

Selecting a payroll services provider

A TIP SHEET FOR EMPLOYERS

Payroll services providers come in all sizes, offer different price points and tout a wide range of features. How do you choose the right one for your business?

EVALUATING YOUR PAYROLL SERVICES PROVIDER

Consider each of the following when selecting your next payroll provider:

- Setup can be customized to my organization
- Salesperson understands my needs and is available after the sale
- Not locked into a long-term contract
- Timely and responsive customer service
- Customer service representative dedicated to my account
- Funds not impounded
- Process for staying current with changing regulations
- Payroll reports reviewed, reconciled
- My business is important to them
- Dependable and have been in business for some time
- Software capabilities meet my needs
- Reasonable fees, now and in the future
- Reference check

This tip sheet can help you navigate the selection process. The checklist at the left identifies a number of important factors you'll want to think about when choosing a provider. Use this information to evaluate the providers you're considering to make sure you're getting the solution that best meets your needs.

1. ONE SIZE DOES NOT FIT ALL

Is the provider asking you to fit into a preset company model or are you able to customize your company setup? A custom payroll setup will allow you to interface with your other systems more easily and reduces the number of separate spreadsheets or databases you'll need to keep.

Make sure you can customize your setup to fit your needs with regard to allocation, earnings, departments and reporting. Every company's payroll is different, and your provider shouldn't expect you to fit into their standard payroll model.

2. THE SALESPERSON

Ask the salesperson specific questions about payroll and about the software they are selling. Are they able to answer confidently? The salesperson should be able to answer your questions and explain in detail how the product works. Ask to have functionality demonstrated. Make sure the product truly is capable of providing the features and functionality you expect.

Also ask what their role will be after the contract is signed. Is the salesperson going to be around to support you if you have problems in the future?

3. SIGNING A CONTRACT

Payroll is very visible to your employees, and if your provider is making mistakes, your employees will see them. Are you required to sign a contract for the payroll software or services? Make sure you are not locked in with a provider that is not producing good results. If you do sign a contract, be sure to include conditions that allow you out of the contract without penalties.

4. CUSTOMER SERVICE

Are you going to be treated as a valued customer? Find out if you will work with a designated payroll support person. When the same person processes your payroll over and over, they become familiar with the process and are more likely to notice abnormalities and fix them. Having a direct contact also ensures you get timely answers.

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If you receive a toll-free number for customer support, you will likely speak to a different representative every time you call. If that person isn't familiar with the specifics of your situation, you may not be confident in their answers.

It may take up to a few days to get a call back from a support line. By then it may be too late—payroll deadlines are not flexible.

5. WHO HAS CONTROL OF YOUR MONEY?

Many payroll providers use a process called "impounding" to hold the funds needed to cover payroll, taxes and fees for processing. This means they pull one lump sum from your bank account on the day they process your payroll. This lump sum includes the net payroll, all tax liabilities and their own invoice amount. They then hold these funds in their own account until they are due and earn interest on your money. However, the impounded tax liabilities may not be due for a week, a month or up to three months after they are pulled from your account.

You should be able to keep control of your funds until they are due. Look for a provider that will not impound.

6. RELIABILITY

Payroll regulations are ever-changing and can be very confusing. Be sure your provider is not just calculating payroll and sending checks. Look for a provider that has knowledgeable staff and Certified Payroll Professionals (CPP) on hand to research and review payroll taxes. There are many aspects to payroll, and penalties for inaccurately calculated taxes can be very costly to companies.

Check with your provider to see if they review and reconcile the payroll reports or if they just submit what the software provides. Find out if they assume liability for the tax calculations and timely payments made by their system.

7. DOES IT FEEL RIGHT?

Do you feel like your business is important to the payroll provider? Do you get face time with the salesperson or the support person? Are your calls answered timely and problems solved correctly?

You need to be comfortable with your payroll provider. Find out how long they have been in business, how many clients they serve and what range of services they provide. Ask about their staff turnover rate. Are they really taking an interest in your payroll, or do you feel like they are offering options you don't need?

8. SOFTWARE CAPABILITIES

Does the software meet your needs? Ask about online and mobile access. Find out if there are human resources components to the system, and if it can interface with your time clock and general ledger systems.

Take a look at the reports you'll receive. Are they easy to read and do they make sense to you? Ask how often they update the software and how any tax changes are implemented.

Outline what you are currently doing for payroll, what you like and don't like, what you will definitely need from a provider and your wish list. Review all of this with the salesperson in detail. The more you share with the salesperson, the better solution you will receive. It also gives you an opportunity to learn about their system and their knowledge of the system's capabilities.

9. DON'T CHOOSE ON PRICE ALONE

It can be tempting to select the lowest cost option, assuming all providers do the same job. But be careful that you are looking at the pricing carefully. If you are quoted a set price per payroll, find out what is included in that price. Ask about other services you will need, and get a detailed fee schedule. Ask if the fee listed is an introductory offer, and how often you can expect it to increase.

Ask for references, and when you talk to them, inquire about their experience with fee increases. When comparing estimates from different providers, be sure you are comparing apples to apples, not just bottom line pricing.

Be sure you are getting the service you deserve for the price you pay. Sometimes it is worth paying a little more to have confidence in the work and local customer service.

Questions? Ready to talk to a payroll specialist? Contact Jim Longley at 920-996-1218 or jim.longley@schencksc.com.