


In-House Or Outsourced Payroll?

A guide to help you choose

 By Louise Coatta



Deciding whether to process payroll in-house or outsource to a payroll provider is a big decision. The choice can cost tens of thousands of dollars. With such a big decision, there are a lot of questions you need to ask yourself before finalizing your choice. To help you with the decision making process, this article will guide you in addressing the top questions you should ask yourself before choosing whether to go with in-house payroll or outsourced payroll.

How much Control do you want over the Pay Process?

If you're looking for control over the aspects of your payroll such as its timing, and the flexibility to make changes more easily, then in-house payroll may be your best option. With in-house payroll, you have greater control over each aspect of the pay process, giving you the most flexibility. It can also be much cheaper and easier to make updates, changes, and adjustments when they are needed. If you have collective bargaining agreements or other rules that change frequently, in-house payroll may be preferable.

On the other hand, by outsourcing payroll, you give up some control over the payroll process but you no longer have to worry about doing the payroll process. Some of the steps, like gathering time and absence

information, would likely need performing. And you will still need to double check information before you send it off, and checks after processing, as last minute changes or adjustments may be harder to do with out-sourced payroll.

How frequently do your Employees get paid? Do different Groups of Employees get paid at different Intervals?

Paying people at different intervals such as bi-weekly, weekly and monthly, means frequently sending batches of pay to a third-party for processing. If you have multiple groups of employees who need to be paid at different intervals, it can be easier to use an in-house payroll solution instead. If you have only one pay cycle to administer, then out-sourcing becomes less complex.

How often do you have to give out Last Minute Pay Checks Changes? Process off-cycle Payments?

Maintaining payroll in-house gives you the ability to quickly process a last minute paycheck or, make an off cycle-payment. When outsourcing payroll, last minute pay may not be processed in time or it may cost you more to be expedited.

Additionally, with outsourced payroll you usually pay-per-pay check



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so each additional off-cycle or last minute payment will cost you more. With an in-house payroll solution, you usually pay a license fee based on the number of employees every year. This means you can process as many additional last minute and off-cycle payments without paying more or running the risk of being unable to deliver them on time.

How Complicated is your Payroll?

How many...

- Benefit and deductions
- Time codes
- Earning codes
- Allowances

Does your company have?

If your organization has complicated payroll, processing data before creating payments is your largest and most complicated step in the payroll process. For many companies, they must do all the gross earnings or the gross to net calculations themselves, before submitting final payment amounts to their payroll service bureau. If you are in this situation of processing most of the data yourself before handing it over to a third party, an in-house payroll system could save you money without increasing workload much beyond what you have now.

Software solutions like [Advanced Payroll AX](#), provides detailed checks and balances for each step of the payroll process from importing time records to closing the pay period. This helps to ensure there is no missing data and it complies with your rules and regulations. An additional benefit is that you have full control over your own payroll data, so if you need to write a new report or query to perform payroll checks, you can do this without having to pay anything additional to access your own transaction and setup history.

Does your Organization have the Technical Resources to Support an In-House Solution?

One critical consideration is the level of internal IT resources available to you. To be able to support an in-house solution, you'll need to make sure your organization has the network capabilities to do so or is willing to make upgrades if needed. Some things to look at are:

- Server version
- Operating system
- Browsers

You can also ask software vendors what their network requirements are or, view the software requirements on their data sheets.

In addition to network resources, you'll also need access to someone with IT skills. Whether it's an in-house employee or an outsourced IT company, you'll need someone to help with any network or database issues that may come up. If your organization has out-dated or very light infrastructure, or does not have any in-house IT personnel, then out-sourcing a critical process like payroll could save you trouble.

Is there Someone on your Team with a good understanding of Payroll and Statutory Reporting?

Even with a powerful payroll system with smart checks and balances, you still need to have someone with an understanding of payroll who can uncover potential errors. Keeping track of legislative updates, bargaining agreement interpretation, and monitoring compliance is a specialized job function. Depending on the skill mix of your staff, this could have impact on which option makes the most sense for your organization.

If you don't have someone in your company with these skills and your payroll is fairly straight-forward, then outsourcing may be a

better option. If you have a skilled and experienced payroll team, then in-house payroll processing becomes easier.

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How many Accounts do you need to Update on the General Ledger?

With in-house solutions that are integrated with a full financial system, payroll can post transactions directly to the general ledger and the accounts payable in seconds. If you have a high volume of ledger accounts, or complex postings requirements such as splitting the cost of an employee's pay between two projects, an in-house solution can usually do that more easily than outsourcing payroll to a bureau.

Do you want a Record of all Payroll Transactions and Changes made?

For some industries and organizations, being able to audit changes to payroll information is a number one priority. To assist with the auditing process, in-house solutions generally provide you with a record of all data field changes made and by whom. This may be available through your payroll service bureau as a report, but sometimes it is not. You will also likely have to pay additional amounts each time this or other reports are requested from your bureau.

When making the decision to outsource payroll or keep it in-house, it also depends how you view payroll. Payroll can be an integrated value-added process to your company, providing valuable and actionable insight on your workforce. By keeping payroll in-house, you not only gain flexibility in the process, but also valuable data that can be leveraged to improve your business. However, by outsourcing payroll, the process can easily be simplified by handing it to someone else to process. You no longer have to worry about keeping up with regulatory changes, filing, upgrading your IT network or hiring additional people. **CHR**



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What to Look For in an In-House Payroll Provider

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