



# BEYOND THE MIC

## with AEM



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### The Annual HR Lifecycle

Hosted by Leah Davis & Brenna Ramy

EPISODE



*NOTE: Because of the nature of ever-changing human resources, payroll, and tax regulations, all information discussed herein is subject to change. Please reach out to us to discuss your organization's unique challenges so that we can provide you with up-to-date information and help you find the solutions.*

HR and payroll professionals can often find themselves buried under administrative and compliance-related tasks. There are so many items to consider in the annual HR lifecycle of your organization that it can be hard to focus on the things that will truly add strategic value and strengthen your relationship with the organization's operations.

In this episode of Beyond the Mic, Leah Davis and Brenna Ramy discuss the tactical and practical items you should consider from an HR and payroll perspective as you move through each year. With these items on your list, you can create a strategic annual plan to stay on track with compliance requirements and organizational policies, so you avoid the yearly avalanche of tasks.

## Meet the Hosts



### **Leah Davis, CPA**

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As President of the AEM Workforce Solutions team, Leah uses her background in public accounting, business ownership, and Human Resources and payroll support to provide her team with a strong foundation of knowledge and experience. She enjoys helping clients grow and learn, no matter where they are in their HR journey.



### **Brenna Ramy, PHR, SHRM-CP**

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Brenna enjoys working with leaders to determine the most effective employment model to meet business needs and strategic direction. She has over fifteen years of Human Resources experience in the industries of hospitality, retail, multifamily housing, and consulting.

# Episode Transcript

**Brenna Ramy:** Leah, thank you for joining us today for Beyond the Mic, starting again in 2021. We're excited to have you here as always, we are, excited to talk all things, payroll and human resources in the world of people and processes. So Leah, can you tell us a little bit about yourself and what you do as our fearless leader of Workforce Solutions?

**Leah Davis:** Yeah, Brenna, thanks for asking me to join you. So, AEM Workforce Solutions is a division within the larger CPA firm of Abdo, Eick & Meyers. And our team of experts focuses entirely on people. So we're focused on everything from payroll and HR compliance and processing and automation, all the way to very strategic tax planning related to payroll, affordable care act and strategic HR initiatives like performance management, leadership, growth and development, and a lot of education. We do a lot of education as part of our role - helping HR leaders level up.

**Brenna Ramy:** Wonderful. Thank you. I'm really excited to have you here today and to get to pick your brain about some of the high-level strategic things we think about in an annual HR lifecycle, and then some of those tactical and practical items as we get through the year. So you've been doing this for a long time and have seen businesses of all sizes and HR leaders of all types and experience. If you had to kind of give a theme or an umbrella or kind of a major topic focus that you would say to a new or developing HR leader about an annual HR lifecycle, what would be kind of your kickoff sentence or statement to get them with the right frame of mind around it?

**Leah Davis:** Yeah, I think without a lot of planning and training and a strategic focus, HR can bury a person in administrative and really compliance-driven tasks. And while those are all important things that we in HR need to understand and be ready to comply with and tackle, if HR professionals can't sort of dig themselves out of that compliance avalanche that just kind of every season within the year has its new thing that we have to deal with. Without really planful strategy - and we always are recommending automation, wherever it makes sense - HR leaders can have a tendency to never get out from underneath that administration.

And so what they tend to see is that they're not building skills, they're not developing the leadership within their organization that maybe justifies them sitting at that leadership table because they need to get past a lot of that administrative work so that they can be seen as someone who's helping on a more strategic level. They can get past focusing so much on that compliance and that administration that maybe in some cases, if we're not seeing the big picture, sometimes HR can stand in the way of operations and that's a real barrier for HR people. We need to be focused on the operations first and getting a lot of these seasonal requirements that are part of the job - making them sort of less of the focus so that we can focus on more of the strategic piece.

**Brenna Ramy:**

Yeah. I agree with that a hundred percent and I had a leader really early on in my career in hospitality and operational leaders say to me, "Hey, until you understand my business, as the overall leader, I'm not going to be able to engage in yours. Because ultimately, this is what's driving our ability to pay for your business, right? So HR is oftentimes seen as a cost center.

I think one of my favorite tips and tricks people say, "How do I get seen as a partner" is I say, "Hey, do you start off with, when you're looking at the year or halfway through the year understanding - asking your leaders - what are blackout dates? What are the times that I can make sure that I never put anything on the plate of any of our employees or business leaders that is going to send them over the edge?"

For example, in a multifamily housing industry, you don't ever schedule anything the last three days of the month or the first four days of the month, right? So that week, that seven-day period over the first of the month, when you have move-outs and move-ins. Anything you schedule then, people are just stressed, overwhelmed, they're dismissing it. And every industry has their own lifecycle or business. So just like you said, understanding that can be a way to be honored and brought to the table - that they see that you're seeing that. Instead of just coming with a list of "here's all the stuff you have to do", right? You don't want to be the assignment person.

**Leah Davis:**

I one hundred percent agree, Brenna. Even the must-do's that HR people have on their list every year - even the ones that we don't have the ability to move around, like performance reviews, those can be done at whatever season in your organization makes the most sense. That's not true for payroll filings and Affordable Care Act filings, but even those deadlines we don't have the luxury of moving around, I think there's a lot of opportunity to plan ahead, to get processes in place, to gather certain pieces of information early so that it doesn't have to be such a five-alarm fire that we tend to see in a lot of organizations.

**Brenna Ramy:**

Yeah, we see a lot of those. Instead of being a fire, be a firefighter, that's what we should be as HR - be a firefighter.

Okay. We look at the annual HR lifecycle and it's easy to kind of break it up into two big buckets. The first one being payroll-related items - so we think about processes. And then the other one being people/HR-related items. These are big questions, so we won't be able to get into detail on all of these, but I'd love to just throw out a question to you for each one and say, "let's talk about what that looks like."

So if we start with payroll, right? So we have all of the payroll-related items that may or may not be being completed by the HR person. Sometimes that's in finance, there's lots of different types of setup. So even if HR is not actually doing it, it's absolutely a part of their strategic business partnership to understand all of those things happening. So you don't get to write them off, HR leaders listening! You don't get to write it off if you're not the one who's processing it - you need to be an educated partner. So let's talk payroll.

What are the things that they should at least have somewhere on their strategic annual plan and the HR lifecycle related to payroll?

**Leah Davis:**

Yeah. Payroll is one of those things - I sometimes have to remind HR people that if you're not partnering with payroll, just remember none of your employees are showing up unless they're getting a check. So all the efforts we make, if that payroll side of the organization - if it's not held within HR - if that's not being well-managed, it sure makes retention difficult.

So outside of the week-in, week-out payroll processing, there's a lot of things that need to be taken a look at on an annual basis on the payroll and compliance and tax side within an organization. So if you're a biweekly payroll, for instance - one that we saw a lot of in 2020, and we'll probably see in 2021 - bi-weekly payroll processors, always before the start of a calendar year, need to take a look and actually count how many check dates are going to fall within that calendar year. And they also need to be very careful of January 1st, which is a bank holiday. So you can't have a check date on January 1st. In 2020, that fell on a Friday, which is a very common biweekly check date. So there needs to be a strategic decision about what year is that going to fall in. Every seven or eight years in a bi-weekly process there's going to be 27 payrolls instead of their regular 26. And they need to account for that in their calculation of per-payroll salary amounts per-payroll deduction amounts. So that's a really important thing to do at the beginning of every year to make sure that that doesn't sneak up on you, and you have to have some hard communications with employees at the end of the year.

The other thing is making sure you understand your Affordable Care Act compliance requirements. Are you required to file form 1095C's or 1095B's? Do you have the information, and do you have systems in place to do that? Are you doing an annual payroll audit, checking your employee list, going through and confirming that whatever system you're using is applying tax correctly for any new earnings, new deductions, those types of things throughout the year.

Depending on what states you're working in, have you confirmed minimum wage amounts at the beginning of the year? A lot of states, and even localities across the country, implement minimum wage changes January 1st or even sometimes mid-year. So, you need to stay on top of that and make sure you're updating those automatically. Did you have disability payments - third-party sick pay - from your disability providers? Do you understand how those contracts and those policies are set up with your third-party sick pay carrier. And who's reporting the tax, who's issuing the W2? That's actually customizable based on the policy. So there's not one answer to who pays Social Security tax on a disability payment, or who issues a W2 for those payments.

If you have a 401k plan, just understanding: do we need to file a form 5500? Will we need an employee benefit plan audit because of the size of our plan? Can we confirm we offered enrollment to employees when they became eligible? Taking care of those things. Bonuses and payments - knowing ahead of time so you can let your payroll team know when to expect bonuses to be coming up in the next year. When will we get you those numbers? How are we going to calculate it? What kinds of reporting might you need from your payroll team if it's incentive payments that are going to be calculated based on other data.

**Leah Davis (cont):** And then always, these come up at the end of the year a lot of times, but it's something that employers can be managing throughout the year is taxable fringe benefits. So if you have employees that have personal use of company auto that needs to be added to their W2, if you have other taxable fringe benefits that you offer to your employees, if you are an S Corp and your owners have health insurance or other group insurance policies that the company is paying on their behalf, those have to be added to W2's. So making sure that that we're staying on top of those taxable fringe benefit obligations, because it doesn't have to be an emergency at the end of the year to get those on the W2 before deadline.

**Brenna Ramy:** And I think my favorite answer that I get from HR leaders, especially in smaller organizations where maybe the HR leader or HR manager or partner didn't start in HR. They used to be something else - finance, accounting, customer service - they transition, or maybe it started as personnel a couple of decades ago and now it's HR. They say, "Oh, our payroll provider handles all of that." Right? So all of these buckets, "our payroll provider handles all of that." And it's always great, until it's wrong. And so we just like to encourage people to remember that payroll providers - all of that is still managed by people. So it's just people like you and I sitting in front of screens, data entering, managing things. I mean, we've seen all sorts of things - employees that hit a wrong button and they undo benefit enrollments, right? Or they overpay people or instead of 1350 it's 1,350. I mean, stuff happens.

So, don't abdicate that stuff, even if it's all being processed in your annual strategy and planning. Schedule time intentionally that this is the time, this is the payroll cycle I'm going to audit, here's how often I'm going to look at it, here's how often I'm going to look at our payroll rules, make sure they've been updated correctly. Always after every benefit enrollment do that. Never, never, never don't do that because it's just an area that can go wrong quick and is a hassle. But don't ignore this topic that Leah talked about. If somebody else does your payroll - still own it.

**Leah Davis:** I agree. And I can't stress enough: payroll software is not the same thing as a payroll provider. So expecting a payroll software platform that you're utilizing to be sort of your gatekeeper for compliance on payroll is like buying QuickBooks and expecting your bank reconciliation to do itself. So it's a data-in, data-out situation and someone internally at your organization needs to feel a high level of ownership when it comes to payroll and compliance.

**Brenna Ramy:** So let's jump to HR. And again, as I said earlier, we're really going through these at a high level. So I know we're kind of rapid firing to all of you out there. And part of that is because Leah and I could talk for days about this. I mean, truly, this is what we talk about all the time. So each of these topics has so much meat behind them. So don't worry. You don't have to feel completely educated by the end of this podcast today. We just want you to know what you need to know so that you can say, "Oh, I already know these things. Here's where I want to go." We'll give you lots of resources at the end, places that you can go where we already have existing resources to get further info on this.

**Brenna Ramy (cont):** Let's do a little rapid fire on HR. So now we've got that kind of payroll and people processes. Now we're into some of those functional HR practices and things. And tell us a little bit about what should we be looking at and thinking about in the annual HR part of that lifecycle?

**Leah Davis:** Yeah, and on the HR piece too, not across the board, but in general, a lot of these HR pieces are where we do likely have a little bit of flexibility about what time during the year, we're going to tackle some of these things. So I really encourage HR professionals to be open minded. Just because you've always done performance evaluations in January - if that doesn't make sense for your operations, don't do it in January anymore. Make a move. Everyone will appreciate it. It'll make you more effective. It'll make that process more effective in a lot of cases.

So things to make sure you're doing at least annually: review employee contracts and agreements. Make sure that if there are sunset dates, if there are things that need to be updated, if the terms are no longer correct. Contracts are contracts, and you want to make sure that you're not bound to something that isn't correct anymore or is out of date. Taking a look at turnover. Decisions that we're making in Human Resources should be always intended to positively impact employee recruiting and retention. Knowing what your turnover numbers are, knowing how much of that turnover is what we would call "regrettable" versus "desirable turnover" is really important because I think it helps gauge and guide decisions as we move forward in HR.

**Brenna Ramy:** We actually joke about this a lot. So I'm sure none of you out there ever do this, but other people, we all joke internally that the amount of times that we'll ask somebody if they have an exit interview process and they say, "Oh yeah, somebody does an exit interview where there's a form." And we say, "Well, what have you found when you've looked back on them?" And they just go, "Oh, well, muh.. meh..." So the amount of people who do exit interviews and never go back and look at the data or say, "Hey, everybody who left this one department referenced this coworker. 'I just can't handle this coworker anymore.'" So now you've got 10 people who all wrote it, but nobody's looked at that and that coworker is still there, and your turnover is extremely high, and no one just took the time to sit down and go back and read it all together at the end of the year. Just a common miss because, to your point, we get buried in the process. And if we don't have a strategy and a plan about how to do all these things, we will just never go back and do them because the time won't provide itself, unless we provide a time to do it.

**Leah Davis:** So true. And another strategic piece too is the merit increase process. If you're doing salary adjustments based on any type of performance or merit, making sure that one, it aligns with your performance management philosophy and process. And two, that the HR team is working in partnership with finance - that it aligns with budgets so that we have a reasonable idea of what is our budget and how do we need to start communicating to employees during that evaluation process? HR should never find out after the fact that there's no budget to do increases after they've just done performance evaluations. And I've had clients do that where they didn't even think of it until it was time to tell employees what their raise was. And then there wasn't one. So that's really key.

**Leah Davis (cont):** Things that don't have a lot of wiggle room would be things like your OSHA 300 reporting log. That being said, I have a lot of employers that we work with that are updating that log throughout the year. So when it comes time to print and post, it's already done.

Work comp injury review - I always say that when you're doing those OSHA 300 logs, that's a great time by location to take a look at where do we have some opportunities or misses on safety and making sure you're addressing some of those things to try to reduce injuries going forward. And talking with your managers and supervisors about trends that you might be seeing in work-related injuries or illness.

We talked a little bit about the performance review schedule and process. Again, that should be at a time of year that makes the most sense for your organization. It should be at a time when managers have the space and capacity to give employees their due time and attention. It should also be at a time where you can use it to motivate your employees for maybe your busiest time of year. So really leverage that as an opportunity to bring people together, reset, refocus, and have that be at a time of year that makes the most sense for the cycles within your operation.

I-9 audits are very important. The Department of Homeland Security does not mess around with fines during I-9 audits. So just to make sure that somebody is looking at those and reviewing those on an annual basis. You only have to do your new hires and terms once you get that process going, so it can be a really fast process.

At the same time, reviewing employee file retention policies, making sure you're destroying documents that are past your retention policy. Remember in HR and payroll, if you're holding on to things past their retention date, they're nothing but a liability for you. If you have them, they are discoverable. So once you don't need to have them, make them disappear.

EEOC reporting - depending on the size of the organization, that's another thing, just like your OSHA 300 log. However, if you're managing that throughout the year, it should be less of an event. And leverage technology for EEOC reporting. If you're of that size, I would hope there's some automation between recruiting, onboarding, payroll, and all of those functions.

Things like handbook reviews, state and federal posters, form updates, confirming your employee head counts for regulations for the coming year.

**Brenna Ramy:** Yeah. We see this happen a lot. Employers say, "Oh, I did the ACA count. So I did the counting for Affordable Care Act. I know I don't have 50 FTEs. I'm good. No worries." But there are so many other processes and regulations and guidelines. Some of them at 10, some at 15, some at 25, some at 50, some at 100. There's some at 75. And every state has their own guidelines. And then there's the federal. So it's not just FTEs for Affordable Care Act and everybody skips off into the future with sunshine and rainbows. You really need to understand what's your total employee count and your FTE employee count. And that should be happening on a fairly regular basis, especially if you hover around 20 people. So that's kind of a magic number to start paying attention to.

**Brenna Ramy (cont):** That's when you start getting into some of the FMLA and LOA staff, depending on the state. And those numbers are by payroll period, by quarter, actual employees - there's all sorts of different things. So just because someone says, "Oh no, no, my lawyer counted for ACA. We're not over 50. We're good to go." We're like, "Well, that's nice. Let's start again. Let's go back to the beginning." So just know, and if you don't know, research and you can find it. We'll talk about resources, but it's out there.

Leah, I know we're running short on time and we're almost done. So maybe just give me kind of a real quick run-down. There's a couple more left. Tell us really quickly just some of those things that our listeners can jot down and follow up with us on or follow up with peers and HR networking groups.

**Leah Davis:** So just some high level: paid time off. Make sure you're checking those accruals when they roll from year to year, make sure you're periodically checking those during the year to, you know, ensure that however you're calculating those, that they're being applied correctly. Take a look.

We talked a little bit about turnover. Recruiting has a lot to do with turnover. If you hire the right people on the front end, you can have really positive impacts on overall turnover. So take a look at that. Is it effective? Are you recruiting for the right things? Do you have processes in place that are both compliant and effective?

And then last, but definitely not least: we talked at the beginning - hopefully the theme has come through in this whole session - we in HR should be focused on getting a seat at that leadership table. And that requires having conversations with leadership about if HR is complimenting operations, as opposed to blocking or impeding operations. Schedule annual, bi-annual, quarterly meetings with your executive leadership team to talk about what's working, what's not working. Do they feel like HR is supporting them in the ways that they need to be supporting? Are there things we need to start doing, stop doing, keep doing? And so those are really key conversations that will elevate not only the operation, but all of you as HR leaders.

**Brenna Ramy:** Yeah. It's so true. And I think some of the best things I've learned over 20 years in Human Resources have been from those types of conversations where I've asked leaders that I know will be honest with me, that I know will give me good feedback. I was just talking actually with an HR peer of mine - we used to work together. And we were talking about how much we both really appreciated this operational manager that we both worked with because she would give us honest feedback. We could say, "Hey, how'd that roll out, go?" And if it was great, she'd be like, "Here's all the things we liked about it. But also, this could have been better." And if it didn't go great, she would say, "Yeah, that was a nightmare. That timing was horrible. You put a lot of pressure on people, and you might not have known this, but it's our budgeting time. And you asked us this." So build in those people who will help you be an HR partner that's giving and not just taking, not just asking. It's a really important part of being a leader. So Leah, I really have valued our time together, as always. I feel like I learn and listen from you and walk away thinking in my own career, "Okay. What am I going to do next with that?" So thanks for sharing this with us. I know that we're going to get to come back on a monthly basis and talk on Beyond the Mic about different HR topics and dig a little deeper into some of these and talk about different payroll and HR related items.

## Thank you for Listening!

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