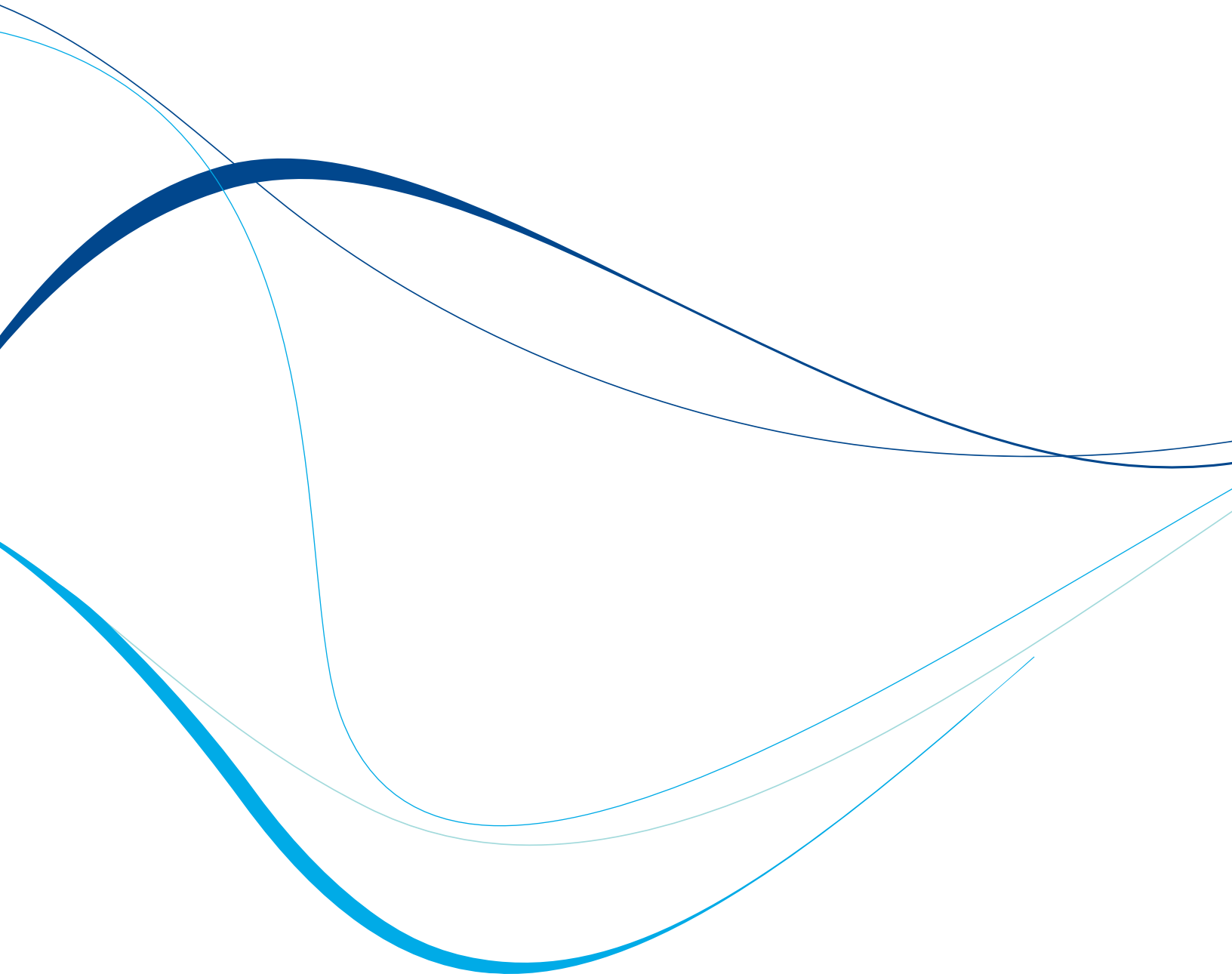# Sage Abra

Stay in Control: The benefits of in-house payroll software

How Sage Abra Payroll delivers long-term control and flexibility over the payroll process

sage

Introduction

Paying employees is a mission-critical duty for any organization. You have to process paychecks and direct deposits correctly on time, every time. Payroll is one of your company's largest expenses and payroll mistakes can have a negative impact on employee satisfaction. The accuracy of your payroll affects your company's compliance with local, state, and federal regulations. Inadequate record-keeping can expose your company to employee litigation or tax fines and penalties.

To benefit from a smooth payroll process, you need a reliable plan supported with the right tools. Today, businesses have several options for processing payroll. You can rely on in-house payroll software, outsource to a payroll service, or blend both strategies by processing your payroll in-house, but outsourcing your tax filing and payments.

You've probably read a lot about payroll outsourcing, but you might not know as much about the value of in-house payroll. In this guide, we'll show you the other side of the story by discussing the benefits of integrated, in-house payroll software. You'll find comparisons of how in-house payroll software stacks up against outsourcing in terms of:

- Cost and personnel requirements.
- Compliance with tax regulations and other laws.
- Control over data security and accuracy.
- Organizational efficiency.
- Control over the scheduling of your payroll.

Why choose in-house payroll?

According to the American Payroll Association, more than half of companies produce payroll completely in-house.[1] Depending on your company's internal resources and the complexity of your payroll, it is likely that in-house payroll software can produce long-term savings over the cost of continual outsourcing fees. Payroll software also increases your control over employee data and the payroll process itself, so you can protect private information, including wage and salary details.

For small to midsized businesses, processing payroll in-house can offer a number of important benefits, including:

- Accurate, timely payroll with a solid return on investment (ROI).
- Total control over payroll processing, including check printing, reporting, and forms, as well as managing direct deposits and payroll taxes
- Maximum flexibility over last-minute changes prior to a payroll run.
- Comprehensive, customizable reporting to help you analyze compensation and plan for the future.
- More accurate data through integration with internal HR, accounting, and timekeeping systems.
- Fewer employee requests and questions through integration with self-service software that allows employees to access their own paycheck data easily.

Finally, for Sage Abra HRMS customers, there are additional benefits to choosing in-house payroll processing with Sage Abra Payroll. Integration with Sage Abra HR, Sage Abra ESS, and potentially your accounting and timekeeping systems will greatly reduce the amount of data entry necessary to process payroll. Eliminating the need for data reentry from one system to another lowers the risk of errors and improves data accuracy.

> **Questions to ask when considering outsourcing vs. in-house payroll:**
>
> - *Which method will cost less this year? Over the long term?*
> - *How can you ensure proper tax filings and payments?*
> - *How much control do you want over the payroll process?*
> - *How often do you process payroll?*
> - *How complex is your payroll?*
> - *How often do you have to create last-minute paychecks?*

"Abra Payroll has been a huge success for us—we're completely comfortable with it. The system is accurate and fast. For example, we can update all of our state tax rates electronically, in a matter of seconds."

Robert Ezykowich, CPA, Senior VP and Controller, Villa Pizza

[1] American Payroll Association, *Survey of Salaries & The Payroll Profession*, 2005.

Does in-house payroll cost more than outsourcing?

Do small and midsized companies save money by outsourcing payroll? Nearly half of companies surveyed cite difficulty in proving the cost benefit as a key barrier to outsourcing.[2] Let's examine what types of costs are associated with in-house and outsourced payroll.

Commercial in-house software typically involves a one-time software license purchase, as well as an annual support contract for software enhancements, tax table updates, and technical support. Payroll software requires a larger front-end expense for the software license, but the costs drop dramatically in the second year of ownership and beyond. Many software companies, including Sage, offer flexible payment terms that enable you to structure a purchase of in-house payroll software so that you spread payments out over a fixed timeframe.

In contrast, outsourcing expenses stay the same each year and could possibly increase. Basic payroll processing services usually cost about $2.00 per check, plus a base account fee.[3] The base fee depends on a number of factors, including how often you issue paychecks and how many employees your company has on the payroll. Additional services, such as W-2 printing or 1099 mailing can increase the cost of each payroll substantially. Because you never own the ability to create your own payroll, the expenses simply compound every year.

In addition to the fees charged to customers, payroll processing companies earn revenues using the money paid by their customers for payroll taxes. Outsource providers collect and hold tax payments
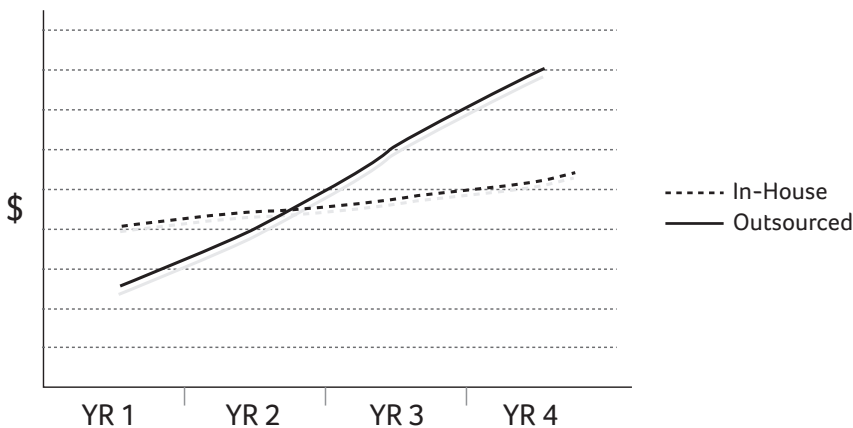
in interest bearing accounts and then submit the payments to local, state, and federal agencies at the last possible moment. The interest they collect in the interim days is known as "float," which represents a significant portion of most payroll providers' profits. Your company could earn and invest this interest if you kept the process in-house.

Return on investment studies show savings for in-house payroll

After studying many outsourced and in-house HR services, CedarCrestone Consulting made observations about the costs of each method in the 2008-2009 HR Technology Survey. The authors noted that:

"Payroll administration run in-house is 37% lower than when provided by an outsourced provider. As this solution is often added to the application offerings of the core HRMS solution, these lower costs may reflect an overall lower total cost of ownership with in-house resources being able to deploy this application rapidly as they already have expertise in the chosen platform."[4]

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[2] PricewaterhouseCoopers, *Outsourcing comes of age: The rise of collaborative partnering*, 2009.

[3] Mie- Yun Lee and BuyerZone, "Outsource Your Payroll," Entrepreneur.com

[4] CedarCrestone, 2008-2009 HR Technology Survey.

Sage has also conducted studies concerning the return on investment (ROI) of Sage Abra Payroll versus outsourced payroll services. For a company with 150 employees that issues paychecks every other week, in-house Sage Abra Payroll software could save nearly $10,000 compared to outsourcing over the course of three years. In this scenario, the software pays for itself in just 19 months.

The ROI your company could achieve depends on the number of times per year you issue paychecks, your number of employees, and a few other factors. For a customized ROI estimate, it's best to consult with your Sage Abra business partner, or to call Sage at 800-424-9392.

Many executives think they can try outsourcing for a short time and then quickly return to their old payroll methods if the cost savings aren't realized. But that isn't what really happens–the more time that passes, the harder it becomes to bring a process back in-house. That means that the decision you make today needs to take into account your long-term plans and the potential consequences.

What about tax compliance?

Staying up-to-date with changing tax regulations and filing taxes in a timely manner are important parts of the payroll process. This is a particularly burdensome task for most payroll professionals. Tax tables and regulations are ever-changing and you can't make any mistakes. An error or a missed deadline can incur expensive fines and penalties for your company.

In addition to ensuring that standard and supplemental tax tables are updated regularly, tax compliance also requires the filing of tax returns and making tax payments, as well as management of pre-tax deductions, electronic media reporting through the Electronic Federal Tax Payment System (EFTPS), and tracking liabilities and tax deposits for federal, state, and local taxes.

The hassle of tax compliance is one of the reasons that some small to midsized businesses decide to outsource payroll. Outsourcing can certainly help you maintain payroll tax compliance, but it doesn't eliminate your compliance responsibilities. In order for your provider to make timely tax payments and filings on your company's behalf, you must supply them with adequate payroll information. Instead of having to meet the government's filing deadlines, you'll need to provide data to your outsourcing provider to meet even earlier deadlines.

Using a payroll outsourcer will not necessarily absolve your company from liability for noncompliance with payroll taxes. If your payroll service makes a mistake in processing payroll, or filing and submitting your payroll taxes, the provider will generally pay resulting fines. However, if you miss a deadline, pull the wrong data, or make errors in the data you send to your payroll service, your company will be liable for any and all resulting fines and penalties.

If the idea of processing payroll in-house appeals to you in many ways, but you'd prefer to mitigate tax compliance risks, consider in-house payroll with outsourced tax filing. This combination will allow you to outsource specific functions, including federal, state, and local tax filings, SDI and SUI filing, electronic and manual funds transfers, W-2 and 1099 printing and delivery, and W-2 electronic filing to the Social Security Administration. Sage Abra Payroll used in conjunction with a Sage Abra tax filing service offers you a convenient, blended solution.

Sage Abra Payroll makes it easy to manage compliance internally by offering automatic tax table updates, support of EFTPS, and alerts that remind you of important due dates as part of the software support package. The Sage Abra SupportPlus staff includes experienced payroll professionals to ensure that you get fast, accurate answers to all of your payroll questions. Additionally, Sage offers comprehensive payroll training to help you use Sage Abra Payroll most effectively. Sage also offers an optional tax filing service, if you would prefer to outsource this aspect of your payroll duties. With Sage Abra, you'll always have the support and services you need to stay in compliance with payroll taxes and filings.

In-house payroll puts you in control

For many businesses, the greatest drawback to outsourcing is feeling that you have little control over the payroll process, your payroll data, and the accuracy of employee paychecks. Employee salary and benefits information is sensitive and needs to be handled securely and privately.

Sending payroll information electronically to an outside payroll service may pose an unnecessary risk to your company's data security. In-house payroll systems provide security features such as password access and the ability to store information on your own internal hardware so that it is protected by your internal IT security assets such as firewalls.

Outsourced payroll services tend to be less flexible than in-house software, because they rely on standardized processes that are designed for a high volume of transactions. Customers must adapt to these processes in order to use the service. If your organization tracks a variety of pay rates, shift differentials, overtime, pay cycles, and other variations, an in-house system may be a better solution for you.

In-house payroll software places all the control within your company. It's flexible enough to cut special on-demand checks at the last minute. It enables you to run trial payrolls to make sure everything is correct.

A payroll software system stores all of the data you need to produce comprehensive, customizable reporting and analysis, so you can perform compensation planning and analysis. It also centralizes the data you will need for compliance with government mandates and provides record-keeping for proactive defense against any employee litigation that involves compensation.

Your company can customize in-house payroll software to match your corporate processes exactly. For example, in-house software can process paycheck stubs that need to include the names of time-off plans or medical benefits. You can also customize your general ledger account numbers to better meet the needs of your accounting system, track secondary jobs, and create templates to import and export information from other databases.

Self-service keeps employees informed about payroll

Self-service technology enables you to streamline routine payroll processes using Web-based technology with integrated workflow features. Employees can immediately view, print, and when appropriate, edit personal information such as an address and even request a simple W4 election change in an easy, automatic, and paperless process. This strategy reduces the administrative burden on HR without taking anything away from employees, making it a very attractive cost-containment strategy.

Employee self-service (ESS) benefits the company in a number of ways:

- **Fewer calls to HR** – Employees have direct access to a greater amount of their payroll information, so they can answer most of their own payroll-oriented questions.
- **Reduced transaction costs** – Using ESS in combination with direct deposits and payroll cards can eliminate or substantially reduce the need to produce paper paychecks or direct deposit advices. According to the American Payroll Association, each paper paycheck eliminated can save your company between $1-2. With ESS, employees can view pay stubs online and print them out. ESS can also reduce the costs of producing, routing, and filing paper forms such as W-4s.
- **Greater employee satisfaction and engagement** – Giving employees access to payroll information improves their knowledge of, and satisfaction with, compensation and benefits packages.

When selecting a payroll solution, consider the advantages delivered by an integrated self-service solution. Using these two technologies together can maximize efficiency while minimizing the costs associated with payroll.

"Abra Payroll is the complete solution. With the click of a button, my team can process payroll and generate the reports I need for our executive board. Now, I have the time to devote to other larger strategic issues at hand, and [my team has] the reports and analysis to ensure MOSI remains a profitable and successful organization."

Jeanette Baker, Chief Financial Officer, Museum of Science and Industry

"Providing state of the art, automated services and quality customer service is the way we do business. So, when we wanted to offer a better way for our employees to view their compensation information, such as benefits and 401(k) deductions, Abra ESS was the right choice based on its flexibility and security provisions."

Ann Ballard, Payroll Manager, Truliant Federal Credit Union

System integration improves productivity

To enjoy the biggest time savings, it's important that your payroll information flows smoothly back and forth between other systems such as your General Ledger, HRMS, self-service, and timekeeping software. This minimizes the amount of manual data entry or importing and exporting of files that you have to perform.

There are many benefits of having integrated HR capabilities with the payroll software or self-service, including:

- No duplicate data entry prevents errors and helps you finish tasks faster.
- Less paperwork saves time that you can spend on strategic projects.
- Integrated reporting allows you to perform better analysis and planning. It's nearly impossible to do without a centralized database.

Consider your system integration requirements carefully. Integration between your payroll solution and your ERP or accounting solution ensures automatic creation of general ledger posts and bank reconciliation data, as well as accurate financial reporting. HR, payroll, and benefits functions have tremendous data overlap. Integration ensures that all systems are in sync and using the most recent and accurate employee information.

Streamline the payroll process with Abra Payroll and Abra ESS

For Sage Abra customers, deciding whether to process payroll in-house or use a service is made easier by the exceptional integration benefits of Sage Abra modules. Adding Sage Abra Payroll and Sage Abra ESS to your existing Sage Abra system is far more cost effective than long-term outsourcing, or purchasing different payroll software. It also produces a much cleaner, efficient payroll process.

These solutions yield efficiency gains across your organization. Integrated payroll with Sage Abra Payroll ensures greater accuracy of data in your HR and accounting systems. Self-service technology in Sage Abra ESS streamlines many other HR transactions at both the employee and managerial levels.

Sage Abra Payroll helps you produce timely, accurate, and compliant payroll in-house to lower the cost of your payroll process and improve efficiency. And it includes built-in direct deposit and payroll card support in addition to the ability to print paychecks.

Offering unparalleled flexibility, Sage Abra Payroll makes payroll easy with unlimited trial payrolls, gross-to-net calculations, and support for customized paychecks on demand. It supports a wide range of earnings types, including base pay earnings, premium pay earnings, and tax only earnings.

Sage Abra Payroll ensures your full compliance with federal, state, and over 2,200 local tax jurisdictions. Quarterly tax updates keep up with ever-changing tax laws and are provided as part of your SupportPlus plan. You'll enjoy a smooth year-end with the ability to easily print W-2s, 1099s, W-3s, Forms 941 and 943, and unemployment tax reports.

Sage Abra Payroll also integrates seamlessly with your Sage Abra HR system. You can also incorporate other Sage Abra modules for additional efficiency and time savings, including Sage Abra ESS, Sage Abra TimeSheet, and Sage Abra Attendance. Finally, Sage Abra Payroll integrates with time clocks for fast, accurate collection of employee time, and works with most accounting systems for total automation of the payroll cycle.

"Running a payroll cycle used to take nearly three days to complete. Abra Payroll's ability to integrate with our general ledger, and collect and allocate budgeting and financial data from our various departments, has reduced this process to just one and a half days."

Paula Borrer, Payroll Processor, Museum of Science and Industry

Direct deposit and payroll cards deliver valuable savings

There are two additional ways that you can lower your payroll costs: payroll cards and direct deposit. Both alternatives to paper paychecks can save your company $1-2 per paycheck by replacing the check with an electronic payment.[5] When you add in additional expenses such as check distribution, lost productivity (when workers leave early to cash paychecks), and replacement of lost or stolen checks, your savings can add up to $10-12 per employee paycheck.

Sage Abra Payroll supports direct deposits and Sage Payroll PayCard for flexible and cost-effective electronic payroll options.

Sage Abra ESS empowers employees and their managers to view and, when permitted, to create, edit and maintain their HR and payroll data. Employees can view and request time off, access current benefits and dependents, print pay stubs, and view training history anytime, anyplace through the Internet or an intranet. Managers can view data about direct reports, view and post notes, access birthday lists and attendance, and review and approve time-off requests.

Sage Abra ESS is flexible and secure. And when combined with Sage Abra Payroll, you can grant employees the ability to perform these payroll-specific actions:

- View W-2s
- View payroll history
- Print paystubs
- Make information updates
- Update W-4 elections

Both employees and managers can also access and review many other types of non-payroll data, including time-off, benefits, performance review, and training information.
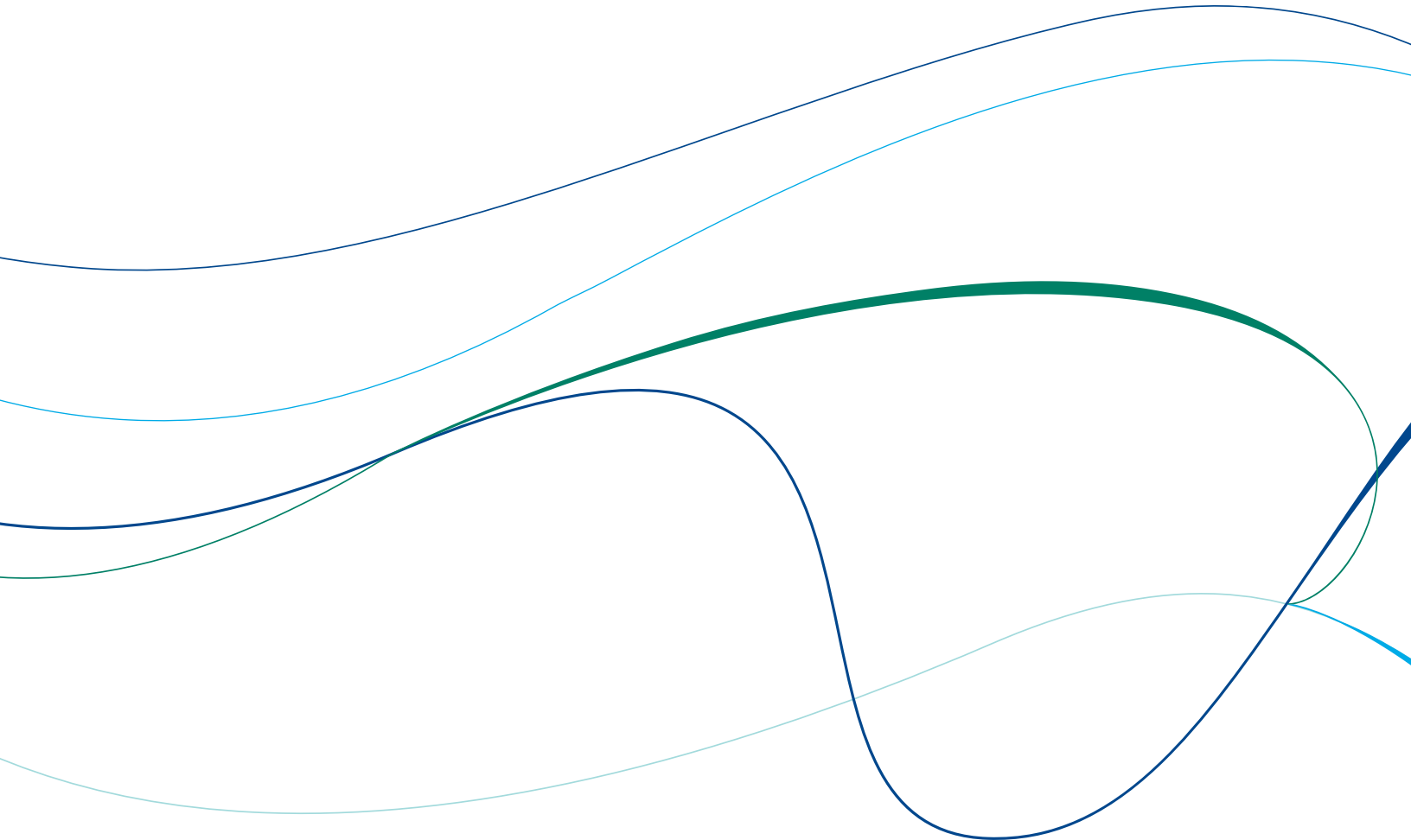
Using integrated, in-house payroll such as Sage Abra Payroll can ensure accurate, timely payroll and a solid return on investment (ROI). While reducing the cost of processing your payroll, you can also gain more control over its accuracy. Sage Abra Payroll helps you remain flexible and able to respond to last-minute changes. Integration with Sage Abra HR, Sage Abra ESS, and your accounting or timekeeping systems allows you to avoid manual data entry, save time, and improve data quality. Finally, having payroll information at your fingertips empowers you to perform advanced reporting and analysis that can help your company meet strategic objectives.

For more information about how Sage Abra Payroll and Sage Abra ESS can help your company reduce payroll expenses and streamline processes, please call 800-424-9392 or visit www.sageabra.com

"The substantial savings resulting from the quick discovery of an error paid for the cost of Abra Payroll, plus our technical support and maintenance contract with Sage for several years."

Scott W. Baxter, Vice President, PAGEmployment

[5] American Payroll Association.

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