

## WHAT TO CONSIDER WHEN LOOKING FOR A PAYROLL COMPANY

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One of the most important parts of owning a business is managing payroll. In a service-based industry such as veterinary medicine, payroll (doctor and staff compensation) is your largest expense. Having a reliable and easy to use payroll service is a necessity. Outsourcing payroll can help lessen some of your burdens as a practice owner and leave you and your managers with more time to focus on other areas of the practice. Also, if payroll is not done correctly, correcting it could prove to be very costly. The penalties for messing up are more expensive and time-consuming than the cost of outsourcing payroll to experts! There are numerous companies to choose from and it can be overwhelming trying to pick the right one. To weed through all the services out there, you need to know what to look for. Here are some of the key attributes to consider.

### What to look for:

- Most payroll companies these days are cloud based and integrate with popular accounting software, like QuickBooks. Make sure the one you pick does! Cloud-based payroll systems offer an integrated platform that ensures the data you enter into the system are the data that actually get processed. Sometimes, payroll services that don't have a cloud-based system will manually reenter the data you submit, which creates room for human error. Cloud-based software also makes for convenient processing as you can run payroll from the airport or your couch if needed.
- Make sure the payroll company you choose has the option to calculate, pay, and file your payroll taxes for you (and take advantage of it). This ensures your practice stays in compliance with all the Federal and State regulations which change frequently and can be cumbersome to understand and keep up with. If you choose to have the payroll company file your taxes, they will be responsible for any penalties for inaccurate tax filings.
- Customer support is a huge aspect to look for in a payroll company! If there are any questions or hiccups during a payroll run, you want to have a direct line to your practice's assigned representative and be able to get help quickly. Waiting for hours on the phone for "the next available representative" to pick up is neither time nor energy efficient, especially when you are up against a strict deadline for payroll submission. The best way to find out about customer service is to ask fellow practice or business owners or managers their experiences with payroll companies. The best referral is from someone with firsthand experience.
- If you use the AAHA chart of accounts and especially if you are a specialty hospital or a mixed animal practice with different departments or services, make sure that your payroll company has sufficient, detailed reporting capabilities to differentiate employees by their designated positions, areas or departments. Also, if your practice has irregular shifts, your payroll company should be able to handle and accurately report any compensation effected by special shift rates. This will help you manage your practice by breaking out and measuring your largest costs.... compensation. Remember you can't manage what you can't measure!
- Your payroll company should provide employee portals that give your employees the ability to manage their personal information, access all of their pay stubs, and access copies of their W2's. Giving your employees this access will save you and your manager time in having to provide the information. Most portals also accept PTO (Paid Time Off) requests and track PTO balances, so employees always have that information at their fingertips.
- Find a company that provides multiple pay options. Most employees elect to have their paychecks direct deposited in bank accounts, but some still prefer to receive paper checks. Select a company that provides both options. For employees who don't have bank accounts, some payroll companies offer prepaid debit cards. Instead of issuing a paper check or depositing wages into a bank account, the payroll company provides the employee with a debit card loaded with their net pay each pay period.
- If your practice offers employee benefits such as retirement and health insurance, a lot of payroll companies also have additional human resource packages that piggyback payroll services. But be careful - sometimes they try to "bundle" you into packages that your practice isn't ready for or doesn't benefit from.

### Cost Structure

The costs of payroll services vary, but most companies follow a standard pricing structure with a monthly or per pay period base fee, plus a small charge for each employee or each time you run payroll. Some providers offer multiple pricing plans for different levels of service. For example, a basic plan might only include the running of payroll, while more advanced plans may also include paying taxes and printing W-2 forms for employees. Some services have added costs to use direct deposit, and to initially set up your practice. Many services work on a month-to-month basis with no long-term contract, while others require yearly commitments. Get quotes from several providers and compare them to your budget. The time and money invested in selecting a payroll service company is definitely worth it!

### Best time to sign up or switch

You can switch to a new payroll provider at any time. However, it's quite a big project, so we recommend switching at the end of a calendar month or quarter, or at the end of a calendar year. This can save your practice some extra time and money. For example, if you switch in the middle of the month or quarter, a lot of payroll companies "impound" the payroll taxes that are not due until the end of the quarter. This means they have withheld the tax liability from your bank account but haven't paid it to the government yet. If you switch companies in the middle of the quarter and the payroll company has impounded your tax liabilities, they will have to refund the money to you, and then you will either be liable to pay to the government, or you will have to work with your new payroll company to make sure they get the funds and submit them to the appropriate government agencies.

When you are ready to sign up or switch, give the new payroll company plenty of time to get your practice set up, often four weeks ahead of the first payroll of the next month or quarter with the new company. This will allow time to get all the setup paperwork done with the new company, legal forms signed, employees' information entered, and to handle any "issues" that may arise before time to process... which always seem to. Talk to your employees about why you are making the switch and any new features the new company will offer to them. Make sure they are prepared for the changes and know what changes they can expect to see on their end.

As you can see, there is a lot to consider when choosing to outsource your payroll. Identify what is most important for you and your employees, then find the company that has everything on your list. Spending some time to research different providers will ensure you end up with a company you are happy with and who meets all your practice's needs. This is a vital part of the business of your practice, so do your due diligence!