EIGHT KEY ELEMENTS OF A SUCCESSFUL PAYROLL PRACTICE

Dr. Chandra Bhansali
Co-Founder and CEO, AccountantsWorld
Payroll can be a highly profitable service where accountants can make thousands and even tens of thousands of dollars every year. Thanks to the Internet and automated payroll processing, accountants can now take advantage of a service that once was available only to large service bureaus. Based upon our experience in helping thousands of accountants deliver payroll services to their clients, we’ve detailed eight elements that will create a highly successful and profitable payroll service for your practice.

Dr. Chandra Bhansali
Co-founder and CEO, AccountantsWorld

Dr. Chandra Bhansali is co-founder of AccountantsWorld along with his wife Sharada, and both have been serving the accounting profession since 1985. As an ardent proponent of raising the relevance of the accounting profession, and one of the top technologists in the industry, Dr. Bhansali has been named one of the “100 Most Influential People in Accounting” by Accounting Today ten years running.

According to Accounting Today, “With his vision of accountant-centric software and his history as a pioneer of the cloud, AccountantsWorld President Chandra Bhansali and his company are natural leaders as the profession finally gets its head into the clouds.”
How times have changed! Many more accountants offer payroll services than just a few years ago.

The Internet is creating opportunities never available before. You can collaborate on the Web with your clients in ways that weren’t possible even five years ago. And you can private-label payroll services and have the same capability as large service bureaus.

Many accountants don’t see payroll as profitable, and yet the big payroll service bureaus continually make huge profits. Why is that? At AccountantsWorld, we’ve provided payroll solutions and support to thousands of accountants to help them capitalize on this enormous opportunity with great success. We believe almost all accounting firms can profit from payroll – if they leverage breakthroughs in technology and select the right business model.

Let’s take a closer look at how to make more money from payroll.

Based upon our experience in delivering payroll services, we have identified eight elements for creating a successful, highly profitable payroll service for your practice:

1. Accountant-Centric Design
2. Automation
3. Comprehensiveness
4. Speed and Simplicity
5. Total Processing Cost
6. Processes and Procedures
7. Marketing
8. Training and Support
Element 1: Accountant-Centric Design

A payroll system designed exclusively for accountants and payroll professionals has a different business model than a system designed for end users. Systems designed for accountants give you the following benefits not available in a system designed for businesses and end users.

1) A management console for an overview of all clients payroll and key information such as the status of the clients’ payroll, upcoming forms due, and tax due dates. The console highlights items that require immediate attention in red. These powerful Payroll Management Center features are available only in accountant-centric solutions and ensure the accountant is on top of all client payrolls all the time.

2) A dashboard for a bird’s-eye view of each employer’s payroll, with errors standing out. This Dashboard is the “home base” for the employer, with a breakdown of all payroll tasks at the client level. It’s a high-level view of the employer’s specific payroll activity, including taxes and forms due, taxes paid, forms filed, and payroll reminders and status. In a nutshell, the Dashboard shows past, present, and future payroll activity for the client, cost of payroll by month, and gross pay by month graphs.
3) Easy administration of client sign-up, email reminder setup, and a “what’s new link” to keep you up to date on application enhancements and payroll guidance.

4) Configurations of services to best meet the needs of your individual clients. One solution doesn’t fit all. You can give clients full access or limited access to the system, based on their comfort level with technology and processes.

5) Minimization of client errors through supervision and monitoring of client functions.

6) Collaboration between you and your client. Both share the same data and use the same ”core” application. You can delegate many tasks such as data entry and check printing to your clients.

7) **Never competing with your clients.** Since Accountant-Centric solutions are offered only to accountants, the accountant need not worry about competing with a large payroll service bureau that may offer clients the same services.

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**Element 2: Automation**

You want a system that takes advantage of today’s technology to automate compliance filing and payroll taxes. A system so automated that it requires little or no intervention by the accountant.

Today systems do everything from federal and state calculations required to generate a payroll, to processing direct deposits, electronic payments, and employer liabilities—while offering detailed reports to review the payroll in progress.

The system should perform all these tasks automatically:

- Payroll processing for large employers
- Complete payroll computation for federal, all 50 states, and all localities
- Direct deposit of employee/contractor paychecks
- Electronic payment of federal and state taxes and child support
- Electronic filing of quarterly and yearly federal and state tax forms
- Complete year-end processing including W-2’s, W-3’s, and 1099’s
- Batch processing of W-2 and check printing

You can even eliminate the need for printing checks in your office by either e-mailing them to your clients using encrypted email, or by saving them in a secure Cloud Cabinet for clients to print from their office.

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**Element 3: Comprehensiveness**

You want a system so comprehensive that it can handle any client scenarios:

- Multiple withholding states and pay schedules.
- Multiple checks for an employee per pay period.
- Multiple unemployment states per employer.
- Unlimited departments.
- Unlimited locations for which users may enter payroll data remotely.
Eight Key Elements of a Successful Payroll Practice

- Unlimited number of pay types including vacation, sick, holiday, retroactive, tips, reimbursement, and several user-defined pay types.
- Contractor (1099-MISC) payrolls.
- Predefined (standard) and custom deductions.
- Employee paid time off accruals and tracking.
- Standard, bonus/commission, and additional payrolls.
- “Payroll Data Worksheet” for employers.
- Third-party sick pay, dependent care benefits, health insurance for 2% shareholders, and manual checks.
- Excel export/import of payroll data for employers.
- Optional services such as debit pay cards, integrated 401(k), pay-as-you-go workers’ compensation, and time clock integration.
- Reporting and forms to support the new ACA mandates for 2016.

In addition, you want comprehensive payroll reporting to meet the needs of any business. All reports should be exportable to Excel or RTF formats. With this feature, you’ll always be on top of payrolls for any client. Client questions can be quickly and accurately answered in seconds.

Last but not least, you want Employee Self-Service so the client’s employees can see their W2, 1099s, and pay stubs online.

Element 4: Speed and Simplicity

You want all the above accountant-centric features, automation, and comprehensiveness without compromising on speed. You want a system that processes payrolls rapidly and accurately without crashes and downtime. After you enter the attendance data, the system should do all the calculations and display all interim reports quickly for you to finalize the payroll.

Does the system allow for easy and simplified data entry? Today, there are many methods of inputting time into a payroll system:

- Telephone call-in
- Fax
- PC-based
- Upload to processing bureau
- Import from a spreadsheet
- Online
- Mobile devices (smartphones, tablets, etc.)

One of the best ways to enter payroll is through a spreadsheet using an exception-based payroll. “Exception-based” payroll means default hours or amounts are listed automatically to save data entry time, and data entry is only required for exceptions. Moreover, you would like your payroll system to support multiple business locations, and to view or enter data by location.

In addition to a simple spreadsheet entry grid, ideally the program should offer other methods of collecting and entering data that save you more time—such as a fax-ready worksheet or Excel spreadsheet that can be emailed to your client. Or perhaps even better: a system that lets you give your clients access so that they can enter the data themselves.
Element 5: Total Processing Cost

You want to calculate — and minimize — the total cost of processing your payrolls. A few easily overlooked areas for hidden fees are:

1. Year-end or quarterly compliance items such as W2s, W3, and 1099s.
2. Direct deposits
3. 401(k)
4. Pay-as-you-go Workers’ Compensation
5. Pay cards
6. Time spent for data entry and payroll processing
7. Setup and migration costs
8. Software upgrades or updates
9. Disaster recovery costs in case of a catastrophic event
10. IT maintenance
11. Staff training to learn how to use the program

When comparing systems, use the “total cost of processing” as a metric to compare apples-to-apples.

Element 6: Processes and Procedures

Another key area for a successful payroll practice is to efficiently manage it through appropriate processes and procedures. You want to manage your payroll system easily and not get bogged down in administrative problems. You want detailed reporting at your fingertips anytime, anywhere.

A few things to consider:

1. Clearly define internal roles for all aspects of the payroll process. Basically, who is doing what and when?
2. You must also have a backup plan. Larger firms already have the staff to offer payroll. Sole proprietors should consider training their staff or even their clients to take on backup responsibilities if required.
3. Set up formal procedures to handle payroll exceptions such as NSFs (non-sufficient funds) or Efile rejections.
4. Provide oversight and periodically review policies and procedures to make adjustments as necessary.
5. Offer integration with other products, such as client accounting, to eliminate duplication of effort.
6. Provide straightforward year-end processing. The year end is a critical time in payroll processing and compliance. A good system should make it a non-event. Many companies provide a comprehensive year-end planning guide to assist you with all year-end tasks.
7. Offer guidance on client selection. In the example below, we create a process for choosing a client. We fill out a form with the following information on each prospect:
   a. Current payroll method
   b. Current annual payroll fee
   c. Number of employees
   d. Client relationship
Eight Key Elements of a Successful Payroll Practice

- Fiscally responsible
- Data entry with fax, worksheet, or direct application access
- Use direct deposit
- Print checks remotely
- Full service only
- Notes

Below is a sample analysis for a fictitious firm.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Amelia Fashions</th>
<th>Bubba’s Smokehouse</th>
<th>Action Staffing</th>
<th>Bob Jones, Inc.</th>
<th>Golf Center of Huntington</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current annual payroll fee</td>
<td>$2280</td>
<td>$5200</td>
<td>---</td>
<td>$700</td>
<td>---</td>
</tr>
<tr>
<td>No. of Employees</td>
<td>6 F/T, 3 P/T</td>
<td>12 F/T</td>
<td>300</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Client Relations (1-10, 10 = great)</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Fiscally Responsible</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>---</td>
<td>Yes</td>
</tr>
<tr>
<td>Data Entry with fax</td>
<td>Yes</td>
<td>Yes</td>
<td>---</td>
<td>Yes</td>
<td>---</td>
</tr>
<tr>
<td>Data Entry with spreadsheet</td>
<td>Yes</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>Yes</td>
</tr>
<tr>
<td>Data Entry with app access</td>
<td>---</td>
<td>---</td>
<td>Yes</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Direct Deposit</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>---</td>
</tr>
<tr>
<td>Print checks remotely</td>
<td>---</td>
<td>---</td>
<td>Yes</td>
<td>---</td>
<td>Yes</td>
</tr>
<tr>
<td>Full service only</td>
<td>Yes</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Notes</td>
<td>Asked about payroll</td>
<td>Fee Sensitive</td>
<td>Too large</td>
<td>Owner Nuts!</td>
<td>Good candidate</td>
</tr>
</tbody>
</table>

If we analyze a few clients, we notice that Amelia Fashions has 6 full-time and 3 part-time employees and uses a national service bureau. They have asked us about payroll services. An excellent candidate!

Bubba’s Smokehouse is a good, loyal client but fee-sensitive. In this case, look for ways to reduce their costs through client collaboration.

Action Staffing has over 300 employees and is using a national service bureau. At first glance it appears too large to handle, but let’s look deeper. Can the client create and send you a spreadsheet to import the data? Can you give the client direct access to the application to enter payroll data? This will optimize your office time, letting you lower their payroll costs while still charging a significant fee.

Golf Center of Huntington has 12 full-time employees, prepares payroll manually using a spreadsheet, and is financially responsible. Another excellent candidate!

Once you analyze your client base, you will know which clients to pursue first. Remember to ensure clients are fiscally responsible. For this reason, you should shy away from offering payroll services to Bob Jones, Inc.
Element 7: Marketing

For a successful Payroll Practice, you need to market your services effectively to your clients. There are four areas to focus on here:

1. Positioning
2. Marketing against your competition
3. Traditional marketing
4. Web-based marketing

You position your firm by determining what makes you unique and how your local presence lets you offer better payroll services to your clients than the service bureaus. Other areas of differentiation include customization and flexibility, payroll knowledge, and customer service with access to senior firm partners.

Here are some specific suggestions for positioning and marketing your firm:

1. You are your clients’ trusted business advisors. Clients will pay the same or even more for better service that you can provide, due to your local presence and deeper understanding of your client’s business.
2. For fee-sensitive clients consider lowering their fees. This can be offset with client collaboration in the payroll process.
3. Offer an all-inclusive fixed fee for payroll service. Everyone hates being nickel and dimed.
4. Network and talk to your local banker. You refer customers to them for banking, so they should refer new clients to you. The key here is to act fast – get to the client before your competition does.
5. Create a web page on your website for payroll, explaining the services you offer and their benefits to your clients.
6. Build confidence among your clients by adding a few testimonials from your existing clients on your behalf.
7. List your firms on Google Maps and Yahoo Maps. These listings are free.
8. It may be advantageous to list your firm in industry specific directories such as the AccountantsWorld Directory Listing. Although these listings have an annual fee, new business coming from them will recover your expenses many times over.

Element 8: Training and Support

You shouldn’t have to be a computer whiz to learn the payroll system. The system should have simple directions and intuitive, user-friendly screens, with a logical organization that follows the sequence of payroll processing. In this way you are easily guided through the entire payroll process.

You want a system that gives you the all the training and support you need for your payroll service. A good payroll service will provide training links to live and recorded payroll webinars, tutorials and more. Short training videos for Employer Setup, Employee Setup, Electronic Services, Payroll Processing, Tax Forms, and Tax Payments are not uncommon. In addition, many companies provide:

1. Sample Payroll Service Engagement letters
Eight Key Elements of a Successful Payroll Practice

2. Setup documentation and new hire forms, plus a wide variety of online payroll-related federal and state documents and links
3. Resources for additional services including Worker’s Compensation, 401(k) plans, Payroll Debit Cards, time clock integration, and data entry.
4. Marketing tools
5. Free unlimited live support for your questions

Conclusion

Offering payroll is a highly profitable service where accountants can make thousands and even tens of thousands of dollars every year. In the example below, the accountant makes close to $230/hour.

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>Number of clients with 5-10 employees doing weekly payroll</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payroll revenue per week / per client ($30)</td>
<td>$30 * 52 weeks</td>
</tr>
<tr>
<td></td>
<td><strong>Total Annual Revenue</strong> ($1,560 * 20 clients)</td>
<td><strong>$31,200.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Increase Revenue: more clients – more employees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avg. hourly expense for a paraprofessional / clerk (staff)</td>
<td>$20.00</td>
</tr>
<tr>
<td></td>
<td>Staff cost/week for 20 clients (.25 hrs/wk * 20 clients * $20/hr)</td>
<td>$100.00</td>
</tr>
<tr>
<td></td>
<td>Staff annualized expense</td>
<td>$100 * 52 weeks</td>
</tr>
<tr>
<td></td>
<td>Payroll Relief fees</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Annual misc. expenses printing (50% checks, 50% direct deposit)</td>
<td>$650.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Expenses</strong></td>
<td><strong>$7,345.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROFIT</th>
<th>Profit from these 20 payrolls</th>
<th>* $23,855.00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accountant hours/week = 2 hrs. (primarily supervisory role)</td>
<td>2 hrs. * 52 weeks</td>
</tr>
<tr>
<td></td>
<td><strong>Accountant revenue per hour</strong></td>
<td>* $229.38</td>
</tr>
</tbody>
</table>

Thanks to the Internet and automated payroll processing, accountants can now take advantage of a service that once was available only to large service bureaus. Based upon our experience in delivering payroll services, successful implementation of the eight elements described in this white paper will create a highly successful and profitable payroll service for your practice.

There are many payroll solutions in the marketplace. We recommend Accountant-Centric solutions because they offer full control over your client relationships and eliminate the risk of becoming a competitor to yourself. For more information about Payroll Relief’s all-inclusive $1,495 first-year pricing to process unlimited payrolls, please visit [http://www.accountantsworld.com/solutions/payroll-relief](http://www.accountantsworld.com/solutions/payroll-relief).

Good luck—and Happy Payrolling!

Sincerely,

Dr. Chandra Bhansali
CEO and Co-Founder, AccountantsWorld

Questions? We’re here to help!
888.999.1366, option 1