SUPPORTING THE ASSESSMENT AND
REDESIGN OF PAYROLL PROCESSES

CASE **BACKGROUND**

When a higher education institution with 4,000 employees began to detect small indicators of a potentially larger problem, we were contacted to step in and perform a third-party assessment of the human resources and payroll functions and processes. There were concerns that the issues were coming from the way payroll was being processed, as the management of the payroll function was new to the organization. Our goals for the assessment included identifying opportunities for technology systems upgrades, enhanced audits and controls, strengthened analytics and reporting, optimized productivity and quality of work, reduced costs, reliable fraud prevention and better enforced compliance with payroll policies and government regulations.

OUR **APPROACH**

Aiming to focus only on the current year's processes, we utilized many strategies during our assessment. First, we gathered expectations surrounding key payroll components, the current vendor, size, type, and complexity of the organization, the tenure of the organization and staff and the issues presented for consultative review. We then compared these expectations across industry benchmarking to identify any gaps in compliance and processes. In addition, we conducted individual and group interviews of key human resources, benefits, payroll, finance and information technology personnel, and shadowed payroll employees to learn the payroll process from beginning to end. Lastly, we analyzed the documentation of configuration, registers and standard operating procedures in search of inconsistencies with the stated process and expected compliance.

KEY **FINDINGS**

As a result of the assessment, we found many human resources and payroll issues including limited payroll engine functionality, frequent overpayments and off-cycle checks due to running multiple pay cycles for different employees, and manually tracked timekeeping. We also discovered multiple flaws relative to their in-house tax filing process which left the client vulnerable to non-compliance. We presented these findings to the executive board with full transparency using a SWOT analysis.

THE **SOLUTION**

To solve the human resources and payroll issues we identified, we recommended the following solutions:

1. Consolidate the pay frequencies to two biweekly pay cycles (one exempt, one non-exempt) and alternate weeks to normalize processing work in operations.

2. Implement technology that integrates the payroll, payroll and time, and labor systems to save time and maximize value.

3. Position human resources and payroll teams as strategic business partners to develop holistic roadmap for institution.

4. Transfer manual and systemic processes to an outsourcer to eliminate non-compliance and payment risks.

THE **RESULTS**

We worked closely with the client's key personnel to implement a smooth redesign of their business processes. Following our recommendations, the institution contracted an outsourcer for tax filings and deposits, implemented new technology to streamline their processes and merged six pay frequencies into two. The client was also able to streamline a large portion of their complex deployment phase as a result of our documentation on system requirements and critical design specifications.

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