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## When to Outsource Accounting, Payroll

**It's critical that your accounting and payroll are done correctly and on time. Know when to hire a professional so you can stay compliant and focus on your business.**

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By Erin Dorr

Keeping up on both accounting tasks and your payroll can be cumbersome for many businesses, especially if you own multiple properties. Accounting and payroll are separate, but important, functions that you might want to consider outsourcing so you can focus on growing your business, filling vacancies or maintaining your properties. Knowing what to consider before deciding to outsource will help you determine the most cost-effective and valuable path for your business.

### **Keep Your Focus**

Having another company take care of your payroll or accounting functions can be a big relief and lets you focus on improving your business. In fact, that's the reason most business owners are outsourcing, says Aaron Witsoe, president of Creative Business Resources, a payroll and human resources (HR) company in Phoenix.

The No. 1 reason for companies to outsource used to be cost savings, Witsoe says, citing The Outsourcing Institute. "But now the No. 1 reason is improved focus for your business," he adds. "Focusing on growth or other initiatives pays dividends more than money."

Outsource your accounting tasks when your company has a large number of vacancies and you need to focus on filling them instead of doing paperwork, says Bob Fay, a certified public accountant and an executive committee member of the American Institute of Certified Public Accountants' (AICPA) Private Companies Practice Section. If you have a low number of vacancies and there are qualified people in the area to recruit, then it might be better to keep accounting and payroll in-house, he says. "I have one client who owns about 10 different commercial structures and goes back-and-forth from doing it in-house and outsourcing based upon his vacancies and the talent pool available," he says.

Outsourcing might not even be economical for some businesses, though, Fay adds. "It could cost you more [than doing it in-house]," he says. "So you have to be careful of that



when considering outsourcing. If you're a small business, the cost could be substantial compared to the accounting responsibilities or number of paychecks that need to be done."

Every business should outsource payroll sooner than later, Witsoe recommends, but he adds you should base the decision on employee count. He says a business with more than 10 employees that plans on growing should consider outsourcing its payroll and even other HR services, such as employee benefits and workers' compensation. "Most business owners want to grow, and that's what outsourcing allows you to do," he says. "You can focus on growth and other objectives and not be weighed down with paperwork."

### **Guarantee Compliancy**

Complying with tax and other federal, state and local laws when doing your own payroll and accounting can be confusing for many business owners. With more than 65 government compliance agencies, employee benefits regulations and a host of other compliance issues, not breaking the law can be cumbersome and difficult, Witsoe says. More than 80 percent of companies outsource their payroll.

"It can be emotionally draining, and the compliance issues are complicated if you're not trained or don't have the time to research it," he says. "You would have to ensure you're paying taxes on time and correctly. We do that every day. Basically, all the client does is report the hours their employees work."

For accounting functions, such as paying taxes and bills, Fay says outsourcing gives the business owner a high level of confidence that everything is being handled confidentially, legally and on time. "Knowing that the accounting records are kept in organized care and handled correctly when you have a thousand other things to worry about is a huge advantage," Fay says.

Because a business owner needs to have a pulse on his or her financial records to run the business effectively, Fay recommends finding an outsourcing company that is responsive. In his personal experience, he says payroll firms tend to be responsive while accounting firms can vary, depending on the time of year. "If you call them to ask questions or check on your status, they should get back to you right away," he says. "The last thing a business owner needs is to not have them call you back until two days later. It's a recipe for disaster."

### **Guidelines to Successful Outsourcing**

Aaron Witsoe, president of Creative Business Resources, offers a list of guidelines to follow when selecting a Professional Employer Organization (PEO), a company that provides payroll and other human resources (HR) functions.

1. Assess the level of HR and risk management (workers' compensation) needs at your company.
2. Select a PEO capable of meeting your expectations. This includes analysis of medical-related insurance products, payroll service issues, HR assistance and all workers' compensation-related issues.
3. Check client references.
4. Ask what insurance companies the PEO is using for workers' compensation and health insurance.

5. Check to see if the PEO is represented legally in areas of the Employee Retirement Income Security Act (ERISA), labor and general business issues by attorneys with substantial PEO experience.
6. Look to see if the PEO is a member of the [National Association of Professional Employer Organizations](#) (NAPEO).
7. Determine the number of years the PEO has been in business.
8. Consult state requirements on special licensing for PEO compliance.
9. Determine how the employee benefits are funded.
10. Be sure the PEO employs professionals with appropriate designations and licenses for their areas of expertise.