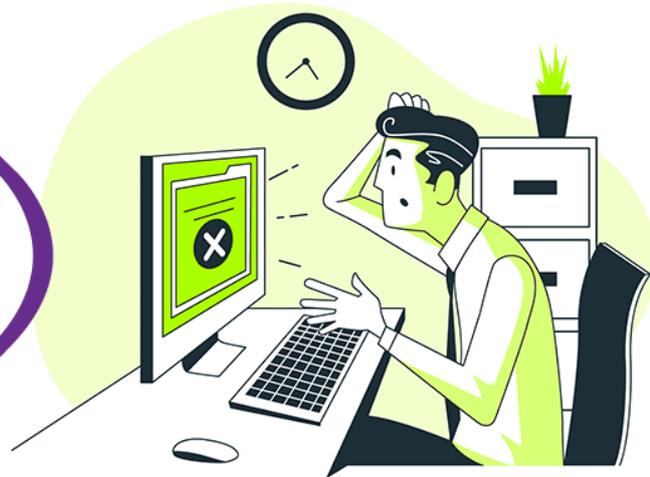


Ensure Compliant and Error Free Payroll Process



ENSURE COMPLIANT AND ERROR FREE PAYROLL PROCESS



Payroll processing is an essential function of any business, whereby they ensure that the employees of the company get their net salary (after deductions for benefits) on time. There is a proper procedure to it and it is definitely not as easy as it sounds. That is why there are separate agencies and businesses that have the resources, the means and the experience to provide payroll services to other businesses.

However, this article shall be focusing on the different errors and challenges that an individual or a business may come across and what the implications can be. Also, this article shall provide some insight as to how to overcome certain challenges and how to ensure **Error Free Payroll Process** compliance. Payroll compliance is a priority for the [HR](#) or the third-party you have hired for your payroll needs and this article will help you stay in the loop as well.

What is KPI in Payroll?

If you have dabbled in payroll processing or have a little bit of knowledge about the payroll services, then you might have come across the term KPI, scattered abundantly throughout concepts and explanations. KPI basically stands for Key Performance

Indicators and as the name is suggestive of, are the metrics or indicators that show how the business is progressing and what their developments are with respect to their objectives and goals.

Payroll KPIs are extremely important tools for businesses so that they can continue working with full efficiency (**Error Free Payroll Process**). They are used for measuring the performance, consider and analyze the different costs and track the processes to provide a detailed and accurate report of the entire process. This is a process that may be new to many but most of the **Payroll management process** or payroll metric systems are basically based off of the fundamental KPIs.

That is why, experts often advise companies to keep track of their respective fundamental KPIs although different companies or businesses have very different payroll metric systems. This way, the companies can reduce or maybe even avoid the hassle of inaccurate reporting and measuring of the business's resources. Also, delayed payroll services may upset the employees.

The reason Payroll KPIs have shot to fame of recent is because of their versatile nature. Not only are they great indicators of the overall progress of the business but they also provide a detailed cost-benefit analysis of all compensation-related costs for your business.

Challenges to solve in payroll errors

Payroll management process is tricky business. One little mistake could lead to costs racking up and in no time, the company has additional bills to take care of. That is why, instead of treating it like a back-office job, it is best to leave it up to the professionals. Here we have mentioned some of the prominent challenges that we face and how to get an **Error Free Payroll Process**:

1. Manual processing of payroll services –

There is no investment that is required at the offset and that is why a lot of businesses and companies opt for manually processing their payroll needs. However, what they fail to take into account is the unreliability of data when computed manually. Errors like duplication, wrong entry, etc. Can actually end up costing your company more, thereby proving to be counter-productive. Manually processing the data takes longer time, more resources and there still remains a good chance that you might have to take steps to rectify the mistakes. The solution to this **Payroll management process** error is to switch to automation of the entire thing. This way, a piece of software that specializes in payroll will take care of all your entries.

2. Non-compliance with tax laws –

This is often categorized as a blunder rather than an error because this can have very serious implications. The legislative laws are different for different countries and they are almost always changing. If your tax reports are not in compliance with the tax laws, you could have to pay a fine or a heavy penalty. It can even lead to serious legal action against

your firm or business. The solution to this problem is hiring someone who is proficient in tax laws pertaining to the region of your operation and has years of experience in handling **Error Free Payroll Process**.

3. Not time-efficient –

The time required for payroll process is quite a lot. It takes up a considerable amount of time and resources and therefore, it is a process that is not considered a necessary function for the business. The hours spent and the employees delegated to this are resources wasted because these resources could very well be employed somewhere where the company could benefit from.

The ultimate goal of the business is to grow and not be rattled with issues like these. The solution to this problem is outsourcing payroll. You would have to rid yourself of a chunk of money but ultimately that is the more economical option because the additional and hidden costs of in-house payroll processing are cut down.

5. Fraudulent activities –

Unaccounted commissions, false insurance claims, falsified wages, wages to ghost employees, etc. Are only some of the fraudulent activities that can and are taking place in almost 27% of all businesses today and this is a fact that has been confirmed by the Association of Certified Fraud Examiners. **Payroll management process** issues like these are common in mostly large-scale businesses where there is little time inspect. The solution to this is to make sudden visits or inspections of the entire payroll data. You can hire a third-party to do the same for you as well. This way, you can help avoid all such fraudulent activities.

These are only a few challenges that companies have to face when it comes to payroll management.

What are the common mistakes happen during payroll process?

As mentioned earlier, the **Payroll management process** is a meticulous process where errors are common. Mentioned below are some of the most common errors that a firm or company faces when providing payroll services:

1. Wrongly classifying employees –

One of the most common mistakes encountered when processing payroll is misclassifying of employees. The FLSA provides certain protection and certain benefits to employees like minimum wage and overtime pay. These are included in the employee laws. However, in the case of independent contractors, most or all of these benefits are not included since they have very different legal rights. Similarly, different laws exist for exempt employees of a company.

The error happens when firms or businesses classify their employees as exempt employees or as independent contractors. This may end up denying the employees their

right to these benefits. Not to mention, misclassifying employees can also lead to the government missing out on tax money. Unchecked or unaltered classification of employees can lead to a hefty fine or penalty for the companies.

2. Miscalculation of pay -

Another common error observed in **payroll management process in India** is wrong calculation of pay. There are a lot of things to be considered when calculating the pay for an employee. Things like PTO, commission, overtime pay, deductions and all are taken into consideration when calculating pay. Different states and different countries have different policies regarding this and it is important that your firm is in compliance with these laws or policies. Miscalculation almost always end up costing the company more and that is why, it is important for the company to find a way to effectively keep a track of the payroll data.

3. Toeing the payroll deadline -

Happy and satisfied employees equal efficient production and working of the company. Timely payment of the employees' wages is of utmost importance and missing the payroll deadlines can upset the employees, deteriorate their moral and thereby, upset the entire mechanism. Also, late payroll processing can lead to missing the tax deadline. This will eventually mean that the company will have to bear the penalties or the fines that come with late payment of taxes.

4. Records of payroll data -

The FLSA require that the employers maintain at least 3 years of payroll data and records to show for. Payment rates, payroll data, hours of work put in and much more need to be mentioned in these records. Also, maintaining these records help the company in making safer and smoother audits in the future. Failing to do so will cost the company a lot of money when auditing. Also, miscalculation of pay and misclassification of employees are also problems that your business might have to face.

Payroll Compliance Best Practices - Tips to get it right

Payroll compliance is something that the payroll team or the third-party company providing you payroll services, should consider with utmost importance. Here is a list of really effective tips to help you get it right, every time and while giving you an idea of the **importance payroll management process**:

1. Maintaining personal records with accuracy -

Employee information and data are things that need to be jotted down and the data needs to be absolutely accurate. Also, the employee information keeps changing and these are likely to affect the payroll data as well. So make sure your records are up to date.

2. Managing expectations of employees-

Formulate a set of comprehensive guidelines that helps the employees understand and stick to the expense policies of your company. Accurately maintain overtime data and make sure your employees understand what they need to do to be compliant.

3. Use the audit trails -

Audit trails are basically protection offered to your company and its reputation. They are basically tools that links all the transactions that you make with information like invoices, purchase orders, etc. So that all the supporting documents can be presented during investigation.

4. Know the latest payroll legislation -

Payroll legislations are subjected to rapid changes and it often becomes really difficult to keep up with them. But one cannot afford to be non-compliant. The best thing to do is outsource payroll services from a firm or a third-party that specializes in payroll legislation and its changes and can make sure your company always remains compliant.

5. Employee feedback -

Every company functions on the pillars of trust and communication. Ask your employees for their feedback as to what could change for the better. Get in touch with your payroll team and get their feedback as to where the errors lie and what can be done to fix them.

6. Automation model -

Switch to automation of payroll processing because it really becomes tedious to enter each and every data manually and there is always a risk of miscalculation.

Conclusion

The above information is enough to ensure that you know most of what there is to know about payroll management and processing. Make sure that your payroll team is operating at optimum efficiency, providing the **best payroll management process** and use the tips mentioned above to monitor the payroll services to minimize or remove any and all errors.