



ONLINE PAYROLL TAKING OFF

ACCOUNTANTS ARE ADJUSTING TO THE ADVENT OF ONLINE PROCESSING FOR ALL SIZES OF BUSINESSES.

By Stuart Kahan

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More than 130 million people in the work force of the United States receive some four billion paychecks each year, according to the American Payroll Association. Through employment taxes, the payroll professional then is responsible for collecting in excess of 70 percent of the gross federal revenues of the U.S.

Although today more and more accountants are providing a myriad of services to their clients relating to payroll, including specific payroll consulting, they are beginning to take into consideration the fact that companies are outsourcing some of the highly technical support operations of running a business. Many CPA firms are now looking at online payroll work, which reduces dramatically the time involved in providing payroll services and increases their own efficiency. The question, of course, will be whether or not it will put any more funds in the accountant's pocket.

What is spurring this interest are the software companies which are launching online services for businesses of all sizes that wish to spend less time on payroll but still want to retain control of their payroll input. A number of companies now are using an Internet-based application that allows them to employ Web technology in order to transmit payroll data 24 hours a day, 365 days a year. This opens the door wide for the CPA.

Climbing Aboard

According to Ray Busch, an Illinois-based CPA and a member of Fiducial's network offering business services, outsourcing payroll, particularly online, makes sense even if a company has one employee because payroll mistakes can be extremely costly and can get a company into trouble with the IRS, state and federal employment, and unions.

Byte Bender Business Services in San Diego, says that they provide a long-term solution to a client's accounting needs by using state of the art electronic communications and computer systems. Leah Thiss, its CEO and president, is responsible for engineering the strategic growth plan and market position of the firm. Running with CBS Net-Pay as

well as the Payroll Connection 2000 remote, they can process payroll completely online.

This says that outsourcing company support services is not new. "Over the last two decades, larger companies and businesses with multiple locations have found that outsourcing professional services saved on labor costs, equipment investment, and added office space." She notes that during the 1980s, payroll preparation and processing companies pioneered the trend in business outsourcing services. Today, she says, most companies "simply send payroll information out each pay period, either by e-mail or direct modem to an outsource payroll company."

This points out that many company owners in the past would never think of sending confidential payroll information offsite to a processing service. "Nowadays, many of those same businesspeople save substantial amounts of capital each year by relying on outsource services to handle the complicated and time-consuming tasks of paying employees."

At the Cleveland-based Shields Bice & Company, Scott Shields, senior partner, doesn't find more and more people moving necessarily to payroll online in droves but he is finding that more businesses are looking for an outside professional service to handle payroll. He believes it is a matter of time before online is the only way to go.

Jack Burson, CPA, in Boulder, Colo., with an office also in Houston, Texas, says that as a sole practitioner he hadn't in the past done much payroll work other than federal tax reporting because of the tie-down factor. "If you're doing payroll, you have to be there to deliver the checks on payroll. That takes time. However, with the online payroll system, the service really can be administered anywhere as long as the client has a local computer and printer to print the checks or handle direct deposit."

In Burson's estimation, online service opens up a whole new market, especially for small accounting firms and sole practitioners. "This is very definitely where we're headed. I've been involved with the Internet in research and other capacities for the past six years and have moved a



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substantial portion of my practice onto the Web as far as delivering services. I can now have my clients access their records instantly. I've been convinced for some time that the Internet is not necessarily a replacement for traditional services but a significant extension, and certainly enhances the delivery of traditional tax and accounting services."

Burson says that he can put the client's QuickBooks program and data files online, accessible from anywhere through the Internet browser. "And system and data files are password protected. Files, in fact, are automatically backed on the server each day plus the client can make copies on their own computer." He adds that he can print vendors' checks, print payroll checks, and generate customer invoices at any local site.

What makes this all work, of course, are the software companies that are delivering the goods. In effect, they are leading the practitioners along the online path.

Support Is There

One practitioner in Florida, feels that there is no stopping online payroll services but clients still have to be convinced it is a safe and secure mode of operation. He cites a recent USA Today survey of people using the Web to purchase goods and services. "Almost half of these buyers were concerned about the security aspect. They didn't want their credit cards floating about in space where anyone can pick them up and use them."

Software vendors have been addressing this aspect as well as all the other factors that the accountant must consider when employing online payroll services. For example, PenSoft in Newport News, Va., has launched a direct deposit service that is designed for small to mid-size companies and third-party payroll processors.

According to Heidi Harris at PenSoft, there is no software to download or purchase so that any company or third party payroll processor can use PenSoft Direct Deposit. Using browsers and the Web, customers submit the direct deposit information to PenSoft, which then processes it through their FDIC insured bank to the Federal Reserve System. The procedure is backed by a secure socket layer technology that establishes a protected Internet session and encodes the data submitted to the PenSoft Direct

Deposit Web site.

Automatic Data Processing in Roseland, N.J. is offering mid-size companies--a market long overshadowed in favor of small- and large-size businesses--the opportunity to process their payroll via the Internet. ADP's new Pay eXpert is a tool that enables mid-market payroll professionals to conduct payroll processes anytime, anywhere, in a highly secure environment. "According to Jose Rivero, vice president and general manager of the major accounts e-business services at ADP, the company's new product "will allow mid-market companies to fully leverage the power of the Internet to significantly enhance their payroll processes."

Over at InterPay in Mansfield, Mass., there is a Web-based version of the company's payroll and employee benefits service. With InterPay Online, the customer has access to the account whenever and wherever they are on a 24x7x365 basis.

PeopleSoft in Pleasanton, Calif. has announced the general availability of PeopleSoft MarketPay, the first Internet-based financial settlement software application designed for B2B marketplaces. The product is rooted in the global architecture of PeopleSoft 8 Financials, which offers a multi-currency, multi-lingual, and multi-tax processing functionality allowing companies to collaborate and settle their invoices and bills from anywhere in the world in real time.

InLeague (San Bruno, Calif.) has a fully automated payroll and benefits service to take advantage of all the power the Internet has to offer. The system is fully integrated by rolling payroll and benefits together as part of one tightly integrated unit. In fact, the company just announced that it and BenefitMall.com, an online exchange for employee group benefits, have formed an alliance to offer InLeague's flexible payroll service and payroll tax services through BenefitMall.com's new online product mail.

A wide range of products and services including a patented electronic CBS PayCard, where no bank account is required, is offered by CBS Payroll of Fort Worth, Texas. The company also has a menu of more than 40 standard reports.



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McBee Payroll (Parsippany, N.J.) works closely with accountants to process payroll. It has designed a direct deposit system that allows employees to have their paychecks electronically credited to their savings or checking accounts

What's Ahead?

RuthAnn Kirby with Ray Arias CPA in La Mesa, Calif., says there is no question that online payroll processing is the wave of the future. "Oh yes, this is what will happen. Clients used to mail me the client's payroll. I had to put it on the shelf until I needed it. I think that anybody that has started to use online will like it. You're staying up with the times. Now I get whatever I want without shuffling through papers. It's instant information and it has made my life a whole lot easier."

Of course, is there money to be made? No one has the answer to that, as yet, because this is all relatively new. However, one practitioner in Los Angeles feels that online payroll services won't necessarily bring in any additional revenue per se, but it becomes a conduit to general business consulting. "I see my income increasing because of all the other things I will be doing for my clients. Online payroll processing just makes it easier and faster to get a particular service done, thereby leaving me with time to do other things. If I have a happy client, then I will get even more business in other ways."

Dwain Myer, who heads D Myer & Associates in Plano, Texas, has a burgeoning accounting service in payroll work but in a different way. He made a decision long ago not to do specific payroll but to contact those companies who do it and know what they are doing such as CBS Payroll. "Most of my clients are on CBS and some use other companies. I think online is what's ahead and for a small fee they take care of everything. I encourage my clients in that direction. They're pleased with the service and consequently, they're pleased with me."

It's clear that accountants are recognizing this fact and are moving steadily toward online payroll work for their clients. It's now on the cusp, ready to break out big-time, and with the help of many software companies, will prove to be the way to go.

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