
Administration and Payroll: The Creation of a Professional Payroll Using Software

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Abstract

In global organizations today the question that must be addressed is what technology will aid the HRIS in meeting its legal and business obligations and provide the computing power that will provide a competitive strategic advantage.

This paper examines the need for a payroll system that is cloud based and provides the benefits that such a system needs for today and the future.

Keywords

Payroll • HRIS • Cloud computing • Technology

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Introduction

When you are faced with the question of choosing a Human Resource Information System (*HRIS system*) for your organization, one major factor to consider is whether it should reside on premise or the cloud (also known as Software as a Service or SaaS).

New online technology is having a major impact on payroll creation and delivery. Payroll managers can now fully integrate payroll into the overall business management with speed and flexibility. The most efficient, reliable, and cost-effective answer can be found by analyzing the pros and cons for each solution as it applies to your organization and its information technology (IT) structure.

Payroll Then and Now

Most can remember their first paycheck. It was delivered by a manager who had received it from someone in the accounting department where the payroll function was housed. The check was in a small envelope along with a pay slip stating the hours worked, the rate, taxes paid, and the amount enclosed.

Paychecks date back prior to 1000 AD and are thought to have been first used by merchants in the Eastern Mediterranean. Known as “saak,” they were similar to modern-day paychecks in that they were documents with written instruction to the bank to make payment to the payee (Baker 2014).

Today the process of paying employees has become a far more sophisticated, but much less time-consuming, process for business owners. We have technology to thank for it. Those ancient merchants looked to the clouds for signs of direction in their business dealings; today’s accounting, human resource, and financial managers are looking to a very different “cloud” for the delivery of a smarter, effective, more responsive, and less expensive payroll solution (Anonymous 2014).

Making a Case for Cloud-Based Payroll Systems

Most of all the payroll service providers have now leaped upon the cloud-based bandwagon (Fister 2014). Despite this availability of accounting technology there are still a surprising number of businesses using manual records and spreadsheets to run their payroll (Anonymous 2014). This becomes complicated when you consider organizations in the USA are bound by law (Sarbanes Oxley Act 2002) to store this information for up to 7 years. Payroll data is highly confidential and yet in many cases this information is held insecurely in filing cabinets or on a desktop computer.

The selection of a trusted cloud payroll provider to move this data out of the office and off a dedicated computer into a secure data center is critical. Globally the payroll marketplace is extremely competitive. Businesses have a wide variety of service

providers to choose from and a good deal of examination needs to be undertaken in order to select the service that is the right for each firm (Anonymous 2011).

Considerations When Selecting an Automated System

Payroll legislation is also vastly complex and a company may need to completely rebrand its solution range from software such as QuickBooks to other more reliable and compatible software such as Reckon Accounts (McCure 2014). Payroll systems need to be highly compatible and flexible to be of value to business. A payroll system solution is only effective if it can cover the core functionality required for the business (Thite and Sandhu 2014). Many of the newer more “lite” offerings may not do this to the level desired. It pays to do your research on offerings, to ensure the solution you are considering has all the features you need.

Today one sees a change in the way businesses approach payroll systems. Traditionally businesses have approached payroll and payroll systems as an issue of accounting practices and IRS compliance. As legislation around payroll, holidays, and other tax obligations have become increasingly complex, businesses are looking for ways to not only meet their obligations more effectively but also simplify payroll management (Anonymous 2014).

Technology has done a great job of taking the often challenging and ever-changing rules and making them easier for businesses to manage. There is a trend among businesses wanting to make payroll a fully integrated aspect of their business management (Baker 2014). This reflects how important it is for businesses to understand the linkage between their staff costs and their operation. The organization has a critical need to have staff costs to the last cent to assign staff costs to jobs. Therefore a system that ensures your accounting and your payroll work closely together is vital (McCure 2014).

Benefits and Challenges of an Automated System

The use of payroll as an effective business management tool means a system that can give the information needed. For that an organization must go with a payroll provider that has the experience and constant commitment to development to translate the rules for the company and a system that makes it simple to process and understand (Anonymous 2011).

One of the major payroll challenges for businesses is “getting it right” – this is especially so in terms of record-keeping for leave entitlements such as Federal Family and Medical Leave Act (FMLA) in the USA (usgov.org 2015). This is where the most liability can be if calculations are not absolutely correct. It can be a complex legal area and it’s vital that organizations understand how this works. Those responsible for payroll should seek guidance to insure accruals are right the first time and save the duplication of work of having to fix a leave issue when an employee decides to challenge the organization’s calculations.

Future Considerations for an Automated System

Looking to 2015 and beyond, what, if any, US legislative initiatives coming up could impact on payroll management?

The present administration has made it known they wish to (usgov.org 2015)

- Implement all facets of the Affordable Care Act otherwise known as Obama Care
- Improve wage rates for hourly workers by significantly increasing the minimum wage under the Fair Labor Standards Act (FLSA)
- Change overtime regulations that will include revert formerly white-collar employees from exempt to nonexempt status who make less than \$52,400 annually

This will require one of the most important trends in payroll as the systems must interface with government systems. As part of the government's focus on providing better public services for businesses, there is an increasing emphasis on a more seamless engagement with payroll and payroll providers. To reduce paperwork, the government is looking to provide a uniformed, digital entry into their system. The expectation is that businesses will be using payroll systems or working with a payroll provider. The problem with this thought process is this will not be of real benefit to businesses. It will not reduce the range of compliance requirements but dramatically increase them making it much more difficult and complex and more inefficient in engaging with government around payroll. What this ultimately means is that all businesses will need to use some form of payroll system (McCure 2014).

The New Automated Payroll Norm

Cloud-based payroll systems have become the "new normal" for businesses and here, functionality toward a customer's needs is the key (Fister 2014). New cloud-based payroll systems can transparently migrate every scrap of important payroll information you need, especially leave entitlements, accrual, and balances, all from a range of supplier systems. The real advantages of cloud-based systems offer businesses; not least of which is accessibility via the Internet, who run payrolls outside of working hours and are away from the office. There are also the advantages of always having the latest compliant system, updates deployed quickly, and the opportunity to access an integrated system that provides both accounting and payroll services from a single provider. Look for cloud-based systems designed with simplicity and ease of use as a core focus (Fister 2014).

In particular, you want to understand whether you'll be paying for add-on solutions for your accounting and your payroll and if you have to pay more as you grow to have additional staff members. Cloud adopters need to ensure the software is deploy proven, reliable, and globally developed (Thite and Sandhu 2014). Why? Payroll legislation is country specific, and highly complex, so deploying software built for another market is not going to work.

So what are the absolute musts in a payroll system? There are three key considerations one should look for:

- Does it provide everything needed from a compliance perspective?
- Is it easy to use and understand? Does it provide the information needed without unnecessary complexity?
- Does it provide the level of integration and support expected from your provider?

Conclusion

A payroll system must be cloud based, future proof, and reliable. An organization needs a payroll system that provides a solution where it pays one's employees correctly every time. It should be a cost-effective solution with proven ROI and ideally include must-have features such as mobility, automated award interpretation, self-service, and business intelligence (Fister 2014).

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