

Special Report

Payroll as a cornerstone



Their payday — and yours

Making payroll an integral (and valuable!) part of your
firm's services

Their payday — and yours

Integrating payroll into your services offerings can be good for your clients and your firm

By Antoinette Alexander



Payroll is a major part of your business clients' operations. From employee compensation to benefits spending to potential tax credits, your clients' payroll may be complex but it also contains a lot of insightful data. Is your firm unlocking the power of that data and using payroll services as a central part of the practice? If not, should it be?

In light of an increasingly dynamic business environment, a growing number of employers are looking for strategic advice as they struggle to make sense of regulatory and legislative changes, a more distributed workforce, and staffing issues. When not handled properly, the payroll-related complexities can hinder a company's financial health and, in some instances, lead to hefty penalties for noncompliance.

In fact, one recent survey of payroll professionals found that outdated payroll practices are hurting many businesses. According to Alight's "2024 Company Payroll Complexity Report," 53% of respondents said their companies have incurred payroll penalties in the last five years due to noncompliance. Furthermore, the report found that 51% of those surveyed still use spreadsheets, and 19% use outdated manual or paper processes within their payroll departments.

Shedding additional light on the payroll-related challenges facing many businesses, ADP's global payroll survey, "The potential of payroll in 2024," found that nearly half (48%) of respondents working in global organizations said that their organizations face talent shortages and are having trouble finding payroll skills from outside the busi-


ness. Even more respondents (57%) admitted that their payroll service is, or has been, affected by a shortage of payroll employees, which is up from last year (53%).

Labor shortages aren't the only challenges that businesses face. ADP's research also revealed that, while many organizations have introduced automation to ease manual payroll processes, much work remains to be done.

For today's accounting professionals, helping companies ensure payroll compliance and leveraging payroll data to deliver the strategic guidance they desire can prove to be a significant growth opportunity.

"Payroll is an incredibly undervalued service offering. Over the last few years, The Lighthouse Group has fine-tuned our advisory offerings around the payroll relationship, as this is where the magic happens in people-first organizations. As an example, during onboarding, we review worker's compensation information, 401(k) or state-mandated retirement benefits (as well as the benefits to ownership and the entity for any potential tax credits), employee handbook review/updates, and team member training (sexual harassment, etc)," said Wyatt Kneaper, CEO of The Lighthouse Group in Eureka, California.

Providing payroll services and having access to the data enables firms to have a better view into a business client's financial health. For instance, is the client experiencing cash flow issues? Are they battling high employee turnover and, if so, does this present opportunities for employee retention strategies? Are they having trouble navigating multijurisdictional payroll and compliance in a geographically diverse work environment? These are just a few examples of the insights and



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advisory opportunities that can reside within payroll data.

According to ADP's research, survey respondents said that payroll data is a major consideration for their company and is used to inform management on strategies related to cost management (49%), commercial/growth (45%), expansion (44%), and diversity, equity and inclusion (42%). Not surprisingly, senior management is requesting access to more payroll data than in previous years (47%) and asking more questions of payroll teams (45%).

Orumé Hays, founder and CEO of New York-based Hays CPA LLC, agreed and said, "Payroll processing can be a cornerstone of any accounting practice. It offers a recurring revenue stream and strengthens client relationships. Through frequent touch points, payroll allows us to gain deeper insights into clients' broader financial needs, such as cash flow management and labor demands."

Continued Hays, "It plays a significant role in how we advise our clients. By leveraging payroll data, we help clients make key decisions like when to increase payroll talent to support strategic growth plans. We also assist with payroll compensation issues, ensuring our clients remain competitive in their industries."

For accounting firms, the key to turning payroll into a cornerstone of the practice and tapping into the power of payroll data begins with having the right tools and resources in place. Without the proper technology, payroll can quickly live up to its reputation as a "high-risk, low-reward" service.

Transforming payroll via tech

It is no secret that payroll can be complex and labor-intensive. This is especially true for those professionals who are not using technology to help them automate processes, keep pace with

regulatory and legislative changes, and gain access to quality data.

"One of the key elements of successful payroll processing is real-time technology. Having access to robust time-tracking systems, secure portals, and reliable data storage solutions is essential. While some firms prioritize integrating payroll with their accounting and tax systems, that's not a major concern for us. However, having the right payroll technology partner ensures that we are always in compliance with payroll filing requirements," Hays said.

She continued, "The technology landscape for payroll services is rapidly evolving. Cloud-based solutions are becoming increasingly popular, offering real-time access to payroll data from anywhere. This is particularly valuable for clients with remote or distributed workforces. Mobile applications are also important. These apps allow employees to access their pay information, submit time sheets, and even request time off directly from their smartphones. This improves employee satisfaction and reduces administrative burden for clients."

Paychex, for instance, recently added Paychex Flex Perks, which is a digital marketplace of employee benefits. It is integrated directly into Paychex Flex, the company's cloud-based solution. The Paychex Flex Perks services are paid through employee payroll deductions at no cost to the employer.

"It is a curated, digital employee [benefits] marketplace that provides benefits like earned wage access that a lot of people are asking for, lifetime benefits, financial wellness, etc. ... Now, you can have that within the Paychex ecosystem," said Ben Rush, senior director, central channel, at Paychex. "That is coming to all of our clients, and all of our accounting partners will

have access to that."

Paychex is also leveraging the power of artificial intelligence with its new AI-assisted recruiting tool, Paychex Recruiting Copilot, for business owners and HR professionals. Provided in partnership with Findem, the tool analyzes millions of potential employees through a natural-language search engine to produce an active list of qualified candidates based on such attributes as skill sets, experience, industries, and location.

"If you look at all the data we have in our ecosystem, our Copilot really helps with small businesses trying to actively leverage data and AI to find candidates using just simple search," said Rush. "We are really, really excited, and early results have been very positive. Using AI to mine that, to find better candidates in your geography [with] the skill sets you need, is something that, I think, is going to lead to huge growth for us and be a big help to our customers and certainly in the accounting space as well."

Meanwhile, Iris Software Group, a provider of accounting and payroll solutions, is also looking to help firms achieve success in the payroll space.

Jairam Padmanabhan, vice president and head of product for North America for Iris, described payroll as "a very valuable service that accountants provide" and said, "It is actually like a profit center for them because payroll is a consistent service whether you are doing monthly payroll, biweekly, twice a month. Whatever that is, you know what you have to do. And then people like us, we make it easier for [accountants] to use it because we take care of all the compliance components. You don't have to worry about all of the tax components. You don't have to worry about the local taxes, the state taxes. All of that gets filed and the money gets into the employees' hands as

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quickly as possible.”

Padmanabhan said that Iris can provide solutions for firms interested in handling their clients’ payroll themselves, or it can also serve those firms that would rather outsource the payroll processing.

“We offer it in such a way that makes it most relevant to the level of service you want to offer. You want to do it yourself, we have the software. You want to outsource it, we can do it for you. Whatever works for you. Whatever is most convenient for you as the accounting firm, we have that,” he said.

When asked about new products on the horizon, especially given the rapid evolution of AI, Padmanabhan said it was too soon to divulge details. However, he noted, “We are constantly working with our customers, understanding their workflow, understanding what it is that they want to do. We are also evaluating the marketplace to see what is happening, not only in the payroll industry but the accounting industry and even beyond in adjacent industries where you have a similar kind of a business, and understanding how exactly is AI playing a role in all of those.”

Integrating payroll

While there’s no cookie-cutter approach to offering and integrating payroll with a firm’s other services, it is hard to deny the significant role payroll is playing within the advisory practices of a growing number of firms.

One such example is Windham, Connecticut-based Powerful Accounting, whose founder and CEO, Dawn Brolin, uses payroll provider ADP to help serve clients, and highlighted the vital role that payroll plays in the firm’s advisory services.

“You think about workforce management. So, helping clients when you are advising them when they are ready

to hire someone, or if they are thinking about giving raises. I just talk about ADP because that’s what we use, but they have really great resources on compensation benchmarking to allow us to have conversations with the client,” said Brolin, who described payroll as “powerful, because payroll is such a large portion of people’s expenses.”

“When you have that ability to have access to that payroll data, it will help you be more proactive as that advisor. ... All of those types of advisory conversations, so many of them stem from payroll,” she said. “At the end of the day, payroll is an area that, if you want to be an advisor to business clients,

'When you have that ability to have access to that payroll data, it will help you be more proactive as that advisor.'

you have to embrace in one way, shape or form. It is all up to the firm how deep of a level they want to go with regards to [payroll], but you can’t exclude it.”

Hays CPA has offered payroll services since it opened eight years ago and, today, it continues to reap the benefits. Said Hays, “By integrating payroll with our other services, we create a seamless data flow, making it easier to manage the books and improve collaboration with clients. This integration also leads to better strategic planning, as payroll data provides valuable insights.”

Hays added that, “In the future, payroll services will become even more integral to our advisory services. By analyzing historical payroll data, we’ll be able to help clients forecast labor

costs more accurately and make more informed decisions about staffing and compensation. Additionally, we will know in time if we need to add extra jurisdictions and state registrations for clients. This proactive approach helps us stay ahead of potential compliance issues as our clients’ businesses grow and expand into new areas.”

Echoing the sentiment, Kneaper of The Lighthouse Group said, “An advisory-level approach can unlock many opportunities in relation to payroll, and other accounting-level services. Many times, you simply have to ask the team members for input on what they are looking for. Having an accountant who is versed in payroll modernization is critical to creating actionable items powered by industry-leading tools/technology.”

Kneaper noted that the firm offers “several levels of payroll support/advisory, including a white-glove onboarding option (DIY approach with expert setup), all the way to enhanced HR services and custom packages to push organizations towards shared goals — this can include expansion, benefits, 401(k), etc.”

Regardless of how a firm approaches payroll services, what continues to become increasingly evident is that the importance of payroll should not to be overlooked. With the right technologies and resources in place, payroll — and the insightful data it holds — can prove transformative for firms looking to provide clients with more proactive, strategic guidance.

“View payroll as an opportunity to expand client relationships and offer more value-added services,” advised Hays. “Integrating payroll into your offerings, investing in technology, and partnering with the right payroll service providers can enhance the overall financial management experience for your clients.” **AT**