Payroll Best Practices Recap

32nd Annual Congress

Payroll Best Practices Recap

Speaker

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Biography

- Payroll Manager – Progressive Insurance
- APA Vice-President
- Co-Chair of the APA’s Strategic Payroll Leadership Task Force (SPLTF) Best Practices Subcommittee
- APA’s Board of Contributing Writers

Adam Golden
Managing Partner
Major Oak Consulting

Biography

- Co-Founder / Managing Partner of Major Oak Consulting
  - Boutique Management Consulting firm
  - Strategy, Process Excellence, Change Management, Performance Management and Project/Program Management
- Co-Chair of the APA’s Strategic Payroll Leadership Task Force (SPLTF) Best Practices Subcommittee
- Former Payroll Manager for ACNielsen
- Significant hands-on experience in HR / Payroll including Strategy, Process Excellence, Shared Services, ERP Strategy, Metrics, Pay Cycle Changes and 27th Pay Period
Definition of Best Practices

(Wikipedia) “A method, process, activity, incentive, or reward that is believed to be more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance”

- A best practice is any policy, process, technology or management technique (incentive, reward) that helps your organization perform better in realizing its stated goals
- A best practice for one organization may not be a best practice for another organization, depending on your goals
- Focus on what seems to be best practice for you / your organization's perspective

Best Practices Subcommittee

The Best Practices Subcommittee of the Strategic Payroll Leadership Task Force (SPLTF) presents and discusses how leading organizations deal with a variety of situations and goals through the use of business process, technology, and organizational changes. These best practices help employers, from small to large, understand how to operate their payroll process and organization in the most effective, efficient, and compliant manner.

- To join: http://info.americanpayroll.org/pdfs/forms/apa-volunteer-form.pdf
- Monthly meetings
- Topics discussed
- Data collection
Agenda

- Phantom Employees
- Time and Attendance
- Overpayments
- World Class Process Mapping
- Year-End
- Pay Frequencies/Changing Pay Frequency
- Other Best Practices
- Questions

Phantom Employees
Best Practices

◆ Not as common
◆ Continue to monitor - YES
◆ Physical Distribution yes/ no?

Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice

Best Practices

◆ Review for Similar:
  • Direct Deposit Account #’s
  • Home address
◆ EE Count vs. Budget
◆ Benefit Cross Check
◆ EE Tracking
  • Linked to equipment
  • Cube/ office location

Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice
Time & Attendance

Best Practices

- Often “owned” by Payroll
- Exempt – Exception time reporting
- Nonexempt – Daily hours
  - Punch times vs. rounding

Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice
Time Entry

- Electronic vs. manual
- Paper
- Biometrics
- Self Service
- Electronic
- Time Clock
- Your Company?
- Multiple Options - Vendor Hall

Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice

Process

- Prior period corrections
  - Yes
  - Limited periods

- Manager Approval
  - Yes

- Consistent Deadlines
  - Yes

Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice
Outcome

- Compliant pay calculations
- Low error rates
- Communicate policies / practices

Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice
### Overpayment Laws - Repayment

<table>
<thead>
<tr>
<th><strong>Federal Law</strong></th>
<th><strong>State Laws</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ DOL position</td>
<td>◆ Allowed in all but a few states:</td>
</tr>
<tr>
<td>• Same as a wage advance or loan</td>
<td>• Voluntary</td>
</tr>
<tr>
<td>◆ May deduct from future wages to recoup</td>
<td>• Expressly authorized by the employee</td>
</tr>
<tr>
<td>• FLSA suggests “reasonable deduction”</td>
<td>• Do not take the employee below minimum wage</td>
</tr>
<tr>
<td></td>
<td>◆ Silent states</td>
</tr>
<tr>
<td></td>
<td>• Look to federal law</td>
</tr>
<tr>
<td></td>
<td>◆ Washington and New York have very specific requirements</td>
</tr>
</tbody>
</table>

Source: December 2012, Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice

### Best Practices

#### Dealing with Overpayments

<table>
<thead>
<tr>
<th><strong>Gather Information</strong></th>
<th><strong>Collection</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>◆ Reason for overpayment</td>
<td>◆ Work with HR or Legal</td>
</tr>
<tr>
<td>◆ Employee Status</td>
<td>◆ Document plan to recoup</td>
</tr>
<tr>
<td>◆ Timing</td>
<td>◆ Notify employee of error</td>
</tr>
<tr>
<td>◆ State</td>
<td>◆ Find a win-win solution</td>
</tr>
<tr>
<td>◆ Other deductions impacted?</td>
<td>◆ Follow state law</td>
</tr>
<tr>
<td>◆ Review the state law</td>
<td>◆ Provide and collect authorization forms</td>
</tr>
<tr>
<td>◆ Review company policy</td>
<td>• Deduction Authorization</td>
</tr>
</tbody>
</table>

*Most common overpayment reasons: incorrect division/BU input, payroll data entry errors, time received late, late termination action from HR-Managers and leave of absence related issues*

Source: December 2012, Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice
Best Practices
Dealing with Overpayments

◆ “Good Faith Effort”
  • Make a good faith commitment to comply
  • Have a policy
  • Communicate the policy
    ➢ Upon hire, Handbook, On-Boarding
    ➢ Company website
  • Have a complaint mechanism
  • Reimburse for improper deductions

◆ Timing
  • Current year – repay net, refund taxes
  • Subsequent year – repay gross

Source: December 2012, Best Practices Subcommittee Data Collection and Analysis
Note: All best practices listed above are suggested only in states that allow this practice

World Class
Process Mapping
Gather Data to Develop a Process Map

Tools to capture process information and gain an understanding of the current state include:

- **Existing Documentation**
  - Always leverage existing process documentation
- **Interviews**
  - 1-on-1's with process participants and manager
- **Observations / Walkthroughs**
  - Watch a process in action – can be transaction specific
- **Workshops**
  - Targeted sessions with people who perform the process
- **DILOs (“Day In The Life Of”)**
  - Shadow individuals for a full day

Tip: Use a mix of these techniques

Conduct Interviews / Observe Processes

Key Elements of Your Process Map

- **Roles**
  - Customer Service Team

- **Activities**
  - Call client and schedule kick off meeting (within 24 hours)

Sub-Processes highlighted

Tip: Don’t cross connector lines that link process steps

Tip: Include multiple views of timeline / cycle time

For Product ABC, there are dedicated implementation and Customer Service teams.

Key Notes

Insert correct acronym here
Process Analysis Example: Resource Variation

Best Practices

1. The people doing the work are the best source of real data
2. Generalities are the enemy of good process maps
3. Gather data with multiple approaches
4. Quantify as much as possible – quantification = relevance
5. Swim lanes make the map much more relevant
6. Capture process exceptions, but don’t map them
7. The timeline tells a whole story in itself
Year-End & W2s

Tips

- Checklists
- Document – SharePoint, database, binder, etc.
- Start early
- Communicate
- Order early, order extra

Note: All best practices listed above are suggested only in states that allow this practice.
Source: Various Best Practices Subcommittee Data Collection and Analysis
More Tips

- APA Year-end class
- Test plan
- No short cuts
- Validate, validate, validate

Note: All best practices listed above are suggested only in states that allow this practice.
Source: Various Best Practices Subcommittee Data Collection and Analysis

Wrap-up

- Communication
- Documentation
- 12 months
- Celebrate

Note: All best practices listed above are suggested only in states that allow this practice.
Source: Various Best Practices Subcommittee Data Collection and Analysis
### Pay Frequencies / Changing Pay Frequencies

#### What's the Best Pay Frequency? It Depends....

<table>
<thead>
<tr>
<th>Pay Cycle Characteristic</th>
<th>Weekly</th>
<th>Bi-Weekly</th>
<th>Semi-Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-exempts understand</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Exempt understand</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Overtime always in sync</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Number of payrolls year</td>
<td>52</td>
<td>26</td>
<td>24</td>
</tr>
<tr>
<td>Payroll accruals eliminated</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Extra Pay Period</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Complies with all state laws</td>
<td>Yes</td>
<td>Yes</td>
<td>Maybe...</td>
</tr>
</tbody>
</table>

**Best Practices Subcommittee Survey:**
- 18% have single, standard pay cycle
- 46% use a mix of weekly / biweekly AND monthly / semi-monthly
- 14% have or plan to change pay cycles

**Note:** All best practices listed above are suggested only in states that allow this practice.

*Source: January 2014 Best Practices Subcommittee Data Collection and Analysis*

**Different studies show different cycles are most commonly utilized; varies by workforce demographics, states and industry.**
Best Practices

◆ Compliance first, then best practice for consistency and efficiency
◆ One standard pay cycle for all employees
◆ Less frequent cycle wherever possible
◆ Partner with Unions to overcome resistance

Note: All best practices listed above are suggested only in states that allow this practice
Source: December 2011 Best Practices Subcommittee Data Collection and Analysis

Changing Pay Cycles - Best Practices

◆ Business case to analyze if a change makes sense
◆ Include EEs impacted, states, impact to operations
◆ Establish a separate project team
◆ Partner with vendors and HR early, talk often
◆ Simplest timing: Quarter-end and Year-end
  • If moving to semi-monthly, evaluate other dates
◆ Inbound and outbound feeds – are they impacted?
◆ Don’t forget Change Management

Note: All best practices listed above are suggested only in states that allow this practice
Source: January 2014 Best Practices Subcommittee Data Collection and Analysis
Root Cause Analysis

What is a Root Cause Analysis?

1. Root Cause Analysis (RCA) is a useful tool for identifying the origins of a problem.

2. Solves problems by identifying and correcting the root causes of events (vs simply addressing their symptoms).

3. Jumping to solutions without understanding the underlying root causes is very risky.

4. Most people know what a fishbone diagram is, but not many people know how to develop one properly.

*Note: There are many ways of performing Root Cause Analysis, this is just one method.*
Group Issues Into Common Themes

Identify common themes / topics

Break Themes Into Sub-Groupings

Identify sub-groupings
Define a Root Cause For Each Issue Set

Define the root causes

Fishbone Diagram Template

A lack of training results in inconsistent work practices
A lack of leadership training results in poor staff management

Stand-alone systems require duplicate data entry
Multiple systems result in excessive work effort

Lack of documentation requirements between credit and sales results in unnecessary waste
Inefficient and ill-defined processes result in time consuming onboarding
Informal handoffs between departments result in poor transitions

Lack of business rules contributes to inconsistent outcomes
Lack of documentation results in inconsistent outcomes
Multiple approval levels create non-value added process steps

Customer onboarding process takes too long

Current account segmentation leads to inaccurate reporting
Unclear roles and responsibilities creates confusion between departments
Poor communication results in a lack of inter-departmental understanding
Organizational structure does not facilitate a team environment
A lack of accountability results in unfulfilled tasks

A lack of excitement and motivation for change
A lack of recognition and clearly defined career paths

Customer expectations are not clearly communicated
A lack of customer management throughout the onboarding process
Confusing paperwork results in incorrectly completed forms
Varied knowledge levels results in mixed messages communicated to the customer

32nd Annual Congress – May 13-17, 2014
Root Cause Analysis
Best Practices

- When interviewing, keep questions open-ended
- Write **EVERYTHING** written down during interviews / workshops / process mapping sessions / etc.
  - Good quality qualitative data is fundamental to this exercise
- Make anonymous (use codes)
- Do the exercise with the group
- Let the group determine the root cause groups
- Do one pass then do a second / third pass if required
- Re-stick where required
- Be open minded about the possible root causes
- Group first, determine root causes last
- Always provide the grouped raw data as an appendix

Other Best Practice Topics
Other Best Practice Topics

- **Data Masking**
  - Emerging as an important consideration to protect sensitive data

- **Total Rewards**
  - More robust, dynamic version of the Annual Compensation Statement

- **PA Act 32**
  - Specific strategies to ensure compliance

- **Mergers, Acquisitions and Divestitures**
  - Tips and practices to ensure a successful project

Note: All best practices listed above are suggested only in states that allow this practice.
Source: Various Best Practices Subcommittee Data Collection and Analysis

Payroll Technology Platform

- **Majority of companies have ERP solutions**
- **33% of companies had a global payroll scope**
- **54% rate current satisfaction very high / excellent**
- **Many companies with ERP Platforms outsource point solutions (tax, printing, distributions, etc.)**

Note: All best practices listed above are suggested only in states that allow this practice.
Source: November 2013 Best Practices Subcommittee Data Collection and Analysis
Other Best Practice Topics

- Business Continuity
- Direct Deposit
- Paperless Pay
- 27th / 53rd Pay Period
- Training & Education

Note: All best practices listed above are suggested only in states that allow this practice
Source: Various Best Practices Subcommittee Data Collection and Analysis

Questions?
Thank you!
Please Complete Your Evaluation

32nd Annual Congress
2014
Banish Your Payroll Nightmares