

Payroll Processing – More than a body at a desk

If you own a business and have employees you are probably running payroll. Payroll is a necessity of owning a business and one of the costliest expenses each month. There are fees for programs (ex: Quickbooks), staff time, training, checks, direct deposit and more. By outsourcing your payroll preparation you may save your business money over the course of time, along with saving yourself headaches and allowing you, and your employees to focus on the primary purpose of your business.

As a business owner do you have the time and training to process your own payroll? I realize the local junior college offers courses on it. However, payroll laws change every year. Are you keeping up with those changes and applying them? OK, so you decided to have your receptionist or significant other process your businesses payroll. Do they have the training to complete this correctly? Does your employee have time outside of their normal job duties to complete payroll on time? Are your employees always asking, “When will payroll be cut?” If you, or your employee go on vacation, does payroll get done? By hiring a third party that specializes in payroll processing you are guaranteed to have a trained professional processing your payroll and getting it out to you and your employees on time.

We mentioned that payroll and tax laws change every year. Do you and your employee have time to keep up with these changes? Have you ever received a payroll garnishment for one of your employees? There is extra time and steps that go into processing garnishments that take you and your employees away from fulfilling their daily job duties. If you offer health insurance, 401k, flexible spending accounts or other pre-tax “perks” are they being applied correctly? There is also the ever-fluid case of the Affordable Care Act (Obamacare) and how to apply health insurance reporting requirements. If any of these items seem like a pain, that’s because they are for someone that does not have to understand them as part of their daily job duties.

So, you have decided it is more cost efficient to have an employee or family member process your payroll. This person may already be working for you and collecting wages. You may already have a dedicated desk and computer they are using. You are already using Quickbooks and decide to pay for the payroll module. Have you decided who is supervising this employee or family member? Handing payroll or check writing responsibilities off to someone is an incredibly easy way to open the door to fraud in your business. Each paycheck needs to be reviewed to ensure the correct amounts are being applied and dispersed. We would also recommend that another person be responsible for printing the checks, and yet another responsible for signing them. You have now allocated three people to payroll processing when they could be doing something else that provides better value to your company.

Don’t forget that there are often quarterly and annual payroll report filings due. Are these reports getting filed? Are you reviewing them prior to being sent out? What about other reports you should be reviewing monthly? Do you have an employee that is logging a large amount of overtime on a project that should not require it? Are you sure that your pre-tax items are being

paid to the appropriate entity, or are they going to your payroll employees bank account? Are employees being paid for hours they are not working? Are employees you have never heard of receiving a paycheck? Is one of your employee's checks being diverted to another source? Do you know what percentage of your businesses payroll expenses compare to the overall expenses of your business? A payroll processing firm can help protect your business from many of these issues and provide the reporting you need to keep your budget on target.

Payroll processing firms provide a wide-array of services. Some come onsite to process your payroll. Some do so from another location. Some deliver paychecks to your office, some mail them and others require you to pick them up. A few processors have their own portal and programs to submit payroll while others require timesheets to be faxed, mailed or emailed in for processing.

A professional payroll firm will also be there to represent your business in the case of a Department of Labor audit. More and more State DOL's are targeting small businesses for payroll tax violations. The most common areas targeted are Contractor versus Employee violations. A payroll professional is trained on what constitutes a contractor and what constitutes an employee. Many business owners try to get around paying payroll tax by setting up employees as contractors.

As you can see there are lots of considerations when it comes to processing payroll for your business. We recommend you work with your chosen consultant to come up with the best solution for your business.