

AHERN ADVISORY
PEO's (Professional Employer Organizations)

How to explain how a Professional Employer Organization works;

- What are the benefits?
- What are the down sides?
- "How can I make the program work to my benefit?"

It's important to understand that all PEOs are not the same;

- You have to be very careful that the PEO is well capitalized.
- They must have a solid insurance program in place and the insurance claims must be properly reserved.
- They must have the proper letters of credit in place, and;
- The PEO should specialize in transportation and has a "track record".

Many times, I witness a PEO company start a business and then it fails and, unfortunately, it becomes a mess for the carrier participating in their program.

However, if you choose the right PEO, some of the advantages are;

- The PEO insulates your firm from regulatory concerns.
- It does not eliminate your exposure, but;
- It insulates you and provides a "buffer" of protection.

Additionally, you have access to;

- **A Safety Department** – This is extremely important when dealing with CSA Compliance issues.
- **You have a HR Department** that will advise you (which is included in their cost) properly how to deal with unemployment claims, workers compensation claims, State Department of Labor claims, unfair labor practice claims, discrimination claims, etc).

Because the PEO is legally the W2 employer, they must provide statutory workers compensation to your employees and drivers.

- Assuming the PEO has an A+ workers compensation insurance provider, the PEO is recognized as the employer; therefore, there is no insurance deposit premium for workers compensation insurance;
- In many cases, there is no audit for driver/employee payroll, and;

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That means you have additional cash flow which helps your business. The PEO will provide;

- Payroll processing.
- Reporting of W2's.
- 1099 reporting, and;
- Quarterly Tax Payments.

In essence, a carrier is able to outsource a substantial amount of overhead. A carrier is able to focus on making their business more profitable by outsourcing to someone that has the expertise. **CSA compliance is a big issue. Human Resources and claims are a huge issue and you need competent advice.**

What I've experienced in many cases;

- Trucking companies get sued.
- They hire an attorney that they probably don't know.
- They pay a substantial amount of money to the lawyer, and;
- Even if they win the lawsuit, they lose because they can't recoup their legal cost.

Why not be able to have top notch representation at a fraction of the cost?

Additionally, if you're a trucking company and you have drivers, a PEO, that's properly capitalized, can administer driver per diems;

- If you're not utilizing per diems;
- **The PEO can follow the legally approved IRS guidelines.**
- It will increase the take home pay of a driver, and;
- **Decrease their tax liability – a great advantage to retain drivers in a very difficult economy.**

For companies that are struggling with benefits, they also offer optional health insurance, disability income, life insurance, etc., all at discounted rates. This does not mean that you should look at a PEO as an insurance provider, because they're not.

- They are an overall HR Department that can substantially reduce many of your operating exposures and provide you with advice that can keep you out of trouble.

In closing, if anyone has additional questions, please don't hesitate to contact my office for further information. My firm has prepared a packet and, if you're interested, I will send it to you free of charge. **If you want to pursue further, we will recommend a PEO for you to contact, directly.**

QUOTE OF THE WEEK: "Disappointment should always be taken as a stimulant and never viewed as a discouragement" (Author Unknown)