

Guidelines for Selecting a PEO

The state of California does not currently require Professional Employer organizations to be licensed or registered. It is therefore essential for business owners to do their due diligence before signing on the dotted line. The National Association of Professional Employer Organizations (NAPEO) offers some of the following guidelines for companies considering a relationship with a PEO:

1. Assess your workplace to determine your HR and risk management needs.
2. Make sure the PEO is capable of meeting your goals. Investigate the PEO's administrative and risk management service competence. Meet the people who will be servicing your account. Are they experienced and qualified? Is their management team accessible and responsive?
3. Check the firm's financial background; ask for bank and credit references. Ask the PEO to demonstrate that payroll taxes and insurance premiums have been paid accurately and on time.
4. Ask for references, preferably from clients who have similar sized companies in your state and check them thoroughly.
5. Understand how employee benefits are funded. Are they fully insured or partially self-funded? Who is the third party administrator?
6. Understand how employee benefits are tailored to be sure that they fit the needs of your employees.
7. Review the service agreement carefully. Are the respective parties' responsibilities and liabilities clearly laid out? What guarantees are provided? What provisions permit cancellation of the agreement?
8. Ask how many companies and employees the PEO administers in the state in which you reside. Different states have different requirements, which the PEO you're considering may or may not be familiar with.
9. Check to see if the company is a member of NAPEO, the national trade association of the PEO industry. You can find their Directory of Members at www.napeo.org or call them at 703-836-0466.

