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Payroll Processing—In House, Outsource, Or The Best Of Both?

What is the most efficient and cost effective way to handle your payroll processing? In this article, we will discuss the pluses and minuses of handling payroll in house versus outsourcing to a service, and cover one way you can have the best of both options.

Outsourcing Payroll

Perhaps the single most important reason companies choose to outsource is the issue of tax compliance. There are over 10,000 U.S. taxing agencies that continually change regulations—and assess penalties (up to 11 percent of payroll tax deposit) for late or missed payments. Companies who outsource like the peace of mind of letting the service bureau take responsibility for calculating taxes and submitting payroll tax deposits on time.

However, it may be difficult or impossible for your payroll service agency to accommodate special requests, such as a custom report or unique deductions handling. The inevitable errors that require a check to be reissued or adjusted may take longer to correct. And, you must run your business on the timetable of your service bureau, meeting their deadlines, while only having access to answers to your urgent questions during their normal business hours.

In-House Payroll

While payroll outsourcing may off-load some of the processing work, it typically amounts to less than half the work required



for payroll. The data entry, interface maintenance, and monitoring of changes must still be done in house. Allocating funds for payroll, and making the necessary deductions, like car allowances, must also be done in house. Information must then be telephoned, faxed, or submitted electronically through Web pages or software provided by the payroll service bureau. This leaves the service bureau with little more to do than print checks on payday.

If you process payroll in house, you gain the flexibility and control of having data stored on your local computer, with historical information readily available. And you can work on payroll on your schedule.

With in-house payroll your historical data is readily accessible for inquiries and reporting. How long might it take to research a

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payroll question involving payroll for the previous year with your service bureau? Should an employee notice an error on their check, with in-house payroll processing you can easily correct it, while it might take until the next pay cycle for your service bureau to correct a problem.

The down side to in-house payroll processing is payroll tax compliance. It can be daunting to many small to medium sized companies. It is the single most difficult and expensive task associated with payroll, especially for businesses operating in multiple states and localities. Costs associated with preparation and research of ever-changing tax laws and filing requirements are climbing, but failure to attend to these issues incurs the risk of having to pay costly penalties.

The Best Of Both

One payroll processing solution is to bring payroll in house using either Sage MAS 90 ERP Payroll or the Sage Abra HRMS Payroll module, and use Sage Tax Filing Services for payroll tax compliance. This hybrid payroll solution gives you the best of both in-house and outsourced payroll processing and can deliver enormous efficiencies.

Choosing An In-House Solution

Both the Sage MAS 90 and Sage Abra Payroll modules offer powerful payroll processing capabilities. Both programs give you the ability to track payroll in multiple departments with security by department. Both can automatically apply multiple earnings and deductions for employees, and track benefits such as 401K, cafeteria plans, and fringe benefits. U.S. federal and state tax table updates are provided for customers on Client Care, and both support printing of 941s and W-2s. Finally, both payroll solutions integrate with the Sage MAS 90 General Ledger, the Sage

Abra Human Resources module, and with Sage TimeSheet.

With either Payroll module you can produce paychecks on demand and source the funds from multiple bank accounts. When necessary, you can void and reissue checks and update the correct accounts automatically. And, you can make last-minute changes according to your schedule without being charged extra by a service bureau.

Sage MAS 90 Payroll Module

Companies choosing the Sage MAS 90 Payroll module typically administer payroll from within the accounting department. The Sage MAS 90 Payroll module is often the best choice for construction and job shop organizations or companies that pay commissions to their sales staff. Companies needing to report tips also find it a good choice. Job Cost integration allows labor entries to post to both Payroll and Job Cost simultaneously, and when using the TimeCard module, you can produce a certified Payroll report. Accounts Receivable module integration allows commissions to be calculated and paid during the regular payroll run, and the module supports tip reporting and minimum wage adjustment for restaurant and hospitality industry employees.

Sage Abra HRMS Payroll

The Sage Abra HRMS Payroll module may be preferred if you have dedicated staff responsible for payroll processing, and complex tax reporting needs, such as multiple local tax jurisdictions within multiple states, multiple garnishments, or if you require employee self-service capabilities. The Abra Payroll module can maintain and calculate an unlimited number of local taxes per employee, and allows you to use annual pay rates. Accrual balances can be viewed during time entry to prevent overpayment of benefits, and wage garnishments can be calculated as a percent of

disposable income. The module also can perform gross-up calculations. Documents, such as W-4 forms, can be electronically stored and attached to employee records.

Sage Tax Filing Services

Perhaps you are comfortable with your ability to process payroll in house, but would like to avoid the hassle and potential liabilities associated with tax filing. Sage Tax Filing Services can be an ideal complement to the Sage MAS 90 or Sage Abra Payroll solution. It can relieve you of the burden of tax reporting, deposits, and filings. You simply upload an electronic file containing your tax data to Sage Tax Filing Services following each payroll cycle. The service also can print and mail your W-2 forms and file with the IRS electronically.

Most service bureaus impound your payroll tax liabilities during each pay cycle. It is a great deal for the bureaus, because they collect interest on your money until the taxes are due. Sage Tax Filing Services does not impound your tax liabilities. Instead, your payment is electronically routed directly from your bank account to the taxing authority just before or on the tax due date. You keep the money, and the interest on that money, until it's due.

While the tax processing is outsourced, you will still remain informed. You will have the opportunity to verify your tax payments before they are made. Hard copies of every tax return are provided to you for your files. Your state taxes are prepared on a signature-ready return or on your original blank return form. With Sage Tax Filing Services you receive same-day confirmation of tax information received by the service.

Please give us a call to discuss your payroll processing options.

New Parallel Migration Smooths Upgrade Process

Picking the right time to upgrade your software is often a tricky proposition. Even a well-planned upgrade can sometimes run into difficulties. There can be data corruption issues, reports that don't print quite right, or changes that require staff retraining. To avoid downtime, companies often try to upgrade over the weekend, adding time pressure to the equation. Now with the Sage Parallel Migration Wizard, we can take some of the stress out of upgrading and make the process less time sensitive.



Parallel Migration Process

The key to the new upgrade process is the ability to convert your system in two phases. This removes the time-sensitive nature of upgrades, in which you need, for example, to get everything done over a single weekend in order to avoid down time. This process will be available for converting from Versions 3.71 and greater, to Version 4.4 of Sage MAS 90 and 200 ERP.

Phase One

During the first phase, we will use the Parallel Migration Wizard to convert your current data to a new installation, either on the same or a different server. Normal operations continue on your old system. Then, at a pace that suits your business needs, the new system can be tested by each department for proper function. Some things we will look at include:

» Reports—This is always a key area to review when upgrading your software. If you have custom reports, we need to print them and make sure they work in the same way. When converting to Version 4.x for the first time, there are many new printing defaults to consider.

Configured properly, these defaults can be huge time-savers in your daily workflow. The parallel conversion process gives you the opportunity to understand how these features work, and configure the reports you use in your business processes for optimum productivity and smooth workflow.

- » Customization—If you have customized screens or posting routines, we will have plenty of time to test them to make sure they are working properly in your upgraded system before you go live.
- » Integrated Products—If your Sage MAS 90 system integrates with another software product, such as an industry-specific billing system or CRM solution, we will be able to verify that the transfer of information and the viewing of data between the systems is working correctly. We will be able to test these processes as thoroughly as necessary so you can move to phase two of the upgrade with confidence.
- » Link Maintenance Utility—The new Link Maintenance Utility allows us to make sure all files linked to your accounting system are transferred correctly. This includes files attached to Memos, Custom Office template letters and e-mail messages, and Paperless Office PDFs. You also can use the utility to delete links that you no longer need, fix broken links, and view, move, or

copy attachments as necessary.

Once the phase one steps are complete, you can allow your staff to get familiar with any changes in the system or perform different test scenarios until you are completely confident that you are ready for live processing.

Phase Two

In phase two, we will re-migrate your current data over to the new system, and you will very quickly be running on the new software, with no downtime and no surprises. If you have been holding off on upgrading due to concerns of losing information or business downtime, Version 4.4 might be the time for you to make the move. The Parallel Migration Wizard software is now in Beta testing and is scheduled to be available in early 2010. Give us a call to learn more.

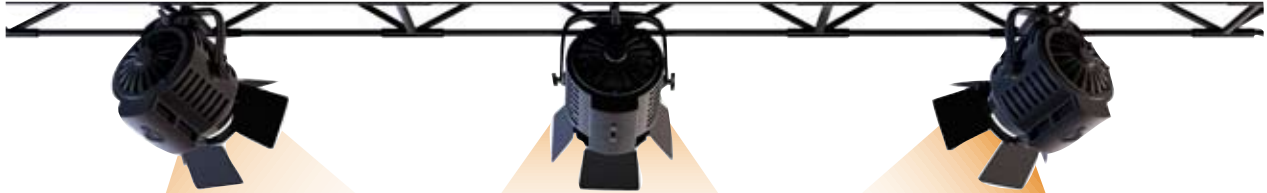
((Tips & Tricks))

Create And Modify Form Codes

Sales Order Invoice Printing is used as an example in the steps below.

1. Open Sales Order / Main / Invoice Printing.
2. Enter the form code in the Form Code field, and press Enter. The Template Selection window displays.
3. Select one of the following templates:
 - » Preprinted Laser
 - » Plain
 - » Marbled
 - » Dot Matrix
4. Click OK.
5. Enter a description in the Description field.
6. Select sorting and filtering options as needed.
7. Print or preview the form. The settings are now retained for that form code.

Note: These instructions apply to modules upgraded to "Level 4" standards.



IN THE SPOTLIGHT:

The Bill Of Materials Module: More Than Its Name

The Sage MAS 90 ERP Bill of Materials module is not just for manufacturing—it can help you to do much more than its name implies. Early next year, the Bill of Materials module will be updated to the Business Framework with the Version 4.4 release. In this article we will provide an overview of this module and suggest ways it can help you create efficiencies and assist with accurate cost tracking. Let's take a look at what Bill of Materials has to offer.

Of course, the Bill of Materials module can be used to create a list of components used to manufacture goods, but it can do much more. Here are some examples:

- » Record production costs without the need for a huge amount of data entry
- » Assemble gift baskets
- » Build custom tool kits
- » Create a custom fixtures list for a bathtub or sink
- » Cut fabric, PVC pipe, wood, or glass into specific lengths or sizes and stock them.

Do these examples have you thinking about how Bill of Materials could be put to work in your organization? Here is a quick overview of the major features, which may give you a few more ideas.

Production Entry

For manufacturing operations with simple production processes creating work orders, putting in routing steps, and entering individual labor hours is probably overkill. At the same time, it is essential to record manufacturing costs to accurately track profitability.

The Production Entry feature allows you to record the completion of a manufactured batch after the fact.

When the Production Entry register is updated, the system removes raw materials from inventory and adds the finished goods to inventory with the proper total cost.

Disassembly Entry

Disassembly Entry, intended mainly to reverse Production Entries, also can be used to record a different kind of manufacturing operation. For example, if you buy a product, such as a bolt of cloth, and cut it into various lengths to stock in inventory, you can use Disassembly Entry to remove the bolt from inventory and put it back in as the individual pieces.

Engineering Change Management

When products are redesigned and some components are changed, Engineering Change Control allows you to make changes as of a certain date. A complete change order history allows you to keep a complete record of the evolution of your products.

Sales Kits And Kit Options

While you can create sales kits using the Inventory Management module, building them within the Bill of Materials module provides additional capabilities. You can use Engineering Change Control when changing out components, and take advantage of the Option Bill capability to configure products at the time a customer places an order. For

example, a set of golf clubs might be sold with two or three different grades of golf bags. Or a chair can be sold with a choice of several different slipcovers. The various options available for each kit can be selected during Sales Order Entry and Invoice Data Entry. Each option can have a price associated with it, so the overall cost of the kit will change, depending on the options that are selected.

We hope this article has prompted you to think of ways the Bill of Materials module could be put to use in your organization. Please call if you have questions or would like more information.

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