



5 WAYS TO HELP YOUR CLIENTS WITH COMMON HUMAN RESOURCES ISSUES

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INTRODUCTION

As an accountant, you already know your small business clients are doing everything they can to keep their head above water. Constantly changing regulations, state and local tax issues, and maximizing cash flow are enough to handle day to day. But when you throw in the issue of personnel and staffing, employers truly have their hands full.

Fact: The federal government alone implements approximately 150 new regulatory changes every year costing business owners over \$100 million per rule in compliance costs, according to the report, “Small Business Problems & Priorities” compiled by the National Federation of Independent Businesses (NFIB) Research Foundation. The financial impact of your client not paying attention to HR requirements can translate to losing real dollars. But for you, their accountant, this means you have even more opportunity to connect with your clients, address their concerns, help them surpass

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obstacles, and guide them toward their definition of business success.

Accountants already access and understand the inner workings of their clients' financials, which puts you in a unique position. Not only can you provide clients with the services they require to keep their businesses in compliance, but you can also offer guidance and resources to help them improve the management of their companies – particularly in the areas of employee/employer relations and staffing.

This guide will describe five pain points clients deal with in small business human resources (HR) and show you how to help. Topics include:

- ✓ Administration overload
- ✓ Hiring issues and growing pains
- ✓ What employee handbook?
- ✓ Employee classification issues
- ✓ The talent struggle

ADMINISTRATION OVERLOAD

Not surprisingly, many small businesses don't have a human resources department or even a full-time HR person on staff. This leaves the company vulnerable and at risk to a myriad of compliance issues spanning everything from sourcing and hiring qualified workers, to proper performance management, benefits administration and more.

Human resource requirements, regulations, and employee expectations can challenge even the largest companies staffed with dedicated professionals. For a smaller company reluctant to bring someone on staff full-time to address these needs, it can be even more difficult to maintain a handle on all the moving parts.

For example, employers who fail to properly complete, retain and/or make available for inspection Forms I-9 (Employment Eligibility Verification Form in compliance with the Immigration Reform and Control Act) may face civil money penalties between \$110 and \$1,100 for each employee for whom the Form I-9 was not completed, retained or made available. Business owners need to be aware that there has been an increase in enforcement efforts by the Department of Homeland Security, specifically with regard to worksite inspections/Form I-9 audits.

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Therefore, it is becoming increasingly important for at least one person to be at the helm of a business' human resources administration.

“The threshold where people thought they needed to have that in-house person has fallen,” says Joey Epstein, CPA, CGMA, and a director in McGladrey's Fort Lauderdale office. “I used to think the magic number for a full-time HR person was 75 or 100 employees, but the administration is a lot of work. Now there isn't any magic number — almost every business needs to have a full-time HR person. It's just a big task and somebody has to stay on top of it.”

If your client is struggling because they don't have an HR administrator, you can recommend that they bring an experienced HR professional on staff — even part-time at first — to assess their needs and get the process rolling. If cash flow is an issue, it may make more sense for your client to outsource to

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DID YOU KNOW?

The IRS issued 6.8 million penalties totaling \$4.5 billion related to Social Security, Medicare, and unemployment insurance in 2013 alone. And while those numbers are down from 2009, small businesses are still not equipped at handling all the regulation and mandates being dished out regularly.

an HR provider who already has an infrastructure and process in place. Either way, if your client's company is growing, they will need someone who can handle recruitment, payroll, employee benefits, and regulatory compliance.

HIRING ISSUES AND GROWING PAINS

“One of the issues we see with our clients is just not dealing with the financial aspects of hiring people,” says Mike Ganino, CPA, CFE and principal at Dworken, Hillman, LaMorte & Sterczala in Shelton, CT. “Just from the numbers we can see when it makes the most sense to add resources to their staff ... they may not realize, or they may be trying to push it off as long as possible.”

According to Ganino, if a client is growing fast due to a variety of reasons, adding someone to their accounting department would likely be the last hire they would consider. But from a financial perspective, lack of staffing in that area could result in a critical bottleneck. Vendors may not be paid, or their invoices may not be issued on time, which would result in collections being delayed. This could negatively impact cash flow and, ultimately, the client's operations.

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“Our job is to identify these issues based on our expertise before it becomes a problem,” Ganino says. “Once the decision has been made to hire people, then we can be proactive in answering the questions about classifying employees, and the impact on health care costs, or in issuing such documents as 1099s and W-2s.”

Many business owners prefer to stay below a certain threshold of employees to avoid the impact of the American Disabilities Act and the Affordable Care Act. Ultimately, that can hinder a company’s growth by leaving a client without the employees necessary to sustain operations, or increase profits to their full potential. Ganino says companies are often unaware of government incentives to subsidize new employees, such as hiring veterans or those who have been unemployed, either through state tax credits or business programs that can aid in the development of new staff.

DID YOU KNOW?

There are tax benefits for businesses that have employees with disabilities. One such benefit, the Disabled Access Credit, provides a non-refundable credit for small businesses that incur expenditures for the purpose of providing access to persons with disabilities. An eligible small business is one that earned \$1 million or less or had no more than 30 full time employees in the previous year. They may take the credit each year they incur access expenditures.

<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Tax-Benefits-for-Businesses-Who-Have-Employees-with-Disabilities>

WHAT EMPLOYEE HANDBOOK?

In our increasingly litigious society, businesses need to protect themselves. Even if a small company doesn't have an HR professional in-house, developing an employee handbook may be an effective way to keep all of the organization's policies and procedures in one place.

An employee handbook should be a living, breathing document, as companies evolve and employment laws change. The handbook should communicate basic ground rules for employee conduct; set the tone for employer/employee relations; and assist employers with consistent implementation of policies and practices. Smaller companies with limited resources may be able to find templates on the Web, while larger companies should consider reaching out to either a HR provider or an attorney for assistance.

“Documentation is critical,” says Margie Bassford, MS, PHR, SHRM-CP and an HR consultant with Paychex. “It allows you to look back and say, ‘How did we handle this before?’ and ensure you are consistent. Consistency is very important when dealing with HR. It is one way to minimize claims against your business — make sure everybody is treated the same.”

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If you recognize your client needs a hub for their company's philosophies, values, policies, and procedures, talk to them about developing a printed or digital employee handbook, including the following:

- **Employment-at-will disclaimer**
- **Equal Employment Opportunity (EEO)**
- **Sexual harassment and non-harassment**
- **Open door policy**
- **Pay day information**
- **Overtime**
- **Standards of conduct**
- **Workers' compensation**
- **Acceptable use of electronic communications**
- **Workplace violence**
- **Receipt or acknowledgement page**

Employee handbooks often start by having processes and procedures that are already documented by an HR manager. If there is not one present, these procedures can be written by the individual in an organization that is most involved with day-to-day operations and employee relations.

EMPLOYEE CLASSIFICATION ISSUES

One of the most significant problems employers face is employee classification. Classification of workers — whether an individual is an independent contractor or an employee — still is confusing for many small companies.

“It’s a constant problem,” says Dave Mackowiak, CPA and partner at Johnson, Mackowiak & Associates in Fredonia, NY. “Many of my clients don’t want to hire people full-time.”

Mackowiak says he won’t work with a client who doesn’t file 1099s or does payroll improperly. It’s a tough call but necessary when clients put themselves at risk — therefore putting your firm at risk. Helping your clients properly classify their employees may minimize exposure to fines and penalties and ensure they address a significant pain point.

“Most clients want to be in compliance, they just aren’t sure what that means,” says Brad Hoffman, CPA and partner at DeLeon & Stang CPAs and Advisors in Leesburg, Virginia. “So we go through what makes an employee and an independent contractor and give them the tools to make that decision the best they can. We try to make sure we’re doing what’s best for the clients while being in compliance — and that’s what the client wants.”

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Generally, the more control the business has over a worker, the more likely that worker is an employee rather than an independent contractor. When talking to your client about proper classification, ask your clients the following questions* related to the degree of control and independence:

- ✓ When and where is the work being done?
- ✓ What tools or equipment are being used?
- ✓ What workers need to be hired to assist with the work?
- ✓ Does the worker have a significant investment in assets or tools?
- ✓ Are there unreimbursed expenses that the worker has to bear themselves?

The above questions are just a sampling of what needs to be considered in determining the status of a worker. The process is complex; and business owners should be encouraged to work with an accountant or tax professional such as yourself to help them classify an individual correctly.

*From the IRS website: <http://www.irs.gov/uac/Employment-Taxes-and-Classifying-Workers>

THE TALENT STRUGGLE

Smart employers know that their employees are what make their businesses successful. Benefits are becoming increasingly important to business owners trying to draw in top talent and personnel. Legally, employers are required to provide benefits that protect workers' health, income, and well-being. Those benefits include:

- ✓ Social Security, Medicare, and Federal Insurance Contributions Act (FICA)
- ✓ Unemployment insurance
- ✓ Workers' compensation insurance
- ✓ Health insurance – for companies with 50 or more employees
- ✓ Family and medical leave

Other benefits and perks are at the discretion of the employer. They can include paid leave,

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DID YOU KNOW?

Employees in private firms with 50 or more employees, and all public employees, are eligible for up to 12 weeks of job-protected, unpaid leave during a 12-month period for qualifying family and medical reasons, and to handle qualifying exigencies, as well as up to 26 work weeks of unpaid, job protected leave in a single 12-month period under the Military Caregiver Leave.

life and disability insurance, 401(k) retirement savings plans, education assistance, wellness programs, and child care assistance.

Still, even if an employer does everything they can to retain talent, finding the best talent continues to be a challenge for many business owners across industries.

Hoffman points to one of his clients – a contractor – who prides himself on his business and on the quality of technicians he hires. Despite a stringent background check, a required professional appearance, and a high level of technical skill, his client has had difficulty finding someone who falls into all of those buckets.

Hoffman says during ongoing conversations about staffing with that particular client, he often takes the opportunity to ask questions to get a feel for what he’s doing and most importantly, what he’s not doing. “We then brainstorm strategies,” he says.

In professional services, many firms are struggling with retaining talent. Accountants like you know this struggle first hand, and can offer your clients empathy and strategies on how to keep those stars in their seats. Encouraging clients to offer robust benefits in a cohesive package executed quickly and efficiently can go a long way in acknowledging an employee’s value. Business owners can benefit, too – for instance, employers establishing a new 401(k)

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plan can receive a tax credit of 50 percent of plan set-up, admin, and employee education costs up to \$500/yr for the first three years of the plan.

“We have conversations with clients regularly to see how things are going with staffing needs, revenues, costs, and that drives questions,” says Hoffman. “We try to be very forward looking and ask questions that help clients figure out what their pain points are to get to those solutions. Employees are the backbone of your company, so you’re trying to make sure they are taken care of efficiently.”

FINAL THOUGHTS

Accountants have the opportunity to add tremendous value to clients in the area of personnel and staffing. Since many small business owners don’t have anyone assisting them with these matters, this is where you can step in and provide additional insight and knowledge to your ongoing relationship. Ask questions and initiate conversations. And remember, you don’t need to know all the answers — but you might introduce them to partners you trust – such as a good HR outsourcing provider – with the resources and solutions your clients need. They’ll appreciate the help.

ABOUT THE CONTRIBUTORS



Even simple payroll processes can expose a business to labor and tax penalties. The more complex your business, the greater effect inaccurate data and tax issues may have on your payroll process as well as your company's bottom line.

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