

# PROVIDING SUPPORT THROUGH PAYROLL CRISIS MANAGEMENT

## CLIENT CHALLENGE

When a business in the construction industry reached out and informed us of their challenges involving the payroll, tax and human resources functions, we agreed to assess the situation and provide solutions as a neutral third party. During our assessment, we discovered that the business, with 540 employees and an annual revenue of \$800 million, was close to experiencing a crisis. Below are some of our findings:

- High risk of fraud due to paying out multiple systems without reconciling with audit trail
- Incorrect Form W-2s issued to 20 percent of employees, resulting in **\$580,000 in reversals, adjustments and errors**
- 2 percent of total payments were not posted to the client's General Ledger account
- Delay of the client's fiscal year close due to discrepancies and reconciliation issues
- Facing **\$1.6 million in back taxes, penalties and interest** owed to IRS
- Issues with reconciling legacy shadow payroll and regular payments out of human resources and payroll systems
- Manually issued checks out of legacy system and often incorrectly updated employee records
- Utilized multiple, separate human resources systems with different functionality and data

## THE SOLUTION

After analyzing the client's challenges, our team executed solutions during a five-month process from kickoff to completion. First, we stabilized a newly implemented system and provided Interim Payroll Management services to ensure a smooth transition. We also worked to reconfigure the Human Resources and Payroll production environment and operations to allow for better organization within their systems. To help reduce the client's risk of fraud, we consolidated multiple databases and implemented new audits and controls. We also leveraged the existing human resource information system investment to make use of a program they had already owned. Using this system, we retired their legacy shadow payroll payments to eliminate the issues they were having with reconciliation. Lastly, we provided continuous support for the client's Human Resource and Payroll functions through staff reductions and reorganization throughout the implementation period.

## THE RESULTS

As a result of our solutions, this construction client was able to avoid a crisis that would have inevitably taken place had we not stepped in. We successfully helped the client to:

1. Reduce multiple systems and administrative overhead by establishing a centralized service delivery platform.
2. Create one global view of all employees and employee-related programs.
3. Eliminate risk for future payroll-related IRS fines, penalties, interest and unnecessary reversals due to resource, process and configuration flaws.
4. Complete all planned modules, processes and tasks within a tight project timeline.

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