

Top 10 Considerations When Changing Payroll Software

When choosing a payroll software vendor, there are numerous considerations that must be taken into account when narrowing down the choices. Obviously, you have to think about the features that are important to your company, and decide on a software that meets your needs within budget. However, it's just as important to consider other factors that can make a huge impact on the overall success of your payroll software selection. Here are the most important considerations to keep in mind:

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 historical data from the previous year or two via 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.

2 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.

3 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.

4 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.

5 Payroll Tax Management

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 via 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, pre-tax deductions, EFTPS (Electronic Federal Tax Payment System) support, and electronic media reporting for all states.

6 Integration Capabilities

It's important to think about the ability of the payroll software to integrate to the HR and general ledger software used by the company. 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.
- 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.

7 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 pay checks. 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 they serve to determine if the product will be a good fit with your organization.

8 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 via a Web site available?
- What is the average response time of a technical support call?

9 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.

10 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.

Conclusion

When selecting and deploying a new payroll software 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 Abra HRMS by Sage Software has been the 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 web site at www.sageabra.com.