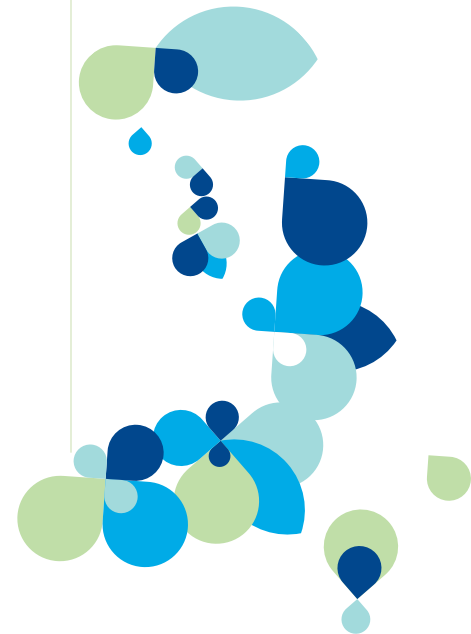




*15 Factors to Consider When Changing
How You Process Payroll*

15 Factors to Consider When Changing How You Process Payroll addresses the following areas:

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Introduction

When changing how you process payroll, there are numerous considerations that must be taken into account. You will want to think about the features that are important to your company and decide on a solution that meets your needs within budget. The key to selecting the right payroll solution for your organization is to make certain that all of the vendors you evaluate can meet your needs before you begin to narrow down your choices. As you gather requirements and create your Request for Proposal (RFP), 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 factors to keep in mind:

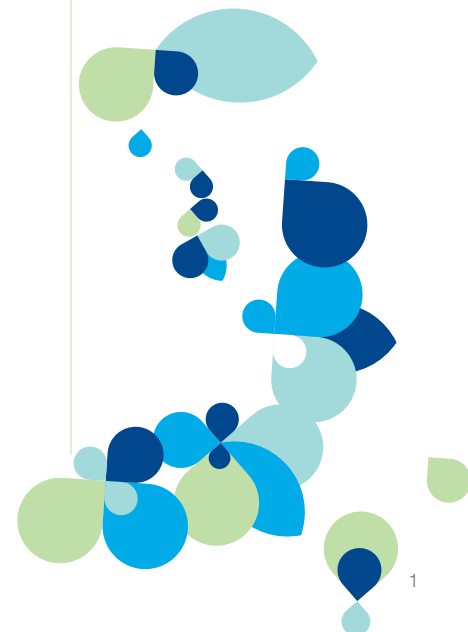
Starting Your Evaluation

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, 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. To avoid these issues altogether, and to help the implementation run as smoothly as possible, it's usually recommended that companies switch at a quarter-end or year-end. This isn't a necessity, however. If it makes sense for your company to implement a new payroll solution at a different time, just make sure to ask your vendor if there are any special considerations that need to be kept in mind.

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.



3. Payroll Tax Management and Reporting

Payroll tax management is certainly a critical aspect of any payroll software, and plays a big part in how successful the software will be at meeting your ongoing needs. When evaluating software vendors, be sure to inquire about the process for updating tax table information. It's most convenient for customers to receive updated tax table information on an automatic basis at regular intervals, such as once a quarter. Also important to consider is the method for distributing tax updates. Are they available on a downloadable basis, or are they 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, and local tax table updates, the software should also support supplemental tax tables, pretax deductions, EFTPS (Electronic Federal Tax Payment System) support, and electronic media reporting for all states.

4. Security

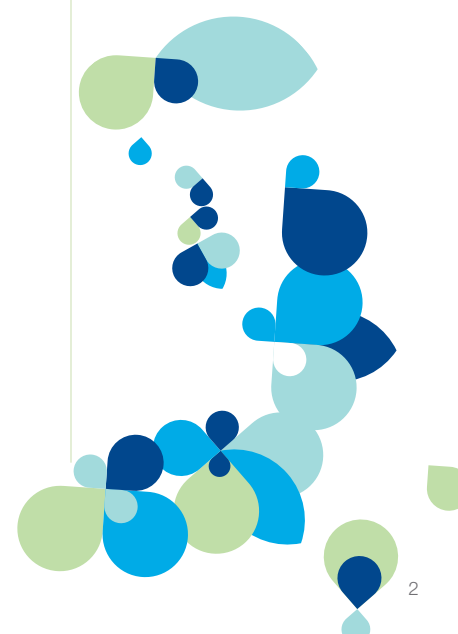
Payroll systems contain extremely sensitive employee data, including social security numbers and financial information. Because many employees prefer to be paid on payroll cards or by direct deposit, your payroll software will have employee bank account numbers, as well as banking information for your 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.

5. Payment Flexibility

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 their payroll history and access their paystubs. 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.

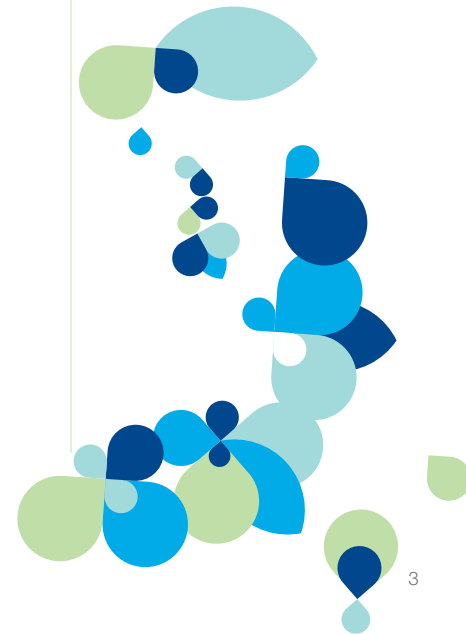


7. Integration Capabilities

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 systems. Can your payroll system or service easily exchange data with a variety of other software applications, or is it a struggle that involves manual import and export of the information you need?

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. There are many benefits of having integrated HR, payroll, and general ledger systems, including:

- **No duplicate data entry**—Changes made to the database are made only once. This eliminates errors and the need for duplicate data entry, such as employee, benefits, and deductions into the HR system, and debit and credit payroll journal entries into the accounting system.
- **Less paperwork**—When payroll, HR, and accounting data are stored in the same database, you can reduce unnecessary paperwork. For example, if HR enters a new benefit for an employee, the payroll deduction amount can be automatically established as part of the benefit plan. There is no need to submit another paper document to the payroll department.
- **Integrated reporting**—Consolidated reporting is valuable to management, but is virtually impossible without an integrated database and reporting tools, including built-in and customizable reports. For example, management needs a report outlining each employee's "total compensation package." This report must contain employee information, benefits data from HR and compensation data including regular, overtime, vacation, bonus, commission, and more from payroll. You can only create this type of consolidated reporting with an integrated solution



8. Vendor Stability and Track Record

Payroll is your company's largest expenditure, and is certainly the most visible business process to your employees. There is no room for error when it comes to providing employees with their paychecks. When choosing a payroll solution, it's important to select an established vendor with a proven track record in offering excellent payroll products and support. Consider the impact of choosing a solution from a company that doesn't deliver comprehensive tax tables in a timely manner or offers technical support on a call-back basis. The resulting fines or late paychecks could be disastrous to your company, as well as to your employees.

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. Additionally, consider the types of industries the company serves and the size businesses served to determine if the product will be a good fit with your organization.

9. 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, so be sure to determine if the company will meet your standards for support. Some questions to ask the vendor include:

- 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?
- Is 24/7 self-support through a website available?
- What is the average response time of a technical support call?

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.



Vendor Considerations

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 in order to support an in-house software solution? Or does the software run on operating systems and hardware that the company already owns? This is a key area to consider, especially when deciding whether to replace an outsourced payroll solution with an in-house payroll software solution.

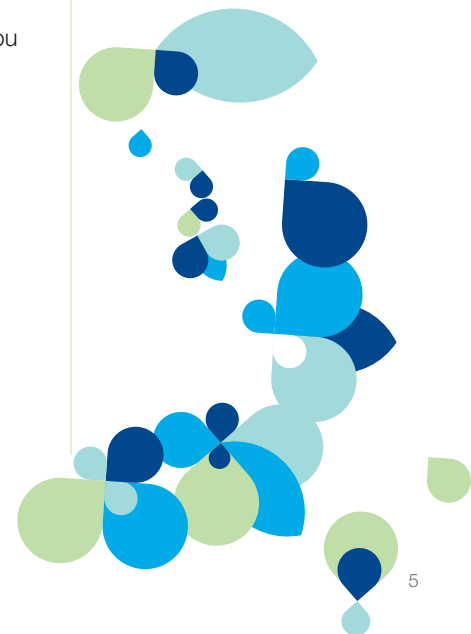
13. Data Transfer and Conversion

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? Or will you be required to set the system up on your own?

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.



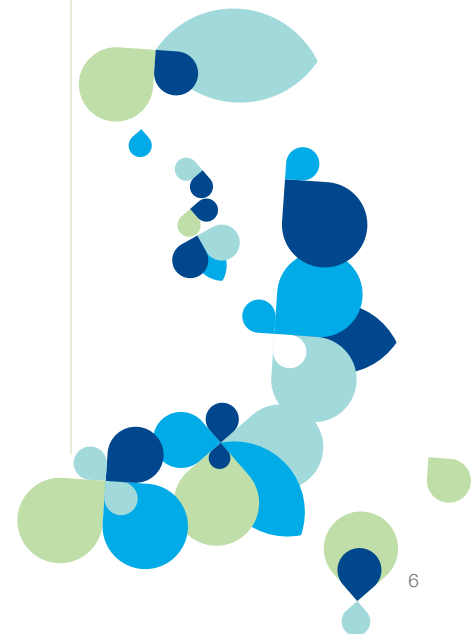
Implementation Planning

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

When selecting and deploying a new payroll processing solution, there are many factors to take into consideration. One of the most important of these is choosing a vendor known for experience in the payroll software industry with a reputation for reliable business solutions and world-class customer support. Sage has been an industry leader in mid-market Payroll and HRMS systems for 20 years. Our software is supported by a nationwide network of Certified Business Partners who are your local resource for implementation, training, service, and support. For more information, please call us as 800-424-9392, or visit our website at: www.sageabra.com.





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