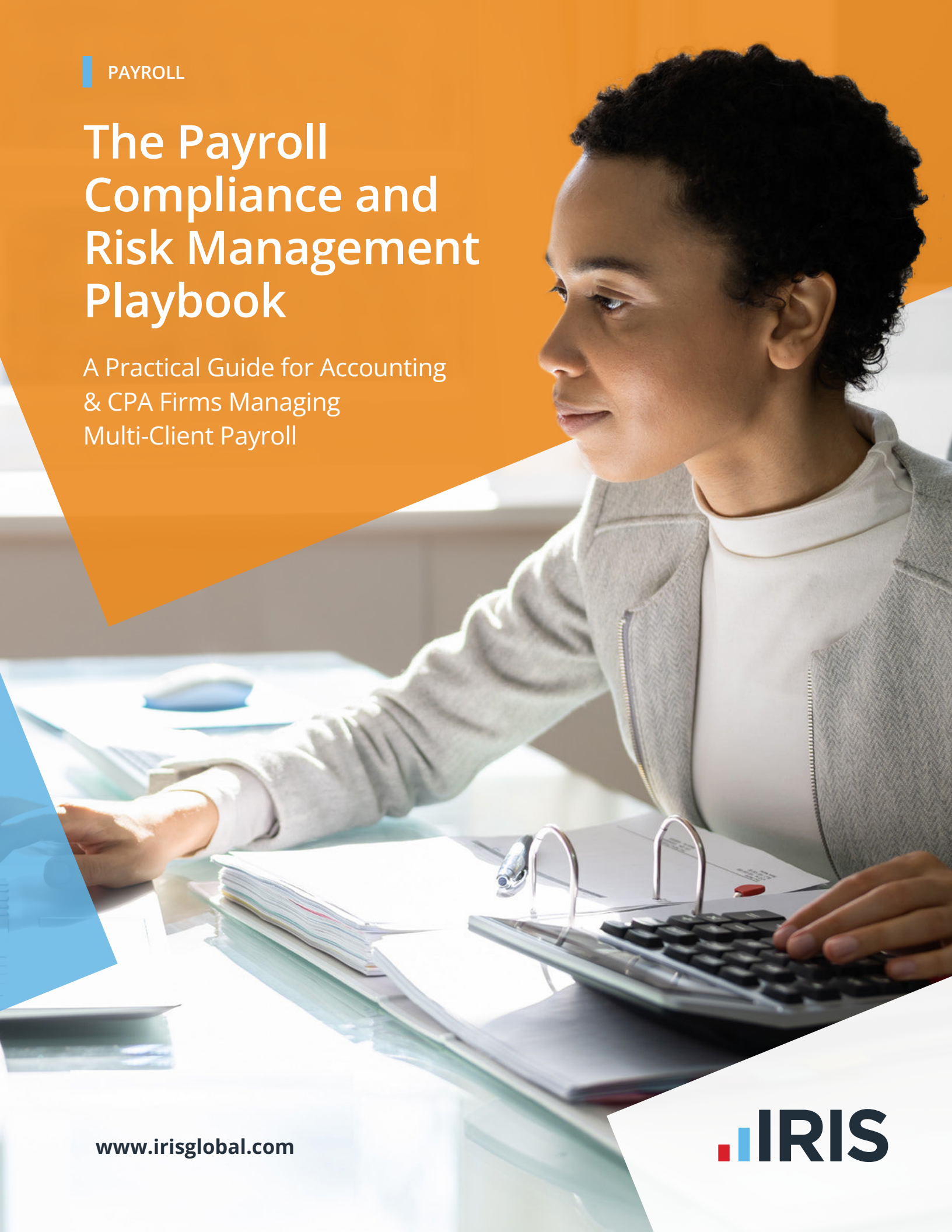




PAYROLL

The Payroll Compliance and Risk Management Playbook

A Practical Guide for Accounting & CPA Firms Managing Multi-Client Payroll

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Payroll: From Predictable Process to High-Risk, High-Impact Function

Once upon a time, payroll was predictable. For many accounting and CPA firms, it was a reliable, repeatable service line – important, but contained. Run the numbers, issue payments, file taxes, move on.

That model is long gone.

Today, payroll sits at the center of compliance, regulation, data security, and client expectations. It is no longer just about paying employees correctly and on time. It's about doing so across multiple jurisdictions, under evolving laws, with real-time accuracy and zero tolerance for error.

The complexity has increased in every direction. Firms now manage multi-state tax rules, shifting classification standards, paid leave mandates, and digital reporting requirements that didn't exist a decade ago. At the same time, clients expect instant answers, seamless integrations, and complete confidence that everything is handled correctly.

Yet many firms still rely on systems that were never designed for this environment.

According to the American Payroll Association, in a survey of more than 650 North American payroll professionals, 27% reported using the same payroll system for over a decade, while 45% said their systems were more than six years old. These aging platforms often lack integration, automation, and real-time capabilities, creating inefficiencies and increasing the likelihood of errors that can quickly turn into compliance issues.

And those issues carry real consequences. Payroll errors can trigger penalties, audits, reputational damage, and client churn. For firms managing payroll across dozens, or hundreds of clients, even a small breakdown can scale into a major problem.

This playbook is designed to help firms rethink payroll as what it has become: a high-stakes compliance function. More importantly, it outlines how to manage that complexity, reduce risk, and build a payroll operation that can scale without sacrificing accuracy or control.

Four Forces Driving Payroll Complexity

Payroll didn't become complicated because of one change. It became complicated because of several forces converging at once, each adding new layers of responsibility, risk, and operational pressure.

1. Regulatory expansion: Payroll is now governed by an increasingly complex web of federal, state, and local requirements that frequently overlap and, at times, conflict. Wage laws, tax codes, classification rules, and leave policies continue to evolve, often with little notice and, in some cases, retroactive implications. For accounting firms managing multiple clients across jurisdictions, this creates a constant need for monitoring, interpretation, and adjustment. What was once a rules-based process has become a moving target.

2. Real-time expectations: Governments and tax authorities are accelerating reporting requirements, moving away from periodic filings toward more immediate, data-driven submissions. This reduces the window for identifying and correcting errors. Payroll accuracy can no longer rely on post-process review; it must be embedded into the workflow itself. Systems designed for batch processing and after-the-fact reconciliation are increasingly misaligned with this new reality.

3. Impact of remote and distributed work: What began as a temporary response to the COVID pandemic shutdowns has become a permanent structural change in how organizations operate. A large majority of U.S. companies now maintain some level of remote or hybrid workforce, introducing new

payroll complexities tied to multi-state taxation, jurisdictional compliance, and data security. At the same time, decentralized work environments create additional vulnerabilities ranging from unsecured networks and personal device usage to reduced oversight of system access and activity.

4. Shifting client expectations: Payroll is no longer viewed as a basic administrative function. Clients expect it to be seamless, integrated, and proactive. They want real-time visibility into payroll data, faster turnaround, and confidence that compliance is being actively managed—not just assumed. Increasingly, they expect their accounting firm to serve as both processor and advisor, delivering not only accuracy, but insight and assurance.

Together, these forces have fundamentally changed the nature of payroll. It is no longer a linear, step-by-step process that begins with data entry and ends with a paycheck. It is a dynamic system – one that requires continuous validation, centralized visibility, and the ability to adapt quickly as conditions change.

For firms managing payroll at scale, this shift isn't optional. It defines the new standard.



Where Payroll Risk Actually Lives

Payroll risk doesn't usually come from a single catastrophic event. It builds quietly through gaps in processes, systems, and oversight.

Among the biggest misconceptions is that payroll fraud is primarily external. In reality, the majority of risk comes from within. Data from the Ponemon Institute, a Traverse City, MI-based research organization specializing in data protection and privacy, shows that 63% of security incidents are caused by employees or contractors, and insiders are involved in 57% of data breaches.

At the same time, payroll fraud itself is often subtle. It doesn't always involve large, obvious theft. Instead, it frequently shows up in small, repeated actions that go unnoticed.

Common payroll fraud and exposure points include:

- Time theft (estimated at 4.5 hours per employee per week lost)
- "Buddy punching," affecting up to 75% of companies
- Unauthorized payroll changes or ghost employees
- Misuse of privileged access credentials
- Commission manipulation or unrecovered advances

Even outside of fraud, risk shows up in more routine areas. Tax filing errors, misclassification of workers, and inconsistent processes across clients all create exposure. These issues are often the result of manual workflows, disconnected systems, or a lack of standardized controls.

Perhaps the most overlooked risk is scale. As firms grow their payroll client base, complexity increases exponentially. Without centralized visibility and standardized processes, small inefficiencies compound and small errors multiply, eventually snowballing into major operational and financial failures.



Strengthening Internal Controls Without Slowing Down

The firms that manage payroll well don't rely on experience alone. They rely on structure.

Strong internal controls are what separate a reactive payroll operation from a controlled, scalable one. The goal is not to add friction, but to build consistency and visibility into every step of the process.

At a foundational level, that means clearly defining roles and responsibilities. No single individual should control payroll end-to-end. Separating data entry, approval, and payment functions creates natural checkpoints that reduce both error and fraud risk.

It also means standardizing workflows across clients. Fragmented, client-by-client processes introduce inefficiencies that compound as firms grow, increasing the likelihood of errors and rework. Standardization reduces variability, improves consistency, and makes payroll easier to execute, monitor, and scale.

The most effective firms reinforce those structures with layered controls, including:

- Defined payroll calendars and submission deadlines
- Consistent approval chains and exception handling protocols
- Automated validation checks embedded in workflows
- Full audit trails for every payroll change and transaction
- Role-based access controls limiting who can view and edit sensitive data

These controls do more than reduce risk. They improve efficiency. When processes are consistent and visible, teams spend less time fixing errors and more time managing exceptions and delivering value.

Strong controls also support compliance defensibility. If an issue arises, firms can demonstrate not just what happened, but how their system is designed to prevent it.



Automating Compliance and Scaling Payroll Safely

Manual payroll processes are not just inefficient. They are inherently unstable.

They rely on human consistency in an environment that demands system-level precision. And despite advances in technology, a significant portion of organizations still depend on manual methods: 51% of small businesses use spreadsheets for payroll, and another 19% still rely on fully manual or paper-based processes according to G2, a leading peer-to-peer review platform for business software. That reliance on manual input turns routine payroll into a breeding ground for errors, delays, and costly compliance failures.

Automation changes that.

Modern payroll platforms embed compliance directly into the process. Tax rules are updated automatically. Filings are generated and tracked. Data is validated in real time. Instead of relying on people to catch errors, systems prevent them from occurring in the first place. The impact is significant. G2 research shows businesses using modern payroll software report 70% fewer compliance issues and 31% fewer payroll errors.

But automation alone is not enough.

It must be paired with integration and centralization. When payroll systems operate in isolation, firms are forced into duplicate data entry, manual reconciliations, and constant troubleshooting. Integration eliminates that

friction by connecting payroll with time tracking, HR, and accounting systems, creating a single, consistent flow of data.

The most effective payroll operations also centralize management across clients. Instead of managing each client in a silo, firms gain a unified view of all payroll activity. This allows them to monitor compliance, identify issues early, and manage growth without increasing complexity.

The core capabilities that enable scalable, compliant payroll include:

- Automated tax calculations, filings, and payments
- Real-time compliance monitoring and alerts
- Integration with accounting, HR, and time-tracking systems
- Centralized dashboards for multi-client visibility
- Role-based security and multi-factor authentication

Together, these capabilities form the foundation of a payroll operation designed to reduce risk, strengthen compliance, and maintain accuracy at scale.



From Compliance Burden to Scalable Growth

This is where solutions like IRIS Payroll Software and myPay Managed Payroll Services make the difference.

IRIS Payroll Software gives firms the infrastructure to run payroll as a controlled, scalable system rather than a patchwork of manual processes. It centralizes payroll across clients, automates tax calculations and filings, and continuously updates compliance rules to keep pace with changing regulations. Built-in validation catches errors before they become liabilities, while seamless integration with accounting, HR, and time-tracking systems eliminates duplicate entry and reduces friction across workflows.

At the same time, real-time dashboards and reporting provide complete visibility into payroll activity across your client base. Firms can monitor compliance, identify issues early, and maintain consistency at scale. Layered security features including role-based access, secure data environments, and multi-factor authentication help protect sensitive information and reduce exposure to both internal and external threats.

For firms ready to grow, myPay Managed Payroll Services extends those capabilities even further. Whether used in a co-managed or fully managed model, myPay acts as an extension of your team, handling processing, filings, and compliance oversight without the need to hire, train, or manage additional staff. It allows firms to absorb growth, maintain service quality, and navigate complexity without adding operational strain.

Together, IRIS Payroll Software and myPay Managed Payroll Services replace fragmented, manual workflows with a standardized, scalable approach. Payroll becomes more accurate, more consistent, and far easier to manage across multiple clients.

Payroll is no longer a background task. It's one of the most complex and valuable services an accounting firm can offer. Handled poorly, it creates risk, inefficiency, and exposure. Handled well, it drives recurring revenue, strengthens client relationships, and supports long-term growth. The difference comes down to control.



Firms that rely on outdated systems and manual processes will continue to struggle with errors, compliance gaps, and limited scalability. Firms that invest in structured workflows and modern payroll infrastructure will move faster, operate with greater confidence, and scale without breaking.

With IRIS, payroll shifts from a compliance burden to a competitive advantage.

Ready to reduce payroll risk and scale with confidence? Contact **IRIS Payroll Software** to schedule a consultation or demo and see what modern payroll infrastructure can do for your firm.

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IRIS partners with thousands of CPA firms, payroll service bureaus and small to midsize businesses across North America, including 52 of the top 100 US CPA firms. We offer innovative Payroll and HR solutions, making us the preferred partner in the region. Globally, IRIS serves over 100,000 customers, with 80% having tenure of five or more years.

