

# CPA FIRMS ADDING PAYROLL

## WHY IT MAKES SENSE

EDITION 1 OF A 3-PART SERIES

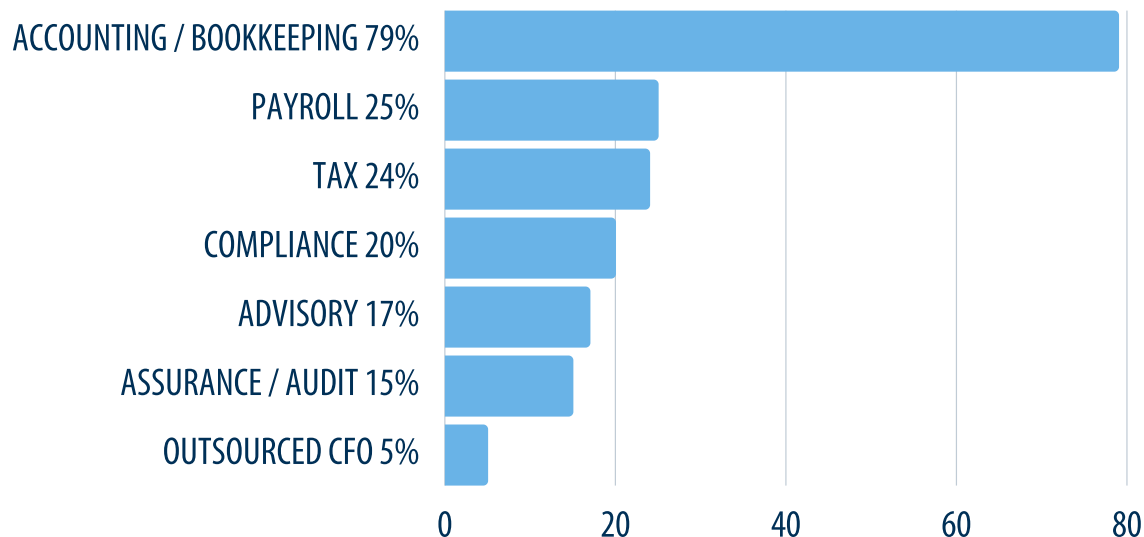




## THE COVID-19 PANDEMIC HAS MADE REMOTE PAYROLL TOOLS MORE IMPORTANT THAN EVER FOR CPA AND ACCOUNTING FIRMS

Tax preparation and planning once was the bread and butter of CPA and accounting firms. But those services alone are no longer enough to sustain any firm intent on growing in today's digital economy. Competition from DIY payroll, tax and accounting software has emboldened many budget-minded entrepreneurs and business managers to take on those tasks themselves. A recent study found that taxpayers are more than twice as likely to use DIY software than accountants in an effort to save time and money, yet most admit dissatisfaction afterward. That dissatisfaction may indicate a coming swing of the pendulum back to relying on the expertise of accountants, particularly as the COVID-19 pandemic continues to force even the most staunch pen, paper and desktop accounting holdouts toward full cloud-based operations; and as new and evolving federal, state and local legislation places increasing pressure on employers. Those employers are becoming all too aware that they need help updating their payroll, human resources, benefits and related software systems to remain compliant. And savvy accountancy firms are stepping up to fill that need, adding nontraditional services like payroll to their offerings. Statistics show that one in four accounting firms offer payroll inhouse and upward of 60 percent offer it either in-house, outsourced or via software licensing.

### TOP IN-HOUSE SERVICES UNDERTAKEN BY ACCOUNTING FIRMS





## **FIVE FACTORS THAT MAKE PAYROLL A SMART CHOICE FOR CPA AND ACCOUNTING FIRMS**

As the digital trend upends the accounting industry, the firms most likely to thrive are those that aggressively embrace change and make technology work for them via a diversified roster of services. Here are five top catalysts for adding payroll to traditional accountancy offerings:

### **DIY & AI COMPETITION**

Competition from online, DIY tax preparation software services is eating away conventional accounting business, particularly from smaller providers. Though the robots aren't marching in to take your job, AI is becoming more and more capable of handling complex accounting duties such as collecting transactions and compiling them into financial statements and tax returns. The trick is to make that automation capability work for you and your clients. Gartner, a leading research and advisory firm, estimates that with robotic process automation, an accounting team of 40 could save up to 25,000 hours of avoidable rework per year, freeing up time for higher value work like analysis, strategy and prospecting new clients.

### **THE TRUST FACTOR**

Accounting and finance professionals consistently are ranked among the most trusted professions in annual Gallup polls, trailing only medical, education, law enforcement and clergy workers. Such confidence affords accounting professionals an inside track on client companies' inner workings and the leverage to land agreements covering multiple financial aspects of business including payroll. A survey by business and tax consultancy L. Harris Partners showed that one in three employers use multiple CPA firms to handle various financial aspects, but the trend is toward consolidating vendor agreements. The more comprehensive an accountancy firm's service list, the more valuable it is to clients looking to streamline their own operations.





### A HIGH ROI

In today's tech-savvy culture, data is king and it rules from the cloud. The trend means that much of the physical hardware, power infrastructure and space formerly needed for payroll operations and staff is no more. Cloud computing and storage eliminates the high upfront costs of building and installation, plus the ongoing equipment maintenance and staff costs. It's just one of multiple reasons that offering cloud-based payroll services is a low-investment, high-yield opportunity that pays off for both forward-thinking accountancies and their employer clients.

### A YEAR-ROUND REVENUE STREAM

January through the end of tax and audit season is go-time for CPA and accounting firms. But what about the rest of the year? Payroll is a recurring, predictable and year-around revenue stream that helps to smooth out the cash flow cycle and keep accounting professionals consistently engaged with clients.

### READY TECHNOLOGY

The benefits of offering payroll are apparent. And the best news for CPA and accounting firms considering the add is that the technology is readily available and a convincing sell. Automated functions make for a far less labor-intensive and more time- and cost-effective operation. Manual input of employee hours, tax information, deductions, etc. is time-consuming and can be confusing and prone to costly errors. Potential liability for tax issues or mistakes resulting in under-or over-paying employees can lead to expensive legal fees and compensation claims. Modern payroll software solutions cut time, effort and cost significantly and keep risk at a minimum. It's a savings and security benefit that CPAs and accountants are already well versed in and that employers increasingly are increasingly willing to pay for.

**“APEX GAVE US THE PLATFORM WE NEEDED TO BETTER SERVE OUR CLIENTS, GET A SIGNIFICANT RETURN ON OUR INVESTMENT AND LEARN AS WE GO. AS SOMEONE WHO HAD NO PREVIOUS PAYROLL EXPERIENCE, I REALLY FEEL LIKE I KNOW WHAT I'M DOING.”**

Kelly Walton, Cornerstone Professional Payroll Services

When Kelly Walton joined her family's Plano, TX accounting firm in 2016, the company had a handful of clients bringing in some \$200,000 a year for traditional bookkeeping and tax preparation services. But it was clear that the firm had room for expansive growth.

"Clients and prospects were constantly telling us that they wanted full accounting services that included bookkeeping, tax and payroll all under one umbrella, said Walton, Director of Payroll Services for Cornerstone Professional Payroll Services. Convinced of the prospect of a significant growth infusion, the company formed its payroll subsidiary and in the five years since, steadily grew to just under 100 clients. With an acquisition of a former competitor underway, Cornerstone soon will boast upward of 300 payroll clients.

"The revenue generating activity we saw was a huge push for us to start doing payroll," Walton says, noting the company's client roster is growing largely via unsolicited requests from accounting and tax preparation customers. "We don't have to seek out clients. They're literally coming to us."

But the initial move also revealed a critical service capability gap. "We recognized we needed a different platform very quickly because the software we were using was tightening our revenue. It was blocky, not user-friendly and still in development of functionality we needed immediately," Walton said. "We looked at lots of options and compared to all the competitors, Apex had the most user-friendly interface."

A top draw, says Walton, 26, was the icon-based design in Apex payroll and HR products like Employer On The Go.

"I'm a Millennial. We grew up playing video games full of icons. We weren't reading dictionaries in school. We were learning by playing games," Walton explains. "So when you're working in a program that has clickable icons, your eyes are naturally drawn to those visual elements. You don't have to scroll through and read lengthy text, you just click the icon that says 'enter payroll'. There's no guesswork. We've heard praise about that alone from so many clients."

Walton also credits Apex HCM's customizable ROI plans with allowing Cornerstone to serve an array of clients from microbusinesses to large employers. "For ROI, Apex HCM offers the best plan," she says. "With other payroll software providers, we would have had to charge our smaller clients an arm and a leg just to cover our license. That wouldn't have worked for us because we have a lot of clients who are under that 10-employee rate. Switching to Apex allowed us more profit while also offering a better rate to the client."

And those DIY ship jumpers? "They always come back," Walton says. "It may take a year or two, but they inevitably come back because they just don't have the customer service to help them fix mistakes or to catch a mistake they don't even know they've made. One of the biggest trends I see in clients coming back to us from a DIY attempt is massive credits sitting in their unemployment because they never change the rate once they switch providers. One small business client that came back to us recently had overpaid more than \$2,000 into unemployment."

An eager base of upsell-able, prospective or returning DIY accounting clients and the backing of a market-leading payroll software and service platform have Cornerstone primed to nearly double to 500 clients in 2021.

"Apex has really helped us grow," Walton says, also crediting Apex's online peer forum with providing quick, first-person guidance on topics ranging from training tips for new payroll processors to evolving tax laws. "A big selling point is the community that comes with Apex because they have the best advice."



---

Apex HCM provides a state-of-the-art software platform allowing our clients to take full advantage of the benefits of cloud computing technology. We help organizations escape the bindings of traditional software, including the hidden costs of protracted implementations, disaster recovery, data security, software upgrades, and everyday IT needs.

Apex HCM is a market leader in licensing cloud-based payroll, benefits and HR technology. More than 300 payroll service firms nationally use Apex's technology as the core of their business foundation. Our highly customizable and comprehensive suite of products and services include payroll and tax, time and attendance, benefits enrollment, ACA, human resources, mobile apps, reports and analytics, employee onboarding, applicant tracking, and other business management tools normally reserved for large enterprises. Apex HCM's cutting edge cloud-based software allows its customers to effectively compete feature-for-feature with larger established firms while dramatically improving their workforce productivity. For more information, please visit [apexhcm.com](http://apexhcm.com) or call 877-750-APEX (2739).