How CPAs Increase Profitability and Client Retention with Payroll, T&A and HR Services

A WHITEPAPER
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I. Executive Summary

Outside of tax season and quarterly tax planning, savvy CPAs seek additional, recurring revenue streams to grow their practice, increase profitability and increase “stickiness” with their clients.

Offering payroll, time and attendance (T&A) and HR services and software to small and mid-sized businesses (SMBs) is a compelling way to achieve all of these goals.
II. Why Get Sticky

As many CPAs and accounting firms discovered the hard way during the Great Recession, those that were "stickiest" retained the most clients – they offered so much value, their clients were stuck to them and didn't switch to a lower cost option.

To increase stickiness, accounting firms need to offer more than just tax return preparation and tax planning services. While those take a lot of skill and experience, they are commodity services offered by many CPAs. This makes it easy for clients to switch to lower-cost accounting options when money gets tight.

Accounting firms increasingly turn to offering payroll as a sticky service, and offering direct deposit ACH processing and certified payroll are key to getting payroll done right.

III. Payroll

All organizations must pay their employees. You could outsource this function to a payroll provider, but it will be significantly more profitable if you build a payroll capability internally.

In a Journal of Accountancy article Payroll: A Tie That Binds by Phelan and Hayes, the authors point out some of the reasons why it makes sense for accountants to offer payroll services:

- **Every Business Has to Pay Its Staff**: CPAs are perfectly positioned to help their small business clients, not just with taxes but also with the many chores that go into payroll processing, from after-the-fact tax filings to benefits administration

- **Improved Technology**: new software has made offering payroll services easier over the past 15 years, so it's a good fit with services such as pension work that must be in a prescribed electronic format

- **Ease of Handling the Entire Payroll Process**: when a single provider prepares checks, arranges for deposits, ensures that payroll taxes are paid on a timely basis and quarterly and annual returns are correctly prepared and filed, the process and oversight are seamless
III. **Payroll** ...cont.

- **Someone Clients Can Trust**: using a CPA firm offers clients confidentiality plus the advantage of personalized service – clients like to deal with only one provider and know the individual who answers the phone.

- **Abundance of Payroll Support**: CPAs new to payroll will find there is an abundance of software and outsourcing providers to choose from.

- **High ROI**: payroll services represent an efficient adjunct to other recurring CPA work that can provide a strong return on the time investment.

**The Role of ACH Direct Deposit**

According to a recent employer survey by Javelin Strategy & Research on behalf of NACHA, 82% of U.S. workers – crossing all age, income and other demographic categories – are paid by direct deposit via ACH payroll processing, up from 74% five years earlier. Awareness is also strong, with 79% of employees who do not use direct deposit via ACH reporting familiarity with the service.

**Why Employees Use ACH Direct Deposit**

- 64%: their employer encourages or requires direct deposit
- 53%: faster access to pay
- 47%: no cost to employees
- 38%: eliminates risk of losing paper checks
- 37%: safer than other payment methods
- 37%: paper checks are inconvenient to deposit

**Two Options for ACH Direct Deposit**

CPAs can either use their bank or an ACH direct deposit specialist. The choice of an ACH processing partner in an era of rapidly moving money and still-expanding processing capabilities is not an easy one. Our sister company, Cachet Financial Services, has written Third-Party ACH Payroll Processors vs. Banks, a whitepaper which outlines the key considerations underlying the choice of an ACH processor. It includes a framework that will help you choose an ACH processing partner you can rely on now, and continue to rely on as your business grows.
III. Payroll ...cont.

Certified Payroll

If you have construction clients or others working on government contracts, they will need a certified payroll service as required by the Davis Bacon Act (DBA) or face penalties.

The DBA was passed by congress during the Great Depression to protect workers from low pay due to intense competition for public works projects. Contractors with federally funded construction contracts over $2,000 are required to pay their laborers the local prevailing wage and fringe benefits for their work – and prove it on a weekly basis.

What your certified payroll clients need:

Using Federal Form WH-347, certified payroll reports must be created that contain accurate information regarding your company, employees, contracts, and projects

Every state has county-based DBA wage rates listed online that are found by filling in a few fields or providing the wage determination (WD) number – a reference number used to find a prevailing wage by location and contract action, i.e. job type

The WH-347 must be submitted weekly to the agency overseeing a government contract
IV. Streamlining Payroll with T&A

For those CPAs offering payroll services, we are often surprised to hear how they obtain employee payroll information:

- "Our clients fax it in"
- "They call it in"
- "They send us a spreadsheet"

Manually entering time and attendance data is time consuming, error prone and no longer necessary.

Take the Work Out of Payroll Processing

Time and attendance (T&A) software eliminates all of that extra work, while also reducing errors and the threat of liability for wage-related claims – especially when integrated with your payroll software, like Thomson Reuters Accounting CS and myPay Solutions.

With T&A software, there is no more faxing and no more deciphering paper time cards. Time clock data can be uploaded to the accounting and payroll software in one click, enabling the automatic creation of paychecks.

Integration eliminates the need to enter time and attendance information by hand because T&A data is automatically shared in real time. Depending on your T&A software provider’s capabilities, custom payroll bridge files can be created for your payroll software to streamline time and attendance uploading.
V. Even Stickier with HR

Many SMBs do not have HR departments, or theirs is understaffed, and need help staying on top of employment laws and dealing with myriad employee issues.

Whether it’s a function of your human capital management (HCM), payroll or T&A software, utilizing its HR capability can help you add even more for your SMB clients in the following areas:

- Overall HR support
- Process streamlining:
  - New employee onboarding
  - Benefits and insurance tracking
  - Performance reviews
  - Expense reports and reimbursement
  - Training and certification tracking
  - Equipment issuance and tracking
  - Workers’ compensation claims
  - Garnishments
  - Employee termination
- Employee self-service (access to HR forms and company documents)
- Employee records storage (virtual file cabinet)
VI. Capitalize or Risk the Consequences

According to Accounting Today in their article *Case Studies: Payroll in 2018* by Ranica Arrowsmith, "Offering payroll as part of a firm's services is often the perfect value-add that small business clients are looking for. A necessary part of running a business, the complexities of paying employees are not what small business owners can or want to spend their time navigating. So, ease of use and good customer support are the pillars that hold up a successful payroll product."

Not only does adding the sticky services of payroll, T&A and HR increase revenues, profitability and client retention, but it will also help you fend off competition from medium and large CPA firms that are increasingly offering these services.

**Time Rack & the FBG Holdings Family of Payroll Companies**

Time Rack software offers complete T&A integration with Thomson Reuters Accounting CS and myPay Solutions. Time Rack also includes an HR software module complete with HR support services.

Our sister companies Cachet and Payroll Tax Management (PTM) offer ACH direct deposit and payroll tax software and services, respectively, to help you round out your offering.

If you want to expand your practice into some combination of payroll, T&A and HR, contact us today to learn how we can make this an easy, headache free process for your firm.
VII.  About Time Rack

Time Rack® provides time and attendance software and time clock hardware that streamline workforce management by minimizing data entry and calculation errors. Time Rack meets the needs of any organization, being robust and customizable for large organizations yet economical for small businesses. Time Rack cloud time tracking software integrates with Thomson Reuters ACS and is an asset for CPAs. Time Rack is also ideal for time tracking in the field for construction, grocery, retail, home healthcare, and other industries with a mobile workforce. Time Rack is based in Corona, CA, and is a wholly owned subsidiary of FBG Holdings, Inc. More: timerack.com