*By Ian Turnbull, Managing Partner,
Laird & Greer Management Group*

Payroll Technology:
Important Tool or Unlocked Door?

Once upon a time, in a land far, far away, two people celebrated the arrival of their newborn child. Like most people in that situation, they did not take any parenting classes because they felt being a parent is the most natural thing in the world, and they were well equipped with lots of advice from doctors, nurses, grandparents, friends and more.

Despite their struggles, the parents and their child survived, and before they knew it, they were once again expecting a child. This time, however, the parents were full of confidence because they had experience and a proven system. Well, we all know how that turned out!

Child #1 slept like a baby, while child #2 cried all night. Child #1 ate anything put in front of her, while child #2 threw everything off his plate.

Payroll is exactly the same as parenting. It is easy, it is natural and everyone else knows everything about it. You have systems and you have processes. How could anything go wrong?

WHAT GOES WRONG?

While in theory payroll *should* be easy, we all know it is not. Just like child #2 won't go to sleep, those workers and supervisors won't give you timely or accurate numbers, each employee has a unique compensation plan, and people write their password to the payroll portal on Post-it notes at their desk.

Technology won't help—or at least not as much as you might hope. If you don't have solid and secure business processes in place, and you don't constantly provide oversight and corrective action, there's going to be trouble.

Size also matters. Really small organizations may be mostly manual, but they are generally uncomplicated enough with a low enough volume that a payroll professional has a reasonable chance to make it all happen securely. Large organizations, on the other hand, often have the budgets (and IT departments) to acquire, implement and manage systems that facilitate and protect payroll processes.

It's those organizations between small and large—where most of us work—that have the most problems. Large enough that volume and variances make a difference, yet small enough that systems aren't as robust, integrated or secure as they could and should be.

IS THERE ANY HOPE?

Maybe.

Consider these two questions (and be honest—we won't tell):

1. Does my organization have a well-designed, fully functional payroll business process that allows for the timely collection of complete and accurate payroll data?

2. Does my organization have a system that supports the secure collection, storage and management of that data?

If the answer to #1 is no, technology alone won't help you. However, if the answer is yes, implementing some technology may make your process even better.

To answer #2, let's look more closely at cybersecurity.

cybersecurity

Payroll can be the target of cybercrime. As we move increasingly towards electronic pay statements, deposits and transfers, we also increase our reliance on technology, possibly accompanied by loss of oversight.

Your organization's systems are at risk from the worker side and the organization side. In the former case, scammers try to get workers to willingly provide personal information that provides the basis for system access, like sending a fake email asking for changes to payroll information. In the latter case, hackers directly attack poorly protected organizational systems, encrypting data so that is unusable. Only when ransom is paid can the organization get encryption keys to make systems usable again. These scenarios are happening daily across Canada.

Your IT department is an important teammate to defend against these attacks, but more secure processes around payroll are also needed. A chain is only as strong as its weakest link. Payroll staff and all workers need to be aware of security issues and trained to deal with them.

Your payroll system itself can also be a significant tool. It should offer an audit trail and require second-level oversight before changes are made.

what other technology can we use?

- **Biometrics:** These can range from finger or palm prints to retina scans and radio-frequency identification chips imbedded under the skin. They are used primarily as security tests for access to buildings or systems. Payroll may find it useful when applied to time management systems.

- **Bring Your Own Devices (BYOD):** Organizations seem unable to stop workers from bringing personal devices (laptops, tablets and smart phones) to the workplace or using those devices to access privileged company information, applications and databases. One survey shows around 95 per cent of workers use at least one personal device for work. Payroll should be in the middle of the discussion to determine how your organization controls system access, especially to payroll-related data.

- **Business Intelligence (BI):** BI is a business approach (and sometimes specialized systems) to combine data and provide analysis across the entire organization. It includes the concept of "big data"—that is, data from across the organization that is too voluminous or complex to be analyzed by a single system (like your human resource management system).

  Are your organization's systems truly integrated? Is there only one record of time for each worker? A BI approach can help organize that, making systems more efficient, effective and secure.

- **The Cloud:** This means the remote servers where your payroll system may reside. It also implies a system that is essentially

"one size fits all." It reduces direct investment in equipment and can simplify system management. It can also make mobile access easier. A well-designed and managed system can operate in the Cloud as securely as—or more securely than—your organization's own servers.

- **Electronic Signature:** Electronic (digital) signatures are increasingly common and essential to a more automated environment. Canada has three Acts that touch on various aspects of the necessary proofs attached to electronic signatures. You can use them securely—and you should.

- **Workflow:** The term may mean different things to different people (and software vendors) but it is essentially process mapping gone wild. Imagine a payroll action request that is sent electronically from payroll to workers and supervisors, where it bounces back and forth before eventually returning to payroll, hopefully completed and signed electronically.

  Properly implemented it can significantly increase process efficiency, effectiveness and security while reducing the demand for paper and filing cabinets.

- **Social Media and Communication Tools:** These include email, text, Facebook, Snapchat, Twitter, Instagram, YouTube and more. Payroll's primary concern should be the lack of a documented trail. Using any of these tools may leave trails around the digital universe but not in a linked, traceable manner (except perhaps email). Unless you print and file everything—rare—any communications to and from workers or managers will not form part of a worker's record. That's not good.

  In addition, email and these other tools are generally unsecured. Seriously consider whether any of these should be permitted for payroll matters.

In summary

Many technological offerings sound exciting, and they are. The breadth and depth of technological innovation that can be applied to various aspects of payroll to promote timeliness and accuracy is inspiring. The key is to ensure your business processes are solid, oversight is in place and systems are—and continue to be—managed securely. ■

Ian Turnbull is Managing Partner of Laird & Greer Management Group, specializing in HR, Finance, Payroll and Time Management system selection and operation. His book, Human Resources Guide to Managing Information Systems, Second Edition, *is available from Thomson Reuters—Carswell. Reach him at 416-618-0052 or iturnbull@lairdandgreer.com.*