The Complete Buyer's Guide For **Payroll Software**

The Complete Buyer's Guide for Payroll Software

Welcome! For more than 20 years, Sage has been helping midsized businesses in all industries choose and implement Sage Abra Payroll and Sage Abra HRMS systems. Our experience has taught us that people need more than just product information to successfully select and deploy payroll solutions. That's what this Buyer's Guide is all about.

We've distilled what we've learned from our many successful Sage Abra customers and have structured it as useful information you need to know, including:

- Recent Payroll trends
- How to analyze the effectiveness of your current payroll software
- Key software capabilities checklist
- Considerations when converting to your new payroll software
- Evaluating the company behind the product

Why would a software company write a buyer's guide that doesn't promote its own products? Because we've discovered that the more people know about payroll software, the more likely they are to choose a product like Abra Payroll. An informed professional usually ends up becoming our customer, so we have a vested interest in sharing information with you.

The Choices

When making the switch to a new payroll solution, it's important to carefully weigh your company's needs and budget when selecting a vendor. Payroll solutions typically fall into one of two types:

- **Commercial software**—Payroll software that runs on your PC or server and allows you to run your own payroll and manage all your payroll processes in-house, including printing checks, reporting, forms, and managing direct deposits and payroll taxes. Commercial payroll software typically involves a one-time software purchase and annual support contract for software enhancements, tax table updates, and technical advice.
- **Outsourced**—A service bureau processes your payroll, prints checks, handles tax filing, and prints W-2s and other year-end forms. The bureau maintains all payroll data and charges initial and ongoing "per employee" or "per check" processing fees for the service, with additional fees for optional services and reports.

Of these, commercial software typically offers more flexibility and return on investment for midsized companies. Not only is commercial software more cost-effective, it allows you to protect wage and salary information and maintain control over payroll processing to easily handle last-minute changes. With the many commercial payroll software options available, selecting a solution and a vendor can seem like a difficult task. That's why it's important to arm yourself with good information, and know the right questions to ask.

Recent Payroll Trends

Integrated HR/Payroll Capabilities

An important trend in payroll solutions is integration with HR applications. For progressive organizations, the strategic alignment of payroll and human resource departments is no longer a "nice-to-have" but rather a "must-have." HR, Payroll, and Benefit 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 to having integrated HR capabilities with your payroll software, including:

- **No duplicate data entry**—Changes made to the common HR and payroll database need to be entered only once. This eliminates errors and the need for duplicate entry of employee, pay rate, benefits, and deduction information.

- **Less paperwork**—With payroll and HR data 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. 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 report with an integrated solution.

Payroll Automation with Employee Self-Service

Another notable trend in payroll software is the move towards streamlining the payroll process using web-based employee self-service (ESS) technology with integrated workflow features. Automating payroll processes with ESS disperses routine tasks back to the employees. This strategy can lower payroll costs without taking anything away from employees, making it a very attractive cost-containment strategy.

The key benefits of payroll with ESS that can contribute to the company's bottom line are:

- **Reduced payroll call volume**—Employees have direct access to a greater amount of their payroll data, so they can request changes online and answer most of their own routine payroll-oriented questions.
- **Reduced transaction costs**—Partially or completely replacing paper-based paycheck distribution with direct deposit and ESS reduces (or eliminates) the time and physical costs associated with payroll distribution. Direct deposit with ESS eliminates the need to print and mail direct deposit advices. Employees can receive their pay stubs online and print them out if they wish. ESS can also reduce the costs of copying, routing, and filing paper forms. For example, employees can request W-4 changes online.
- **Elimination of manual data entry**—Data entered by employees is transferred directly to the payroll database, relieving payroll staff members from manually entering data. This improves productivity and reduces errors.

When searching for payroll software, consider the integrated HR and ESS capabilities the software offers and how your company can benefit from them now and in the future.

Analyzing Your Current Payroll System

Before you begin the search for new payroll software, you should analyze your current payroll software capabilities and payroll procedures. This will help you to identify more specifically the areas where current and future business needs are not being met. This in turn will help guide your new payroll software selection.

Payroll Function	Evaluation Criteria Does Your Current Payroll Software...	Meets Needs	Doesn't Meet Needs
Business Organization	• Allow assignment of codes that accurately reflect your business structure (for example multiple employers, divisions, departments, locations, jobs, projects, and more)?	☐	☐
Payment Policies (Earnings)	• Allow earning codes to be defined that accurately reflect your payment and reimbursement policies for each employer, employee, and contractor in your business?	☐	☐
Employee Time Collection and Processing	• Accurately and easily collect and process time information (including regular time, overtime, illness, vacation, bonuses, and labor allocations) with timesheet entry templates and/or interfaces with external time collection systems?	☐	☐
Accruals and Attendance Tracking	• Accurately, easily, and flexibly accrue time for employee attendance plans (such as vacation, personal, and illness) and track and report each employee's accrued, taken, and available balance hours for each plan?	☐	☐

Payroll Function	Evaluation Criteria Does Your Current Payroll Software…	Meets Needs	Doesn't Meet Needs
Deductions	• Allow you to define deductions from pay for each employee (such as insurance premiums, savings plan contributions, union dues, loan repayments, garnishments, tool purchases for the job, tax-deferred contributions, and charitable contributions)?	☐	☐
	• Allow you to easily and flexibly manage the deductions with rules such as withholding frequencies, calculation methods, employer matching, and accumulating in arrears?	☐	☐
Payroll Processing	• Allow you to set up user-defined pay groups and then quickly and accurately perform gross-to-net calculations that include earnings, deductions, and tax withholdings and create check information for the current pay period?	☐	☐
	• Allow you to run a "trial payroll" gross-to-net calculation process and reports to ensure that all amounts balance prior to creating history records and printing checks?	☐	☐
Printing Checks and Direct Deposit Advices	• Allow you to preview and print standard and customized checks and direct deposit advices for selected pay groups?	☐	☐
	• Support MICR (magnetic ink character recognition) printing on checks that meets bank standard specifications?	☐	☐
Banking	• Support the ACH (Automated Clearing House) Federal Reserve System standards for creating transaction files to the ACH member bank to process your employees' direct deposits and your company's tax deposit information required for depositing federal payroll taxes electronically?	☐	☐
	• Support State Disbursement Unit (SDU) Routing Numbers for electronic funds transfer (EFT) of child support payments?	☐	☐
Tax Management	• Support standard federal, state, and local tax tables that are updated automatically?	☐	☐
	• Support supplemental tax tables for earnings such as bonuses, commissions, royalties, and more?	☐	☐
	• Support pretax deductions?	☐	☐
	• Support the Electronic Federal Tax Payment System (EFTPS) and electronic media reporting for all states?	☐	☐
	• Record tax deposits/liabilities for federal, state, and local taxes? And track due dates?	☐	☐
	• Support an interface to create and transfer files to a tax filing service (for those who wish to outsource this function)?	☐	☐
Closing	• Support "quarter-close" and "year-end close" processes that automatically generate required information for reports, tax forms, and other quarter-end and year-end information?	☐	☐
Integration with Accounting General Ledger	• Allow you to post the pay period's debit and credit payroll journal entries to your company's general ledger by way of electronic file?	☐	☐
Reporting	• Provide standard preformatted reports that allow you to use sorting options and selection criteria to meet your specific needs?	☐	☐
	• Provide a report writer so that you can create unique presentation-quality customized reports and data analysis?	☐	☐
	• Provide ad hoc query tools that enable you to quickly and easily generate or modify requests for specific information?	☐	☐
Security	• Have a flexible and easy-to-use security system to protect your data including password protection, restricted user access rights to specific fields or employee records, and an encrypted database to keep unauthorized users from accessing payroll data using third-party products?	☐	☐
Customization	• Allow you to customize the system to meet your specific needs including creation of custom fields, screens, menus, data tables, and reports?	☐	☐

Key Software Capabilities Checklist

After you have evaluated your current payroll software and procedures, it's time to compile a list of key software capabilities your company will need in a new payroll solution. The following checklist includes the minimum features that should be included in a payroll software solution. Any unique requirements your company may have should be added to this list.

Feature	Description	✔
Earnings	• Unlimited earnings codes • Employer-specific earnings codes • Earnings setup interview or wizard • Earnings categories for work performed, bonus, tips, and so on • Base pay earnings • Premium pay earnings • Tax only earnings • Reimbursement earnings • Allocation rules • Accrual rules • Calculation rules • FLSA overtime calculations	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Time Collection	• Automatic timesheet templates for employees working a predictable schedule • Manual time entry templates • Interface with time clock system • Delete timesheets, if needed • Flexible employee groupings for timesheet entry • Custom format time entry screens	☐ ☐ ☐ ☐ ☐ ☐
Accruals	• Accrue vacation, personal, and illness time • Track hours accrued, hours taken, and hours available • Define different accrual rates based on job code • Define different accrual rates based on employer or employee • Suspend accruals for employees • Easily accrue attendance plans to a specified date • Accrue time based on employee, organization level, status, or attendance plan • Automatically post absence transactions after time is accrued	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Deductions	• Deduction setup interview or wizard • Unlimited number of deductions for each employee • User-defined maximum withholding amounts • User-defined deduction start and stop dates • Define deductions based on multiple criteria • Accumulate in arrears • Flat amount deductions • "Earnings times percent" deductions • "Hours worked" deductions • Section 125 deductions • Flexible criteria for determining employer match • Define deductions as one-time or reoccurring • Garnishments	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Feature	Description	✔
Pay Processing	• Create on-demand checks • Retroactive paychecks • Void and reissue single checks, and update the appropriate accounts • Gross-up calculator • Unlimited trial payrolls before final payroll is run • Customizable actions that take you through step-by-step payroll process • Reconcile and edit previous quarter while processing a payroll for the next quarter	☐ ☐ ☐ ☐ ☐ ☐ ☐
Check and DDA printing	• Print paychecks for specific pay groups or all employees • Print separate checks for different earnings types • Preview before printing • Print test checks • Designate different check stocks for printed checks • Control alignment of checks based on printer type • Print user-defined fields on checks and advices • Suppress certain fields from printing • Print on-demand checks • Laser signature • MICR	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Direct Deposit	• Automatic ACH file creation • Unlimited direct deposit accounts for each employee • Distributed to a combination of check and direct deposit • Designate a deposit sequence for multiple direct deposit accounts	☐ ☐ ☐ ☐
Tax Management	• Standard federal, state, and local tax tables • Automatic quarterly updates of tax tables • Federal employer Medicare, Social Security, and unemployment taxes • Federal employee income and Social Security taxes • State income, unemployment, and disability taxes based on employer's address and employee's work state • State child support payments • Workers compensation taxes • Supplemental tax tables for bonuses, commissions, royalties, and more • Pretax deductions • Tax withholding parameters including filing status, exemptions, and priorities • Record tax deposits/liabilities for federal, state, and local taxes • Track tax deposit/liability due dates • W-2, 1099, 940, 941, 943, and CT-1 payment types • ACH credit transaction files in accordance with Electronic Federal Tax Payment System (EFTPS) • Originating Depository Financial Institution (ODFI) routing • Receiving Depository Financial Institution (RDFI) routing • Electronic media reporting for all states • Interface to create and transfer files to an optional tax filing service	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Feature	Description	✔
Reporting	• Built-in standard payroll reports • Report writer for custom reports and analyses • Easy-to-use ad hoc queries • Multiple report and query output formats including printed report, email, spreadsheet, text file, and XML • Workers compensation reporting to meet state specifications • Balancing audit reports • Quarter-end audit reports • Tax code wage and liability audit reports • 1099 file electronic media report • W-2 file electronic media report • Quarterly tax and wage file reports • 941 worksheet • Form 941 • Quarterly report of wages paid • Preclose report of employee deductions, earnings, and taxes • 401(k) reports • Check/direct deposit register reports • Check reconciliation reports • Gross-to-net detail reports • Tax withholdings by tax code reports • Unemployment/disability wages reports • Direct labor distribution reports • Leave status reports • Timesheet reports • 1099-MISC reports • 1099-R reports • Form 943 worksheet reports • Form 1096 • Form W-2 • Form W-3	☐ ☐
General Ledger Integration	• Map defined employers, divisions, departments, locations, jobs, projects, and more to General Ledger chart of accounts • General Ledger distribution reports • Define General Ledger components for each earnings code • Automatically distribute expenses for each deduction to the correct General Ledger account	☐ ☐ ☐ ☐
Security	• Database encryption • Security groups with flexible security access—control access to sensitive information • Field-level security • Record-level security • Comprehensive audit trails • Password-protected user access	☐ ☐ ☐ ☐ ☐ ☐

Feature	Description	✔
Customization	• Custom check and DDA forms • Custom fields • Custom tables • Custom screens • Custom menus • Custom reports • Print company logos on checks and reports	☐ ☐ ☐ ☐ ☐ ☐ ☐
Pay History	• Earnings • Tax withholdings • Deductions • Month-, quarter-, and year-to-date • Pay rate changes • Summary of each gross-to-net pay record • Amount of withholdings in arrears • Prior quarter history	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Allocations	• Allocate employee earnings by organization codes, job titles, and projects • Allocate earnings based on a percentage amount or a number of hours • Reports showing the portion of payroll expenses charged to each organization code, job, and project	☐ ☐ ☐
Job and Pay	• Multiple jobs for each employee • Multiple pay rates for each employee • Multiple shift differentials	☐ ☐ ☐
Employee Information	• Name • Address • Phone • Email • Birth date • Social Security Number • Gender • Disabilities • Employee photo • Original and last hire date • Pay rate and frequency	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Employee Self-service	• View pay history, earnings, payroll deductions, tax withholdings • View and print pay stubs and direct deposit advices • View and print W-2 forms • Employees submit W-4 to change federal withholding elections	☐ ☐ ☐ ☐
Other	• Cross employer transfers • Mass update pay rate changes • Deductions automatically link to benefits • Set up step-by-step actions to take you through payroll processes • Employee file attachments • One source provider for a variety of check stock • Online help • Intuitive navigation • Employer, division, department, location, job, and project codes	☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Annual Support Agreement	• Includes automatic quarterly updates of tax tables • Includes software upgrades and enhancements • Includes telephone technical support during business hours • Includes 24/7 self-service support through website	☐ ☐ ☐ ☐

Considerations When Converting To New Payroll Software

- **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 historical data from the previous year or two through a link product 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.
- **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? If any internal resources will be required during the implementation, it's important to plan for this.
- **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.
- **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 in 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.

The Company Behind the Product

Payroll is probably your company's largest expense. And it 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 and experienced vendor with a proven track record in offering excellent products and support.

Here are key questions to ask when evaluating the reputation and service of a potential payroll software vendor:

- How long has the company been in business, and how many clients use the software?
- What industries does the company serve?
- What size businesses does the company serve?
- Can you speak with other similar clients who use the software?
- What professional payroll certifications do the support personnel have?
- What technical support certifications or awards does the support organization hold?
- Is unlimited telephone support offered?
- Is 24x7 self-service support by website offered?
- Will the support plans offered meet your specific needs?
- What is the standard policy for providing software updates, upgrades, and enhancements?
- What is the average response rate of a technical support call?
- When on-site help is needed by a customer, how is this handled?
- Does the company stay consistently up to date on all tax tables and governmental reporting changes?
- How, when, and where is user training provided?

Conclusion

When selecting and deploying a new payroll software solution, there are many factors to take into consideration. Besides specific software features and functionality, it's important to choose a vendor known for experience in the payroll software industry with a reputation for reliable business solutions and world-class customer support. Sage Abra HRMS has been the industry leader in mid-market Payroll and HRMS systems for 20 years. Our software is supported by a nationwide network of business partners who are your local resource for implementation, training, service, and support. For more information, please call us at **800-424-9392**, or visit our website at: **www.SageAbra.com**

Blytheco LLC

Sage Software
Partner of the Year

www.blytheco.com
1.800.425.9843

Sage
888 Executive Center Drive West
St. Petersburg, Florida 33702
800-424-9392 | www.SageAbra.com