



Understanding Payroll Solutions

Payroll and all it entails may not be your specialty. Fortunately, there is an array of options available to ease the process for business owners.

by Peter Fretty



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When a business is responsible for the management and maintenance of one or more buildings, handling the payroll is rarely at the top of the to-do list. According to Angie Strunk, owner of Cincinnati-based TriServe Ltd. and chair of the Ohio chapter of [National Association of Professional Employer Organizations \(NAPEO\)](#), this is why companies should consider payroll solutions as soon as they hire their first employee. "You need to focus your energies on growing your company, and these services can provide benefits that can actually make your pay benefit package much more attractive to your existing employee base," she says.

The driving force behind embracing payroll solutions should be to save time over mechanical tasks with increased accuracy, explains Nancy Horton, principal of Lake Oswego, Ore.-based Aldrich Kilbride & Tatone LLC. "Plus, for smaller businesses, it frees up the human resources manager's time to do more important value-added functions," she says.

Benefits Breakdown

While the level of service depends heavily upon what a company desires, and the selected provider's capabilities, the recurring thread tends to be streamlined processes for the business owner. For instance, Web-based payroll processing, direct deposit services, automated payroll tax deposits and quarterly and annual reporting have all become commonplace.

According to Horton, for small- to medium-sized businesses, contracting with a payroll service provider can mean being able to provide valued services that a property management firm otherwise may not have the expertise to offer. Some prime examples include flexible spending/cafeteria accounts, benefit plan administration, labor costing and/or distribution reports for in-house financial reporting and accounting, recruiting and overall personnel records file management as well as Web-based training centers for HR managers and staff and a Web-based full information center for technical information and one-stop place for forms, instructions, etc.

"In most instances, services charge a very reasonable fee for their regular services, following a basic fee plan comprised of the above plus extra services listed below that are increasing the collective benefits," Horton says.

Areas of Concern

While the benefits that a payroll service offers may seem attractive, there are a few aspects that prudent business owners need to investigate before making a commitment.

Considering that even though the third-party is making the deposits, the employer ultimately is responsible for the deposit and payment of federal and state employment taxes, it behooves management to investigate the dependability of any service in advance. "If the third-party fails to make the federal tax payments, the IRS may assess penalties and interest on the employer's account," says Jennifer L. Berman, J.D., SPHR, managing director of Chicago-based CBIZ Human Capital Services. "The employer is liable for all taxes, penalties and interest due. The employer may also be held personally liable for certain unpaid federal taxes."

For the employer's protection, Berman also recommends that businesses ask the payroll service provider if

they have a fiduciary bond in place. "This could protect the employer in the event of default," she says. In addition, employers should ask the service provider to enroll in and use [Electronic Federal Tax Payment System](#) (EFTPS), so the employer can confirm payments made on their behalf. "EFTPS maintains a business's payment history for 16 months and can be viewed on-line after enrollment," Berman says. "The IRS recommends employers verify EFTPS payments as part of their bank account reconciliation process."

According to Strunk, business owners should know the per-client ratio for a service provider's assistance personnel. "You want to make sure that you have a single point of contact so that you do not have to spend time educating people about your company each time you call," she says. "The level of service can make a big difference in how you ultimately value the relationship."

Ease In

For businesses that are not ready or interested in handing over payroll administration responsibilities to a third-party service, there are other options available that can allow a business to streamline its payroll processes. Wells Fargo's Employer Direct Pay service—geared toward companies that are comfortable handling payroll in-house while controlling the net pay distribution—is a prime example. Using this service, business owners and authorized signers may deposit employee net pay, reimbursed expenses and commissions directly to the respective accounts, and also make one-time or recurring payments to contractors or agents without making commitments to a third party.

"This service is really designed to give employers the ability to make direct payments to their employees or contractors," says Adam Vancini, senior vice president of Wells Fargo's Business Internet Services. "With only a \$10 monthly service charge and 50-cent transaction fee for payments made to non-Wells Fargo accounts, the goal is to provide an efficient, easy to use service that removes the complexity from the process."

Sticking Points

- *Reputation review*—Check references and government sites for any claims or problems.
- *Professionalism*—Get to know not just the salesperson, but also the technical service team supervisor and the rep who will be assigned to your account. "Services differ widely in how they handle customer service, from no human interaction and all Web-driven service, to high-touch responsiveness by a consistent team," says Nancy Horton, principal of Lake Oswego, Ore.-based Aldrich Kilbride & Tatone LLC.
- *Consider specialized needs*—Ask for reporting formats for multi-state, union, labor distribution needs and make sure that these meet operating requirements.
- *Data security*—If the service provides Web access, find out the security measures deployed.
- *Understand fees*—Ask what is not covered in basic service fees to avoid any surprises.