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Payroll Outsourcing Guide

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The Payroll Outsourcing Guide

1. Introduction

Many business owners make the mistake of assuming their payroll is better handled in house. They want control of their data, informational protection and financial savings. Occasionally in house payroll processing is the right fit, but the vast majority of businesses will quickly find the decision to manage their own payroll to be all consuming and costly in more ways than they imagined.

Payroll requires a depth of knowledge few business owners have time to acquire. There are the ever-changing intricacies of tax and wage laws. Federal, state or local agency reporting requirements that must be followed increases the number of items which a business owner must handle. The slightest error will trigger penalties and interest that compound and quickly burn through any cost savings that you may realize by bringing the payroll in house.



2. What to consider when analyzing your payroll processing method

i. Up to date knowledge and the required continuing education

Training staff to handle payroll and the associated duties is costly. The risk in training a staff member to handle your payroll processing leaves an information gap if they ever depart your organization. Payroll providers are professionals that handle all your payroll related activities so you can focus on your business.

ii. **Time commitment**

Processing payroll internally requires both hours and resources that can better serve you in other functions within your business. Time is valuable; use it effectively.

iii. **Guarantee that comes with an outside payroll service**

A competent payroll company provides a guarantee that things will be handled correctly. The guarantee means that you don't pay costly penalties from the IRS and the numerous other state and local agencies involved with your payroll.

3. Payroll Outsourcing - Is it right for you?

Each business is different and will need to consider their specific needs to determine if outsourcing their payroll will benefit their organization. In-house payroll processing can fit for two types of organizations. Firstly, large companies with thousands of employees, and secondly, companies with predictable straightforward payroll with no variations. For companies who fit these categories, outsourcing may still be the best option.

When making the outsourcing decision you'll need to consider items like,

- Employee turnover
- Overtime calculations, including blended rates for multiple rates of pay
- Variation in hours worked
- How many agencies you must handle reporting for
- Do you have employees working in multiple states
- Time required updating your knowledge of the complex changing payroll and tax regulations
- Payroll data security



4. Return on investment

The right payroll service will tailor their service offering to fit your specific needs. No two businesses are the same and no one size fits all payroll solution is adequate. The basic functions include:

i. **Payroll Processing – The most basic of payroll functions**

Online reporting of your payroll is the most common. A good payroll service will offer you the flexibility to report on your own terms. Additional reporting methods include phone calls, fax, email, time clock upload and other variations of these services.

ii. **Payroll Tax Preparation**

Calculating correctly and paying on time is the largest risk a business faces when doing their own payroll. IRS penalties add up quickly and don't ever resolve themselves. It often takes hours to reverse a simple mistake.

iii. **Funds Transfer**

Transferring of tax and direct deposit money needs to be done on time every time. Payroll services are experts in the ACH (Automated Clearing House) rules and regulations.

iv. **Quarterly and Annual Filing**

A good payroll company will consider this a basic component of the tax services.

v. **W-2's**

The Employee W2's must be distributed by deadlines if you want to avoid the dreaded, "where is it" questions.



vi. **Time and Attendance**

Proper time keeping can assure you're paying people for what they earn. It will also reduce the risk of liability in the case of the employment lawsuit.

A good Time and Attendance system will also reduce the payroll-reporting burden. You will send data directly from the time clock to the payroll system to eliminate data entry.



vii. **HR**

Human Resource tracking and questions will be daunting and with proper HR support it doesn't have to be. HR support can range anywhere from HR data tracking to phone support to Open Enrollment and Applicant Tracking systems. As your needs change a good payroll service can scale with you.

viii. **Insurance Services**

Insurance built into payroll is a newer concept designed to help to reduce reporting burdens. Workers Comp along with employee benefits are the obvious connection but a good provider will be a full service agency that can take care of all of your needs. Consolidating everything under one roof helps to reduce the burden normally placed on you when dealing with payroll, insurance and other management duties.

5. Choosing a Provider

Choosing a provider can be based on a number of different factors. Some of these factors will most likely include product features, price, security and reliability, customer service, location and many more.

i. **Features**

What's included in the basic services provided? What are your specific needs and can they be addressed to your satisfaction?

ii. Price

How does the price compare to comparable providers? Some providers will process your payroll for next to nothing but in return you must use their agency for employee benefits. Beware of providers who are not full service. They often only offer self-service cloud payroll with no option for customer support. Have you reviewed the rates and everything that is included with that quoted rate? How long does the quoted rate stand? Typically the discounts will expire anywhere from 3 months to 1 year. What additional fees will catch you by surprise down the line?

iii. Security

Reputation is paramount. Check the past. Have they had any data breaches and how were they handled? Your payroll data leaves not only you at risk but also all of your employees. What safe guards are in place to ensure your data is secure? Can your data be recovered if need be?

iv. Customer Service



Customer service is what will make the biggest difference when you have an issue to resolve.

How has the sales process been? This is a big indication of the overall level of customer service within the provider. As for references, they should have references in your same employee count segment as well as industry. Some of the big companies assign up to 350 clients to a single customer service representative. Look for a service with a lower ratio, the lower the ratio the more time they will have to devote to each client.

v. Location

A local provider not only has the obvious benefits to your local economy but the closer you are to their location the easier it is stop in and meet your team and pick up your payroll package. This is a great way to save on delivery costs.

6. Conclusion

Outsourcing your payroll can help to reduce costs. The peace of mind associated with outsourcing to a professional is something that you will appreciate for years to come. By outsourcing your payroll you can focus on your business of choice. Finding the right solution can be one of the best business decisions you'll ever make. If you currently use a payroll service be sure to do the annual review to ensure your needs are being addressed. If you process your payrolls in-house, make sure your needs are best served in that way. For any questions or comments or to inquire about more details please do not hesitate to contact us.

7. Author

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ACCUCHEX was founded in 1990 in San Rafael California and is known as a premier provider of comprehensive solutions for payroll processing, benefits administration, and human resource outsourcing. Over the past 24 years, ACCUCHEX has grown into one of the largest independent payroll companies in the San Francisco Bay Area and processes payrolls, deposit taxes, and file tax returns for companies with employees in all fifty states and territories.

A strong commitment to customer service provides its clients cost-effective, customizable business process functions that bridge the gap between corporate payroll, employee benefits, and human resources management. ACCUCHEX specializes in tailored payroll and human resource solutions for companies with as few as one employee to thousands and its clients benefit from its robust suite of service offerings. Accuchex has built a reputation for consistently providing the most advanced and flexible payroll and HR benefits management systems in the market.