

# SECTION 12: PAYROLL SYSTEMS AND TECHNOLOGY

## Review Questions

1. Other company systems that interface with payroll include:
  - Human resources
  - Benefits
  - Accounting
  - Bank reconciliation
  - Direct deposit
  - Time and attendance
  - General ledger
2. Commonly used payroll system edits include:
  - Warning that a check is being generated for a terminated employee
  - Report for new hires
  - Error message when no check is generated for an active employee
  - Error message for negative net pay
  - Error message for negative deductions
  - Report when compensation exceeds certain amounts
  - Report for excessive overtime (or any overtime in some companies)
  - Report when rate of pay changes
3. The payroll department's customers include:
  - Employees
  - Other departments
  - Upper management
  - Federal, state and local government agencies
4. Reasons why an integrated payroll, human resources, and benefits system would benefit a company include:
  - Streamlining functions that make up the highest percentage of cost in most organizations
  - Storing complete data in a single separate database, which means that the information needed to make intelligent business decisions is readily available,
  - Significant improvements in existing systems are often impossible, because most of their time and energy is spent supporting necessary interfaces among the existing systems' databases
5. Representatives of the following departments should be included on the system selection and implementation project team:
  - Payroll
  - Human resources
  - Benefits
  - Accounting
  - Tax

- Budget/finance
  - Data processing/MIS
  - Facilities
6. A successful automated payroll system must:
- Provide for compliance with federal, state, and local withholding, depositing, and reporting requirements
  - Issue timely and accurate paychecks and/or make accurate direct deposits and payroll card account deposits
  - Maintain adequate records of all data and transactions
  - Prepare internal reports
  - Guarantee the security of the system
7. Slow response time to needed changes and emergency requirements.
8. Advantages of using an in-house automated payroll system include:
- Control of the system
  - Convenient access
  - Downtime can be reduced
  - System security
  - Scheduling flexibility
  - Interactive applications
9. A Current Situation Analysis should include the following components:
- Documentation of all work flow into/out of the current system
  - Documentation of the procedures for maintenance, including who is called, response time, and average downtime
  - Identify who receives information from the payroll system, how often, and whether they are using it
  - Along with the end users, identify and prioritize complaints, problems, and restrictions
  - Identify any actual or potential compliance problems
  - Document any manual processes that might be eliminated by automation
  - Identify all costs of the current system—tax updates, corporate policy changes, computer time, paper, system shutdowns, etc.
10. A Request for Proposal should include the following:
- The employer's purpose in issuing the request
  - Specific payroll information—size, frequency, union vs. nonunion, salaried and hourly
  - Functional requirements of a new system now and in the future
  - Number of fields required for earnings and deductions
  - Whether human resources and benefits will be integrated with the payroll system and what interfaces will be required
  - Training needs and whether this should be included in the bid
  - Level of support (maintenance) expected
  - Contract terms and conditions
  - Instructions to vendor on how to submit proposal

## The Payroll Source

11. Common mistakes made during selection of a new payroll system include:

- Not including representatives of all the potential user departments
- Failing to provide enough time for project team members to work on their system selection duties
- Failing to prioritize needs and desires
- Making decisions without sufficient input
- Failing to consider all the costs associated with a new system
- Making on-site visits only to customers referred by a vendor or service provider
- Failing to thoroughly check for signs of obsolescence
- Failing to negotiate performance guarantees
- Not considering future company needs—shortsightedness

12. Four environmental concerns that need to be addressed regarding new system hardware are:

- Need for climate controlled rooms
- Power surges or spikes
- Dirt
- Humidity

### True or False Questions

1. True

2. True

3. True

4. True

5. False      Documentation is a very important part of a company's overall control mechanisms.

6. True

7. True

8. False      An automated time and attendance system can often reduce the errors inherent in a manual timekeeping system.

9. True

10. False      An automated time and attendance system should integrate with an employer's human resources, payroll, and cost accounting systems.

11. False      The initial step in selecting a new payroll system is to put together a project team or task force.

12. True

13. False      The final test before going live with a new system is called parallel testing.

14. True

15. True

**Multiple Choice Questions**

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|------|-------|
| 1. b | 9. a  |
| 2. b | 10. c |
| 3. a | 11. d |
| 4. b | 12. b |
| 5. b | 13. d |
| 6. b | 14. c |
| 7. b | 15. a |
| 8. d |       |