as a consultant, but more as a really integrated part of your team.

And so you and I are both fractional CFOs. I feel like we service our clients in that we go in and make sure that they're headed in the direction that they want to go, that there's some substance put to their goals and their growth so that they understand their numbers, implementing great processes, technology, procedures. I think there's more to the fractional side of the world than people think, which is "it's just somebody going to come in, sit at a table and give you advice."

We roll up our sleeves, we get our hands dirty and understand what's going on to make the soup and then being able to produce results from that great reporting and the streamlined processes for payment

and cash forecasting, when to spend capital. So it's an evolution, I think, of a consulting role that's becoming more prevalent in the CPA world and you and I are living it every day.

Jenny Houck:

If people are listening to this and they feel like it's something that they're interested in because it's a gap they have, what would they expect with someone from Barnes Dennig coming in to help them with their fractional accounting needs?

Jill Prendergast:

I think from day one, they would get that we're a collaborative, active listening environment where we come in and we really get to know them, understand them, ask questions, poke holes in things, and turn that around to be collaborative in we're asking the questions to lead them to what they need to be doing to grow their business or maybe they're stuck and they don't know how to get past a hurdle. We're pushing them to maybe think outside the box and live a little differently, but continuing on their path of where they want to go with their organization.

I think the other thing is we understand what needs to be done and we can bring that confidence level to them that they might not feel themselves because a lot of times we're working with entrepreneurs and owners who aren't financial people and they're great, creative, amazing ideas. They just don't necessarily know how to put the numbers into action to get them to the growth pattern. And I think that's where our practice comes in and we don't just put the financials together.

It's not just about doing the bookkeeping, it's about putting the financials together, understanding the numbers, and then helping shape the story of where they could go with it, giving them ideas of what they could be doing differently or how to get across that hurdle that they're facing and then creating a really collaborative partnership that allows us to build a relationship of trust and honesty.

We're going to tell you the right thing. We're going to be honest with you in a message that you don't necessarily want to hear that you might not get from a full-time in-house CFO or controller. And so I think with us, you get that, we're a part of the team, we're collaborative, we want to do what's best for you, let's figure out how to grow forward.

And I think that the team that we have here at Barnes Dennig is really excited about learning from their clients as well as the clients learning from us. So it's a two-way street.

Jenny Houck:

Okay. So when we go in, we talk to the individual, we come up with what we think they need. How is it communicated back to the business owner or the CFO or whoever's looking at the engagement to understand the resources that we're going to provide? They're going to be able to take care of the needs they have so that we're all on the same page.

Jill Prendergast:

We dedicate a lot of upfront time in building the relationship out before we get to actually executing the relationship. We go in and we look under the hood and we understand what makes up their financials. How are they running their systems? What are their banking? Even sometimes looking into the insurances, what is their risk?

And from that, we devise a resource plan and we outline what level of expertise we feel like we have within our suite of talent to execute and help them get to the next level. And that resource plan becomes, again, collaborative because we're sitting down with them and going over it, here's all the things we can do for you. Here's an idea of the hours and associated fees and getting them comfortable with it.

And if they say we want this or that, it's completely customized and tailored to them. No one of our engagements actually looks the same. They have different makeup in the team structure that we put on an engagement, because every one of our clients is different. We're not running just a QuickBooks operation. We're getting into ERP systems for large industries.

Jenny Houck: So to clarify, you're not focused on a certain industry or a certain role?

Jill Prendergast: No.

Jenny Houck:

You'll go in and help any area and partner with that firm and that owner to take them to the next level?

Jill Prendergast:

Correct. We don't necessarily shy away from anything. There are things that we don't know. We'll tell you we don't know. We'll tell you you're the first of that niche or industry and we haven't worked for it, but we give back to learn. We want to understand. I think that's the one thing about our talent that of advisors is amazing, is they're constantly wanting to learn from our clients as well as our clients learning from us.

And I think we are willing to tackle anything, but be honest if we don't know it. And that's, I think, the thing that sets us apart is the talent that we have within our advisory practice loves to learn new things. I think a lot of us are change agents to some degree. We want to come in and help you evolve, but we also know how to do that with some care and some understanding of where you've been and where you want to go and just building the partnership.

Jenny Houck:

I was thinking that maybe some of the viewers would want to hear some examples. What have we done with organizations that have taken them from where we came in to a spot where they feel like they're in a better place?

Jill Prendergast:

I think we've had several opportunities to help organizations that didn't know what their next stage was. They were in an industry where their services were kind of dwindling and helped them pivot into new areas of revenue and making sure that they can continue their mission, but maybe tweaking what that mission is from the past 60 years to the next 60 years.

Technology in general has caused a lot of organizations, if you're not changing, you're kind of becoming the dinosaur and we can help with that. I think the other thing that we do a lot of times is the biggest thing you and I have been asked is we have this cash. We don't know when to spend it. We don't know how to spend it. We don't know what the right tax position is, those things.

We can tailor our internal tax team to have capital conversations of what's the best situation and how we deploy capital within this organization. What's the right investment strategy if there's an opportunity to invest? How can we make money for people? So we do that as well.

The other thing I think we sometimes I've had practice with is organizations don't have the right insurance to mitigate their risk and they don't necessarily always have the right sound practices in who they work with. So we make those relationships with other people in the market to say, how do we best protect this organization and get them set up for success in that matter?

So it's not just all financial, there's operational pieces as well. You and I are both heavily involved with our clients' operations and understanding if you do this, it pulls this financial lever or if you do that, you're going to impede yourself this way. How are you losing margin? What are your margin averages?

We talk a lot of financial, but a lot of it's driven on the operation from the operation, so we get really invested with the operations team, understand what they're doing to not have to wait for the financials to tell us. We know it's coming and then we know how to pivot.

Jenny Houck:

The one gap that I think we've both seen multiple times is risk. And when you hire a bookkeeper that comes in and they do your AP, they do your AR, hopefully they're doing a bank reconciliation, but they're not looking any farther. What would we potentially do to help them mitigate risk because we've all seen the fraud running rampant?

Jill Prendergast:

I think we go in and make sure that you have the appropriate banking setups on your accounts with whoever your financial institution is. I think we make sure your technology has the right internal control practices and that there's not just one person handling cash coming in and out the door. There's multiple levels. What does that look like? I think the team in general, we do a lot of work with clients who actually have in-house accounting teams and we're just the controller or CFO. We're managing that team, but the overarching risk is we're looking at the books from A to Z.

We're making sure they make sense so that the plans that we're putting together for where the business is headed align with it. So we mitigate risk by bringing that level of expertise in what is being done, what

should be done, and how do we need to ensure we're continuing to watch for fraud or risk within the financials.

Jenny Houck:

We have encountered numerous companies that have new leadership that has come in. Do you have some examples on how we help the new leadership team, whether it's the CEO level or anybody else in the C-suite, get a handle on their business or financials that make sense to them?

Jill Prendergast:

I think any time you have someone transition in or you have turnover in leadership, we do jump in a lot. A lot of times we're stepping in for the financial piece and it's not a new CEO, it's the CFO or the controller has exited and nobody in the company or organization knows what to do with that. We come in very quickly, understand what we're looking at, tailor out an interim process, determine if it could remain fractional or not based on the organization's needs, and then keep them rolling.

And a lot of times if it's not going to be fractional, we're honest about it and we turn it into a recruiting pattern and we help them hire the right talent. And then when we're hiring that talent, we're also onboarding that talent and giving them the tools to be successful in the role to keep the organization sustaining but also making sure they're set up for success.

Jenny Houck:

Where do you see the fractional model going? Because it started kind of small and the industry in general didn't really see it as something to pay attention to. Where do you think it's going?

Jill Prendergast:

There are fractional practices popping up everywhere. I think there's some risk in some of that. I honestly love that and came back to Barnes Dennig to be the fractional leader and to be a fractional advisor here because of the backstop of the full-service firm that we have.

If you or I don't know something, we can go to our tax, our valuation, our auditing team, our assurance teams without covering independence, and work with them to fill in the gaps in our knowledge.

Whereas if you have a sole provider doing it, a lot of times they don't have that backstop. And so I like that we're doing it with the backstop here.

Jenny, thank you for asking me all the questions and gaining all the insight on the fractional practice, maybe picking my brain a little bit of the things that we've done here at Barnes Dennig in the last three years. If you would like to learn more about how the advisory practice works or could help your own organization, feel free to reach out to us by visiting our website at barnesdennig.com. And I will just say our advisory practice is pretty awesome.