

Objectives of a Computerized Payroll System

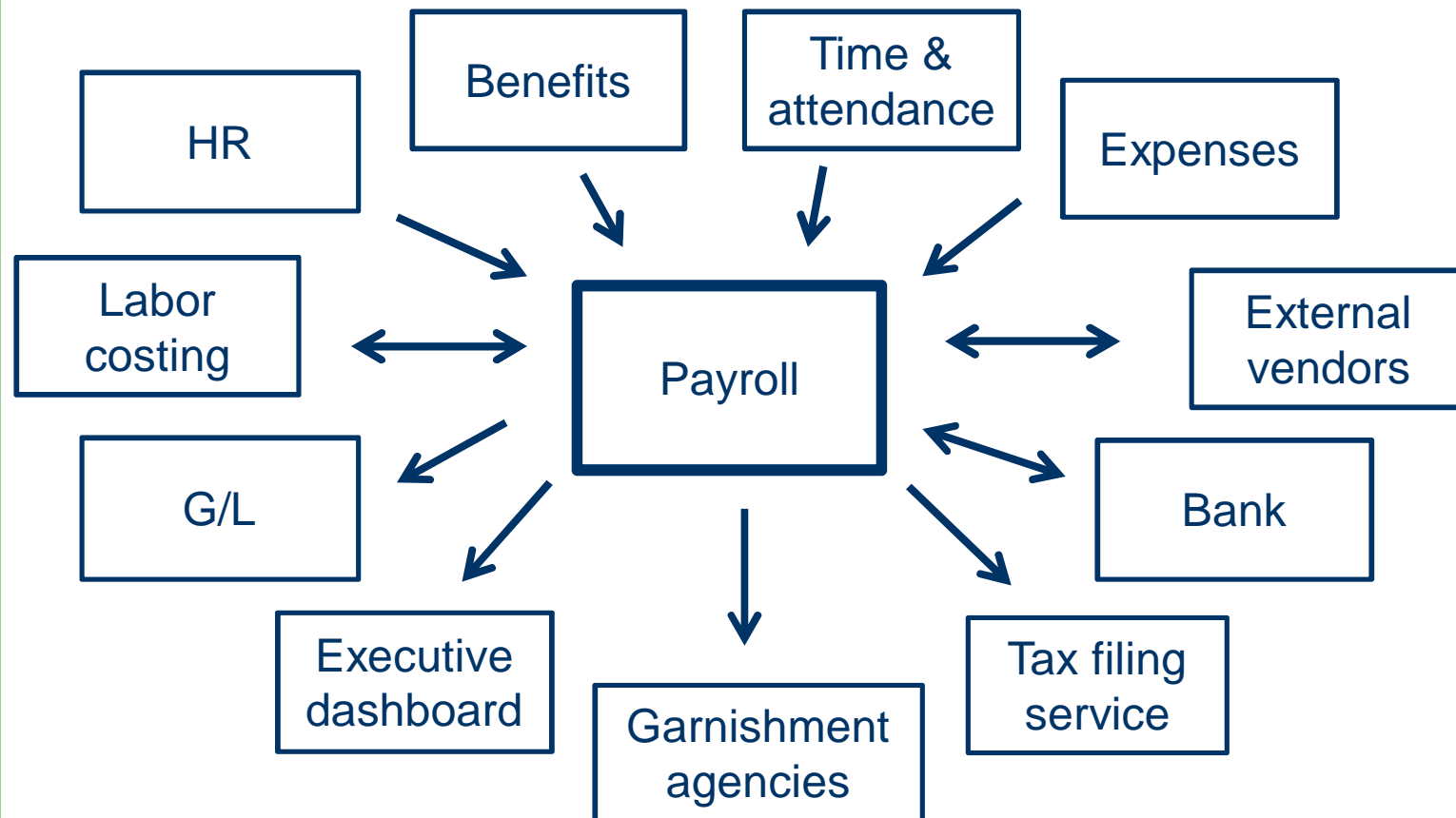
- | Meet needs of customers, including:
 - EEs paid
 - Other departments, e.g. HR, benefits, finance
 - Upper mgmt
 - Government agencies – federal, state and local

Objectives of a Computerized Payroll System

System must provide:

- | Compliance with withholding, deposit and reporting requirements
- | Timely and accurate paychecks
- | Record of transactions
- | Internal reports
- | Cost saving opportunities, e.g. self service
- | Guarantee of security

Interfacing with Other Departments



Reasons for Integration

IHRMS = Integrated Human Resources Management System

- | Cost efficient to have benefits, payroll and HR integrated
- | One stop shop for information needed to make critical business decisions
- | Prevents conflicting or incomplete data
- | Improving and maintaining three separate systems that should talk to each other is expensive and frustrating
- | Increased data security

Hardware and Software Choices

- | Service provider
- | In-house computer with vendor-supplied software
- | In-house computer with custom software
- | Subscription-based access to payroll software
- | Combination of above

Service Providers – Outsourcing the Payroll

- | Traditional outsource model
 - | Hardware and software belong to service provider
 - | Data collected from employer to allow processing of payroll
- | ASP – Application Service Provider or SaaS – Software as a Service
 - | Provides the employer with an application to process payroll
 - | Application and employers data reside on service provider's servers
 - | Also referred to as “cloud” computing
- | BPO – Business Process Outsourcing
 - | Outsource of end-to-end business process, including administration
 - | Small team required to liaise with vendor

Service Providers – Outsourcing the Payroll

Advantages:

- | Low fixed cost
- | No extra room or EEs
- | New services can be added
- | Reduction in processing delays
- | Variable processing costs
- | Fewer research problems
- | Networking possibilities
- | Training and support

Disadvantages:

- | Lack of control over security
- | Responsibility for filing and deposit errors
- | Unique needs create problems
- | No control over breakdowns

In-House Payroll Systems

Advantages:

- | Control
- | Convenient access
- | System security
- | Scheduling flexibility
- | Tailored applications

Disadvantages:

- | Sufficient space
- | High fixed cost
- | Additional staffing
- | Working below capacity
- | Shelfware (unused upgrades)
- | Disaster recovery
- | Wrong system chosen

Selecting a Payroll System

Basics:

- | Pay processing
- | Payroll reporting
- | Check printing
- | Direct deposit
- | Retirement plan reporting
- | Garnishment processing
- | Time and attendance

Advanced features:

- | Compensation planning and management
- | Global database and reporting
- | Talent acquisition and management
- | Learning and development

Selecting a Payroll System – Key Decisions

- | Integration for all employee-related data
- | Interfaces with other departments
- | Functions the system must perform
- | System access
- | User roles
- | Authorization levels for data access
- | Data access and processing
- | Data storage
- | Budget

Managing the Process

- | Build a project team
- | Analyze what the system needs to do
 - Document current system
 - Identify current system problems and costs
 - Define objectives and requirements of new system
- | Prepare an RFP (Request for Proposal)
- | Select a system

Build a Project Team

I Include all stakeholders:

- Payroll
- HR
- Benefits
- Accounts payable
- Accounting
- Tax
- Risk or compliance
- Finance
- Data processing / IT / MIS
- Senior management

Analyze What the System Needs To Do

- | “Needs and Wants Analysis” (a.k.a. Current Situation Analysis or CSA)
- | Documentation
 - Work flow into the system
 - Results out of system
 - Procedures for maintenance
 - Manual processes
- | Identify
 - Who receives info from system and how often
 - Compliance issues and current pain points
 - Costs of current system

Define Objectives of New System

- | Scope – refer to CSA
- | Time – target date
- | Resources – personnel, budget
- | Processing requirements – integration, interfaces
- | Output – reporting, compliance
- | Training and support

Prepare a Request for Proposal

- | Identify prospective vendors / service providers
- | Outline technical and functional requirements
 - Facts and figures, e.g. employees, pay frequency, etc.
 - Specific reporting functions required
 - Interfaces / integration needed
 - Implementation support
 - Ongoing training
- | Vendor checklist to aid in comparison

Select a System

- | Compare proposals against requirements (scorecard)
 - Responsiveness
 - Functionality, incl reporting and ability to meet future needs
 - Price, incl implementation and training costs
 - Security and disaster recovery plans
- | Ask for demonstrations from top candidates
- | Make sure all stakeholders are involved
- | Negotiate Service Level Agreements (SLAs)
- | Background check / references

Implement the System

- | Prepare before implementation
- | Train team members and payroll staff
- | Prepare a gap analysis (old and new systems)
- | Convert old data, add new data
- | Test the new system
- | Test it again, one more time!
- | Parallel testing
- | Convert

Post Conversion

- | Evaluate the system's performance
 - Identify problems / opportunities
 - Periodic reviews
- | New requirements
 - Legislative
 - Missed in conversion
 - Nice to haves
 - Unions
 - Benefits

Controls and Security

- | System edits (warning system)
 - Alerts for events outside an acceptable range
- | Periodic data audit and sampling
- | Batch controls
 - Control totals
 - Is what went in, what was expected
- | Correction procedures
- | Balancing and reconciliation
 - Payroll liability accounts, bank, tax withholding

System Documentation

- | User guides / manuals
 - Introduction and confidentiality statement
 - Step by step instructions – system access, help resources
 - Payroll process
 - | Processing calendar / schedules
 - | Time entry
 - | Adjustments and corrections entry
 - | Check calculations
 - | Production cycle
 - | Taxes
 - | Employee database management
 - | Reports
 - Exclude company policies and technical information
 - Remember to review and update as things change

Providing Security for the System

- | Personnel concerns
 - Segregation of job duties
 - | In small payroll depts, duties go to other depts
 - Rotation of job assignments
 - Paychecks only go to employees
 - Conduct 'physical payouts'
 - Background checks

Providing Security for the System

- | System security
 - Limit system access
 - Secure files
 - Develop audit trails
 - Protect against computer 'viruses'
 - Backup data regularly and store offsite

Providing Security for the System

- | Physical plant issues
 - Climate controlled rooms
 - Keep terminals from overheating
 - Do not store in cold area
 - Protect against power surges
 - Keep dirt out of components
 - Keep humidity down
 - Check for adequate power

Disaster Recovery and Business Continuity Planning

- | Identify recovery time objectives and document them
- | Identify critical resources that will be required and document them
 - Staff, equipment, etc.
- | Can any part of the process be performed manually?
- | Find and secure interim office space
- | Arrange office equipment rental
- | Find temporary housing for employees
- | Keep backup files off premises
- | Keep employee safety uppermost in any plans
- | Communicate the plan
- | Test your plan
- | Electronic vaulting (duplication of systems) can ensure a quicker recovery

Automated Time and Attendance

I Determine:

- Split of functions between T&A and payroll system
- Special pay calculations, e.g. unions
- Methods for collecting timecards
- Configuration (data changes) vs customization required

I Benefits:

- Less time spent on processing
- Fewer errors introduced during processing
- Decreased costs
- Compliance ease: FLSA, FMLA, state wage & hour, ACA, SOX, multiple worksite

The New Wave – Self Service, the Internet and Mobile Applications

- | Employee and manager self-service
 - Personal data updates
 - Access paystubs
 - Electronic W-2s
 - Complete W-4s
 - Complete I-9s
 - Update voluntary deductions, e.g. benefits
 - Update direct deposit info
 - PTO requests / PTO tracking
 - Retirement plan administration
 - Access to company policies

Implementing Internet Technology

- | Build a project management team
- | Select hardware and software
 - Client software
 - Server software
 - Type of connection to transfer data
 - Mobile device support
 - How to coordinate internet with payroll & HRMS database
- | Encourage use of the technology
- | Address security concerns
- | Develop codes of conduct

Web-Enabled Applications

- | Uses the internet as another means of accessing an organization's data and the HRMS application logic
 - E.g. view payslips online and other self service tasks
- | Two most important elements are:
 - Accessing the data – intranet vs internet (VPN)
 - Accessing the application logic behind the data which allows the data changes to be validated and processed, e.g. address zip code validation

Web-Enabled Applications

- | Elements needed for web-enablement
 - Internet infrastructure to allow large number of users to gain secure access easily
 - Web-enabling tools
 - Core technology expertise
 - HRMS application experience
 - Design and media skills
 - Workflow strategy

Cloud Computing

I Definition:

- Delivery of any computing process as a service rather than a product
- Programs and data are not resident on the customers' computers but stored 'in the cloud' at a site controlled by the vendor

Software as a Service (SaaS)

- | Delivering a business function, via Cloud Computing
- | Key attributes:
 - Shared software and hardware at a vendor's location
 - Off site, third party provider
 - Software is implemented, maintained and updated by the vendor
 - Accessed via Internet browser
 - Minimal / no IT skills needed to implement
 - Pricing based on usage
- | Implementation:
 - Assess against system requirements
 - Security and data recovery is key

Mobile Applications

- | Save time, employees dig them...security is the issue!
 - Develop a company policy on whether the company will supply a mobile device
 - Build a security plan – virus tools, employee education
 - Address how devices or apps that do not function properly should be handled
 - Build and communicate your policies, especially on confidentiality