Payroll Systems and Technology

CPP Study Class
2014 - Chapter 12
Objectives of a Computerized Payroll System

Customers:
- EE’s we pay
- Other dept’s
- Upper mgmt
- Government agencies

System Provides:
- Paychecks
- Records transactions
- Prepares internal reporting
- Compliance with reporting requirements
- Security/privacy
Interfacing with other Departments

- Human Resources
- Benefits
- Labor cost data collection
- Bank accounts
- Direct Deposit/EFT
- Time and attendance
- Accounts payable
- GL and cost acctg
- Outside benefit plan administrators
- SUI/SDI
- Tax deposits
- Executive Dashboards
Reasons for integration with other departments:

- Cost efficient to have benefits, payroll and HR integrated
- One stop place for information needed to make critical business decisions
- Improving and maintaining 3 separate systems that should talk to each other is expensive and frustrating
- Database security

ERP Enterprise Resource Planning
IHRMS Integrated Human Resources Management System
Hardware and Software choices

(type of computer, type of program)

- Service Bureau
- In-house computer with custom designed S/W
- In-house computer with Vendor Supplied S/W
- Combo of above
Service Providers-
Outsourcing the Payroll

Pro:
- Low fixed cost
- No extra room or EE’s
- New services can be added
- Reduction in processing delays
- Reasonable processing costs
- Fewer research problems
- Networking possibilities
- Training and support

Con:
- Lack of control over security
- Responsibility for filing errors
- Little time for changes
- Unique needs creates problems
- Possibly high variable costs
- No control over breakdowns
Service Providers- Outsourcing the Payroll

- ASP-Application Service Provider
- SaaS (Software as a Service)

Provides the employer’s payroll dept with an application to process payroll

(Note: a service provider collects information from the employer, enters it into their payroll application, cuts checks etc, an ASP or SaaS provides the employers PR dept with an application to perform the payroll functions. The application and the employers data reside on the service providers servers. This storage is sometimes referred to as ‘cloud’ computing.)
Selecting an Automated Payroll System

Basics
- Pay Processing
- Payroll Reporting
- Check Printing
- Direct Deposit
- Retirement Plan Reporting
- Garnishment Processing

Advanced Features
- Compensation Planning and Management
- Global Database and Reporting
- Talent Acquisition and Management
- Learning and Development
Selecting a computerized P/R System

Ask:

- Integrated for all employee related data?
- Interfaces with other departments?
- What functions the system must perform?
- Who will need to access the system?
- What will be each users roles?
- What authorization levels for data access?
- How will the data be accessed and processed?
- How much money can we spend?
Managing the process

- Build a project team
- Analyze what the system needs to do
  - Document current system
  - Document current system problems & costs
  - Define objectives of new system
  - Define requirements of the new system
- Prepare an RFP
- Select a system
Build a Project Team

- Payroll
- HR
- Benefits
- AP
- Accounting
- Tax
- Risk or Compliance
- Budget/Finance
- Data Processing /IT/MIS
- Senior Management
Analyze what the system needs to do

- Needs and wants analysis (AKA Current Situation Analysis, CSA)
- Documentation
  - Work flow into the system
  - Results out of system
  - Procedures for maintenance
  - Manual processes by all depts.
- Identify
  - Who receives info from system/how often
  - Compliance issues
  - Costs of current system
Define Objectives of new system

- Scope
- Time
- Resources
Implement the system

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

- Evaluate the systems performance
- New requirements
  - Legislative
  - Missed in conversion
  - Nice to haves
  - Unions
  - Benefits
Controls and Security

- System edits (warning system)
- Periodic data audit and sampling
- Batch controls
- Correction procedures
- Balancing and reconciliation
System Documentation

- Schedules
- Time entry
- Adjustments and corrections
- Check calcs
- Payroll history
- Production cycle
- Taxes
- EE database management
- Reports
Providing Security for the System

- Personnel Concerns
- System Security
- Physical Plant Issues
Personnel Concerns

- Segregation of job duties
  - In small PR depts, duties go to other depts
- Rotation of job assignments
- Paychecks only go to employees
- Conduct ‘physical payouts’
- Background checks
System Security

- Limit system access
- Secure files
- Develop audit trails
- Protect against computer ‘viruses’
- Backup data regularly and store offsite
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

- Find and secure interim office space
- Arrange office equipment rental
- Find temp housing for employee’s
- Keep backup files off premises
- Keep employee safety uppermost in any plans
- Communicate the plan
- Electronic vaulting can ensure a quicker recovery
Automation – the future

- Automated Time and Attendance
- Self-service, the Internet, Mobile Apps
- Employee and Manager Self-Service
- Implementing Internet Technology
- Web-enabled Applications
- Cloud Computing and SaaS
- Mobile Apps