

Sage HRMS

The Sage logo, featuring the word "sage" in a lowercase, teal-colored, sans-serif font.

Change how you process payroll: 15 points to keep in mind when selecting a new solution



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Introduction

“I’ve had it with this!” As you struggle with a manual process, a solution that has failed to grow and change with your business, or a provider who overcharges and underdelivers, you think there must be a better way to process your organization’s payroll. You are ready to evaluate some alternative solutions, but it’s hard to know exactly where to start.

Payroll is the most highly visible benefit you provide employees. If the paycheck is late or wrong, you’ll get plenty of complaints—and maybe a few compliance fines. Changing how you process payroll has to be done right, and there are a lot of things to consider, such as:

- Who are the vendors or providers that you can trust?
- What are the most important payroll features for your organization?
- When should you make a change in payroll?
- Where will you want to keep your sensitive payroll data—on your own internal servers or in the cloud?
- How much can you spend for a solution?

As you gather requirements and begin researching solutions, you’ll need to consider the functional capabilities required to produce accurate payroll, the vendor qualities you value most, and finally, how you plan to implement a new solution. Here are 15 points to keep in mind.

Starting your evaluation

1 Timing

When planning the conversion to a new payroll software solution, timing is important. Most companies find it easiest to make the transition at certain times during the year, such as immediately after a quarter end or, more commonly, after year end. Starting with a new system at the beginning of a year is particularly convenient because it allows you to simply import employee demographic and setup data and start the new year with zero balances in the system. Switching software at the beginning of a quarter is another option. You’ll start fresh with a new quarter but will still have to convert calendar year information pertaining to employee taxes, earnings, and deductions. Converting this information incorrectly can cause problems—it could affect W-2 reporting in the U.S. or T4/Releve 1 reporting in Canada, as well as earnings and deductions and especially employer tax liability data. It’s also very important to make sure that all quarter-end dates are correct when implementing the new system or quarter-end reporting could be inaccurate. If there’s a compelling reason for your organization to switch to a new payroll system before year or quarter end, then go ahead. Just ask your vendor if there are any special considerations you should keep in mind as you plan.

2 Evaluation team

One of the most important decisions early in the process of selecting a new payroll system is putting together the team who will help you evaluate your options. Make sure that your team includes someone from every department that is a stakeholder in the payroll process. That may include representatives from human resources (HR), information technology (IT), accounting, and the executive team. When you select the right team, you'll be assured that you have all the buy-in you need when it is time to purchase and implement the new payroll system.

Functional requirements

3 Payroll tax management and reporting

Payroll tax management is certainly a critical aspect of any payroll software. Failure to file and pay accurately and on time can quickly land your organization in compliance trouble. Employers must file and pay taxes to both the U.S. (and Canadian) federal government as well as individual state (provincial) and local governments. Many taxing authorities require e-filing for tax reports and payments. Your new payroll vendor must have a process for updating your solution's tax tables and rules to help you stay in compliance with current laws.

During vendor evaluation, inquire about their tax updates. It is most convenient for customers to receive updated tax table information on an automatic basis at regular intervals, such as once per quarter. Also important to consider is the method for distributing tax updates. Are they available for download or sent by mail?

Overall, it's important that tax updates are regularly updated in a format that's convenient for you. In addition to federal, state/provincial, and local tax table updates, the software should also support supplemental tax tables, pretax deductions, EFTPS (Electronic Federal Tax Payment System) and EFT (Electronic File Transfer) support, and electronic media reporting for all states.

4 Security

Payroll systems contain extremely sensitive employee data, including social security numbers and financial information. Because many employees prefer to be paid on payroll cards or by direct deposit, your payroll software will have employee bank account numbers, as well as banking information for your company's payroll accounts. It is absolutely essential that any payroll solution you select be protected by a comprehensive yet easy-to-configure security system. Rules should govern who can see, modify, approve, report, or otherwise access information, and no unauthorized person should be able to obtain access.

In addition to traditional in-house payroll software, today you can choose among many outsourced payroll providers as well as Software as a Service (SaaS) payroll solutions. When you're contemplating security, you'll want to think about the implications of keeping employee and financial information on your own internal servers versus uploading data to the cloud through a secure website or submitting data in a spreadsheet by email or file transfer.

5 Flexible payment methods

Your employees have different financial needs and goals. Offering them flexible payment methods empowers them to better manage their finances and also affords your company the opportunity to save on payroll costs. Direct deposit and payroll cards both cost much less than printing paper paychecks. These methods also reduce the risk of check fraud and eliminate the cost of cancelling and reissuing lost or stolen paper checks. The ability to support all three types of payment allows your organization to be much more flexible and effective on payday.

6 Employee self-service

A paycheck is an employee's most important benefit, so it's not surprising that payroll generates a lot of employee questions. Employee self-service (ESS) functionality that integrates to your payroll system can enable employees to review payroll information including paycheck details and pay history as well as view and print pay stubs, view or edit current W-4 and direct deposit information, and view a detailed pay statement. Choosing a system that supports ESS can help employees find the information they need about payroll on their own and reduce the volume of questions coming into the payroll or HR department.

7 Integration capabilities

It's important to think about the ability of the payroll software to integrate to your existing human resource management system (HRMS) and general ledger software, in addition to any other related applications, such as timekeeping or business intelligence. Can your payroll system or service easily exchange data with a variety of other software applications, or is it a struggle?

In particular, consider the benefits of choosing a payroll system that includes integrated HR functions as a built-in or optional component. Payroll, HR, and accounting functions have tremendous overlap, and sharing the data ensures that all systems are in sync and using the most recent and accurate data.

Integrating your HR, payroll, and general ledger systems will reduce or entirely eliminate duplicate data entry, such as adding employee, benefits, and deductions into the HRMS and entering debit and credit payroll journal entries into the accounting system. Integration cuts down on paperwork transferred between HR and payroll. Finally, integrating these data sources makes it possible to create consolidated reports that helps executives make more informed decisions about the workforce and costs.

Vendor considerations

8 Customer support

Another factor that goes hand in hand with the stability of the payroll software vendor is the quality of customer support offered. High-quality support is essential to ensuring a successful relationship. The benefits of a good support program should include software technical support through a variety of convenient methods and access to feature upgrades and tax updates.

Some questions to ask the vendor include:

- Does the support plan include software upgrades and features enhancements?
- Does it also include quarterly tax updates to the software?
- What professional payroll certifications or awards do the support personnel have?
- What technical support certifications or awards does the support organization hold?
- How many technical support reps are available?
- Is unlimited telephone support available? Email support?
- Is 24/7 self-support through access to an online knowledgebase available?
- Does online support feature the ability to “live chat” with a representative?
- What is the average response time of a technical support call?

9 Vendor stability and track record

There’s no room for error when it comes to providing employees with their paychecks on time. Consider the impact of choosing a solution from a company that doesn’t deliver comprehensive tax tables in a timely manner or does not offer adequate support and training. Its mistakes could cause you to make payroll errors that erode employee trust and possibly incur compliance fines.

To avoid these hazards, you’ll want to choose a payroll solution from a vendor with a proven track record of experience, excellent quality solutions, and solid payroll compliance expertise.

When evaluating the reputation of a potential payroll software vendor, it’s important to note how long the company has been in business and the number of clients that use the software. This is a good indicator of the quality of the product and service offered by the vendor.

Next, consider the types of industries the company serves and the size businesses served. Does this vendor have experience serving organizations like your own? This will help you predict if the product will be a good fit with your organization.

Finally, examine the vendor’s network of local partners who can provide you with on-site support, customization, and implementation assistance. Larger payroll vendors tend to have broader networks of more established implementation partners.

10 Local support

Local support for your payroll software is often an important consideration. It can include sales support, installation of the software, and implementation, as well as ongoing support. Travel expenses can be reduced or eliminated if a local representative is nearby and available to implement and support the software onsite when needed. By going through a local representative, companies can usually set up the software more quickly than going through the vendor, which may be backlogged with other implementations. Having the support of a local representative also allows you to develop a personal, one-on-one business relationship that many companies prefer.

11 References

When selecting a payroll software vendor, it's a good idea to check the references of other companies using the system. Most vendors will make these references available to you, so be sure to take advantage of this by calling several of them to discuss their experiences with the vendor and the software. To get the most applicable information, ask your vendor for the names of companies similar to yours. For example, talk to references in the same or similar industry in your geographic area with a similar company size. You can also request references with similar payroll needs, such as specific options or features that you're considering.

Implementation planning

12 Hardware

Hardware requirements are an important consideration when selecting a new way to process your payroll. Will the IT department have to purchase any additional equipment, such as servers, or software, such as a different operating system or database, in order to support an in-house software solution? This is a key area to consider, especially when deciding whether to replace an outsourced payroll solution with an in-house payroll software solution.

13 Data transfer and conversion

Consider how data from the existing system will be entered into the new system. Will the data need to be manually entered, or can it be imported? It's especially convenient if the vendor offers an easily customizable link to transfer data from one system to another. This often involves setting up "translation tables" in the link template that equate fields in the old system to fields in the new system. Once the data is transferred, it's necessary to verify that all information is correct. This can be done by running reports from both systems and comparing the results.

14 Implementation resources

Consider who will be performing the installation and setup of the new payroll system. Does the vendor offer implementation and consulting services? Will you need to choose a reseller?

It's important to keep in mind the amount of manpower typically required during a software implementation. Don't underestimate the amount of time and resources you'll need to ensure a quick and accurate transition from one payroll system to another. You may need to hire a temp to perform data entry or require your employees to work additional hours to analyze reports for accuracy while performing side-by-side processing of your new and old payroll systems.

Don't consider your implementation complete without training for the key personnel who will use the new payroll system. Avoiding mistakes in the sensitive (and potentially costly) area of payroll is definitely worth the cost of professional training from your solution vendor.

15 Side-by-side processing

After the implementation of the new system is complete, most companies check the accuracy of the new system by running both the old and new payroll systems parallel for a period of time. This period is up to the discretion of the company—it can be one payroll run, a month, or three months. Again, accuracy of data can be determined by running the appropriate reports. In particular, cross-referencing the numbers on payroll history, check history, and earnings, deductions, and tax reports is a good way to determine if everything is set up correctly in the new system. Discrepancies can often be traced back to outdated tax tables in the old system, inaccurate translation tables, or slightly different pay groups.

Conclusion

As you've seen, there's a lot to think about when considering a change to your payroll process. The good news is that the time you spend thinking and planning now will definitely save you in the long term.

Choosing the right vendor will be one of the most important contributors to your success. The right vendor will have top-quality solutions, of course. But the right vendor will also be able to educate and guide you in your planning and evaluation phase and support and train you to get the most out of a new payroll solution. Choose a vendor with long-standing payroll experience, a proven reputation for product excellence, and world-class customer support.

Sage is committed to supporting small and medium-sized companies by developing solutions that create greater freedom for them to succeed. For more than 30 years, we have been a leader in the development of Human Resource Management Systems (HRMS) and payroll software.

For more information about our products and services, visit: [SageHRMS.com](https://www.sagehrms.com)

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