bambooHR

How to Switch Payroll Providers

IN 7 SIMPLE STEPS

Easier paydays are just 7 steps away! These steps will help you choose and switch to the best payroll software for your business, whether you're stepping away from a PEO or at long last, putting a homegrown solution to rest.

Step 1: Identify when you want to start your new payroll solution.

Pick your goal date, and start Step 2 three to six months in advance. This timing depends on your company size and the terms of your current contract.

What's the best date to shoot for? You can switch at any time of year (typically at the end of any quarter). With the right provider, you'll have a smooth transition no matter what. But ideally, you'll make the switch **at the start of the year** for two reasons:

1. The historical payroll data you need for taxes doesn't have to come from two different sources during a fiscal year.
2. There's less or no historical data to wrangle during the switch.

Step 2: Research your options.

Search reputable third-party review sites, ask for referrals from others in similarly-sized businesses in your industry, and **put together a shortlist of contenders**. Start with four or five options. More than this and you'll likely overwhelm yourself as you'll want to dedicate several hours considering each option.

Then comes due diligence. Based on your initial findings, organize your list into "good, better, best" categories, then complete the following tasks for each option:

- [ ] Study consumer reports and customer reviews.
- [ ] Make note of ratings, credentials, and accolades.
- [ ] Compare customer support processes and promises.
- [ ] Schedule a live demo or watch recorded demos.
- [ ] Request to speak with current customers.
- [ ] Rate each product's user-friendliness.
- [ ] Compare cost versus value.

Reshuffle your "good, better, best" categories, and drop everything but the top two or three candidates. You may find that the cheapest option doesn't always make the cut at this stage, as the scale begins to lean in favor of value over cost.

Step 3: Choose a new provider.

Now that you're closing in on "the one," set up a time to get more granular with the sales reps. Questions to bring to your **discovery meetings with your top contenders** may include:

- What's involved in the **implementation process**? What's needed from us to make the transition go as smoothly and quickly as possible?
- What kind of **turnaround time** can we expect for implementation?
- If you make a mistake, such as **errors in or duplication of data**, who's liable? How quickly are mistakes resolved?
- What are your **data security and privacy** policies and measures?
- Does the software include built-in **automatic tax filing**, W-2 generation, benefit deductions, direct deposit, etc.?
- Are there any **additional fees**, charges, or expiring promotional rates we should be aware of?
- Will we have a **dedicated support rep** or a general helpline that'll direct us to someone new every time we have an issue?
- What sort of **customer training** do you provide? How accessible is your learning material?
- How does the software work with **benefits administration and other non-wage integrations**, such as retirement plan, time tracking systems?
- How well **will the software scale with us** as we grow?
- What's on the roadmap for **updates and innovations** to the software? How committed are you to staying current and relevant, so we're never stuck with aging software?
- Can you handle **multiple pay frequencies**, off-cycle payroll runs, extra pay, multi-state payroll, etc.?

Once you've identified the frontrunner and collaborated on a decision with your stakeholders, it's time to get more gears in motion.

Step 4: Inform your current payroll service of your intention to leave.

If you're switching from an in-house solution, feel free to skip this step. But if you're transitioning from an accounting firm, professional employer organization (PEO), or another payroll software provider, **schedule a meeting with your current provider** to end the relationship in all the ways your contract with them requires.

There's many ways to go about having professional "it's not you, it's me" conversations, but here's some inspiration for your initial message: "To accommodate our company's evolving needs and goals, we've made the decision to discontinue our services."

Next, tick through the following line items with your current provider to set the stage for a smooth transition:

- [ ] Establish a **timeline for the transition**. Some flexibility can ease the process, but if you line up with the natural end of a contract period or give reasonable notice (at least a few months), it shouldn't be too difficult to set clear and workable expectations for both parties.
- [ ] Coordinate transferring all your company's **payroll data** from the current provider's records in a standardized format that can be easily imported into the new software.
- [ ] Discuss how any **existing integrations** between your systems and the current provider will be managed (or discontinued) during and after the transition.
- [ ] Clarify any **legal and confidentiality agreements** and requirements.
- [ ] Clarify outstanding **billing and account closure processes** and expectations to make sure you officially end any further financial obligations at the appropriate time. (You won't officially close your old account until after you've successfully implemented the new payroll software.)
- [ ] Whether requested or offered, consider providing **constructive feedback** to your soon-to-be former provider about the reasons for your switch.

Step 5: Coordinate with your new provider.

As you're setting up your service agreements with your new provider, you'll want to make sure they're also aligned on the timeline you've established with your former provider. Other checklist items for guaranteeing a smooth handover of processes include:

- [ ] Assign **a dedicated point of contact** for communicating with the new provider, whether that's you or the person on your team who'll be primarily responsible for running payroll.
- [ ] Agree on **a detailed implementation plan**. A step above a timeline, an effective implementation plan will outline mutual tasks, responsibilities, milestones, deadlines, and expectations for everyone involved in the transition. Try to plan your vacations before or after implementation, or appoint an interim point of contact in your absence, so someone's always available during work hours to communicate quickly with your new provider.

- Establish **collaborative, open communication** by asking questions, offering feedback, and addressing concerns continually throughout the implementation process. An easy, positive working relationship is essential, so it's important to catch signs of conflict or incompatibility with points of contact as early as possible and resolve them accordingly. If emerging issues are severe enough, you may even decide to go back to Step 3 and reconsider another contender.
- **Prepare to provide the following data** to your new provider:
  - Your organization's legal name, type of business, and address
  - Federal EIN (Employer Identification Number)
  - State and local tax ID numbers and pay frequencies
  - Current state unemployment insurance number, rates, and notice forms
  - Year-to-date (YTD) and/or quarter-to-date (QTD) reports (N/A for new year starts)
  - Payroll schedule
  - Payroll information and reports, including salary and hourly wage figures and payroll history
  - PTO policies, balances, and accrual schedules
  - Benefit plans offered and benefits deductions
  - Non-benefit deductions (garnishments, etc.)
  - Bank account number and routing number
  - Employee and contractor mailing addresses, Social Security numbers, email addresses, and tax withholding information (include former employees and contractors who worked at any point during the current year)
  - Employee direct deposit bank account information
  - Copies of the previous quarter's tax forms
  - Documents authorizing the new provider to perform the services specified in your contract, such as filing and paying taxes and writing payroll checks
- Perform **thorough testing and validation** of the new software, including running payroll parallel with the old system at least once to identify discrepancies and make corrections.
- Coordinate on any **relevant integrations** between the new payroll software and existing HR, time-tracking, or benefits administration systems.
- **Organize training sessions** on the new system with all relevant employees so they can start becoming comfortable with the new processes before you officially shutter the old ones.
- Discuss a **contingency plan** to handle unexpected issues and mitigate risks of payroll disruptions during the transition.

Step 6: Close your previous account.

After calculating at least one payroll simultaneously with the old system, you're typically okay saying your final adieu to your former provider. However, best practice is to **wait for the all-clear from your new provider.**

Here are a few final housekeeping items to remember at this stage:

- Cancel all authorizations your old provider was given to act on your behalf.
- Double-check that all your billing is settled, so there are no surprises.
- Confirm the complete transfer of all responsibilities, such as distributing end-of-year W-2s and tax filing.
- Collect a refund on any open quarter taxes that haven't already been paid.

Step 7: Enjoy running payroll with your new provider!

This is when the long hours you put into switching payroll providers pay off with a tremendously better user experience, not only for you or your payroll processing team, but for your employees as well.

As you officially launch your new payroll solution, make sure you **provide clear communication, orientation, or training for employees**, so they're prepared to navigate any new employee-facing features, such as viewing or downloading digital paystubs, accessing mobile paystubs on the go, inputting direct deposit information, and more.

What to Expect When Making the Switch

The greatest factors affecting the timeline and complexity of switching to a new payroll software include the following:

1. The time of year. (There's less clean-up and corrections to make at the start of a new fiscal year, but switching mid-year or mid-quarter often entails processing time-consuming amendments during implementation.)

2. The number of US states you operate in and if you have employees internationally.

3. The condition of your current record keeping.

However, there are a few unique considerations or advantages that come with switching from an in-house solution, PEO, accounting firm, or another third-party provider.

In-House Solution or Spreadsheets

With no other organization between you and your chosen provider, you can disregard or expedite many of the above steps, and forego the inherent delays of "too many cooks in the kitchen." However, many home-grown solutions are often reliant on spreadsheets, and a common obstacle when switching is incomplete or disorganized records.

PEO

You should be able to rely on complete records if you've been working with a PEO up to this point, and you can even get a headstart on making the switch by downloading and collecting the data you need yourself.

But exiting a PEO can be a bit more complicated than other types of transitions. For example, an added step of leaving a PEO will be registering under your own EIN and taking over SIT and SUI tax registrations. Additionally, switching from a PEO **must** occur at the start of the year or a quarter (no mid-quarter switches) to avoid filing duplicate taxes in a single quarter as you switch from the PEO's tax IDs to your own.

A Local or National Accounting Firm

When working with a local or national accounting firm to process payroll, you likely won't have the same access to your payroll data and documents as you would with a PEO. It can take some time to get the documents you need from your accounting firm, and much of your timeline will depend on how responsive they are.

Another Third-Party Software

Next to switching from a well-organized, in-house solution, this should be the easiest transition to manage for you and your new provider. The old provider should be familiar with what you'll need from them, or you'll have access to a complete record of the data and documents you need to make the switch.

BambooHR Payroll

Stress-Relieving Benefits

- Virtually eliminates data double-entry
- Increases confidence in data accuracy
- Makes running payroll simple, easy, and effortless
- Frees admins to focus on more than running payroll
- Allows employees to access a single system
- Ensures compliance and peace of mind

Time-Saving Features

- Data automatically rolls into payroll
- Unlimited regular and off-cycle payroll runs
- Federal, state, and local tax filing
- Employee access and digital paystubs
- Flexible pay schedules

Everything Works Together in BambooHR®

- Payroll, time, and benefits
- HR data and reporting
- Hiring and onboarding
- Employee experience and performance

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BambooHR helps you support your employees in every way, from hire to retire, and that includes paying them accurately and on time.

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"BambooHR Payroll has offered us enough flexibility to do uploads and make things work for us in a way that other payroll providers just don't really have."

Gabe Patten | Director of Finance | Power Life