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Implement a New Payroll System the *Right* Way

The Payoff in Payroll Training

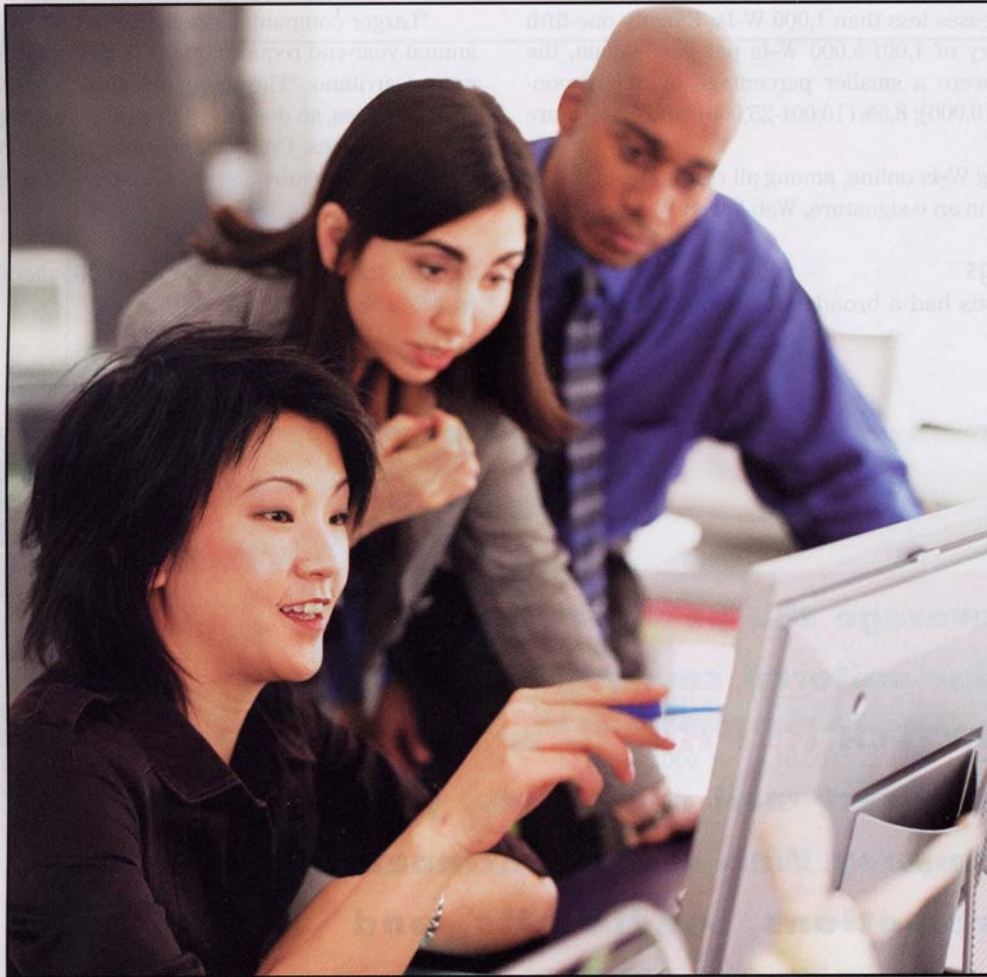
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Learn Practical Tips for Implementing a New Payroll System



When your company implements a new payroll system, it provides an opportunity to review procedures to determine which are outdated and which can be streamlined. These decisions will require input from all personnel involved in the payroll process.

You may also want to invite a consultant to perform a needs analysis. Although it can be costly, a consultant's objectivity can be invaluable. A consultant may also recommend a payroll system and assist in the implementation process.

Whether or not you enlist the aid of a consultant, you'll still need to research different systems. Visiting vendor Web sites and speaking with salespeople are good ways to learn about the features common to all payroll systems. You'll also learn about features you never knew existed.

Get Vendors and Consultants Involved

Invite several software vendors to your office so they can pitch their software. When you do this, you should be armed with a list of features categorized as either “must-have” or “nice-to-have.” The vendor should directly address every issue on your list without tap dancing around its product’s weak areas.

Also, make sure the vendor gives you references from companies similar to your own—not just similar-sized companies, but in similar industries and performing similar processes.

If possible, visit the vendor’s office and talk to the people behind the software. Meet the support team, the operations team, and the programmers. Salespeople typically talk about their software with a gung-ho attitude, while operational people provide a more objective assessment of their product’s capabilities.

Consider the Fine Points

When all of your product questions have been answered and you’ve decided which payroll system to implement, you will have other things to consider:

What date do you plan to go live? Although January 1 is best, it’s not always practical. If January 1 won’t work, I recommend beginning on the first day of a quarter, April 1, July 1, or October 1.

Will you work with an implementation consultant (IC) from your software vendor? I recommend that you do. An IC will help you through the process, beginning with a list of tasks to be completed and a time frame in which to complete them.

Whether or not you work with an IC, you should hold another interdepartmental meeting to develop a list of tasks, assign tasks, and develop a time frame to complete them. Included on the task list should be the evaluation of current policies and procedures and the development of new ones. This is another area where working with an IC can be advantageous.

Perhaps the IC has worked with a company similar to yours and could “borrow” elements of the other company’s policies and procedures. Or, there might be policies and procedures already documented by the software company that the consultant can incorporate into your company’s operation.

Additionally, the development of new policies and procedures often leads to questions that weren’t thought of during the decision process. Ready access to an IC facilitates answers to these questions. If you’re not working with an IC, when these questions arise you must determine the answers before finalizing your policies and procedures. Policies and procedures should not be based on guesses and/or assumptions.

Another task on your list will be inputting employee data into the new software. Working with an IC can also be invaluable here. If you’ll be importing data from the old payroll system, your IC can arrange data in the format needed for importing. That can save you hours—maybe even days—of trial and error.

Prior to importing the data, you’ll want to determine the

data to import. If you’re looking at a January 1 start date, do you want to import prior years’ figures? Do you want to import information for current and terminated employees? Will you still have access to your old payroll software once you’re using the new system?

When importing data, it’s also important to pay attention to the differences between the old and new payroll systems. The last time my company changed payroll software, we exported data from the old system into Excel, which we were then able to import into our new system.

We ignored a few minor details, such as the fact that the data in our old system was in all capital letters, while our new system used proper case (first letter of each word was capitalized). Our old system didn’t have fields for middle initials or suffixes, but our new system did. As a result, we had a lot of post-import data editing that could have been done more quickly in the Excel files.

Allot Time for Parallel Processing

When you’re developing an implementation time frame, allot as much time for parallel processing as possible. My suggestion is one to two months, based on your payroll frequency.

Working parallel is another area where an IC can be invaluable. When unanticipated questions arise, you’ll want them answered quickly. And if something goes awry, you’ll have someone there to push the process along. If technical help is needed, an IC can usually navigate the software company’s tech support system.

Finally, if there are differences in the output between your old payroll system and your new payroll system, an IC can help determine the reasons.

Wait! You’re Not Finished

When your new payroll system goes live, you may think the hard part is done, but think again. Be prepared to hear questions and concerns from employees who wonder why their paychecks look different and what the various taxes and deductions mean.

When my company first implemented its current payroll system, we received calls from some of our employees in New York asking why their voluntary deductions include \$0.60 for disability insurance. Our previous payroll system did not distinguish payroll taxes from payroll deductions, so the employees weren’t being shown the deduction as voluntary before. We responded that it wasn’t technically a payroll tax; by working in the state of New York, they volunteered to pay the disability insurance.

Don’t Take Chances

An ideal payroll system encompasses the needs of the payroll department and those who interact with it. To ensure that you implement a system that is ideal for your organization, don’t leave anything to chance. Be involved in every step from design to implementation, and involve others as needed to streamline the process. You’ll be glad you did!

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