

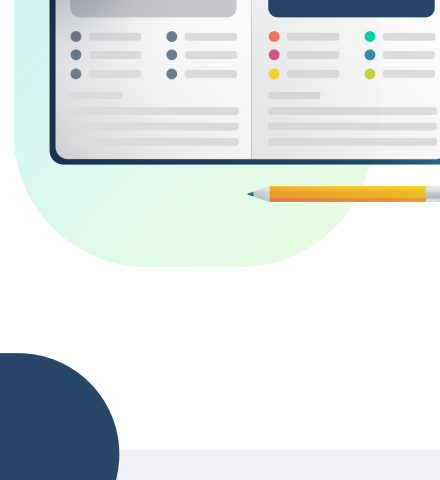


Top 6 Payroll Operational and Compliance Risks

And Tips to Overcome Them

As businesses, technologies, and laws evolve, maintaining a consistent and compliant payroll practice can feel like a game of Whac-A-Mole.

To help you minimize disruption, we've put together a list of the top six payroll operational and compliance risks, along with solutions to combat them.



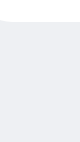
1

Payroll technology and systems



Risk:

Using outdated technology or struggling to maintain a complicated web of integrations can lead to exposure of sensitive data.



Impact:

According to IBM's Cost of a Data Breach Report 2023, the average data breach costs an organization \$4.45 million.

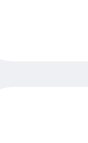


Tips:

- Start with a system that has built-in security measures and ensure it is consistently updated.
- Minimize integrations that require maintenance and monitoring; avoid manual file transfers.
- Better yet, find vendors that can work within your existing technology so that data doesn't need to be transferred in the first place.

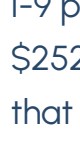
2

Regulatory compliance



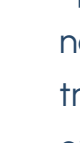
Risk:

Failure to comply with changing labor laws and tax regulations.



Impact:

If your business is caught out of compliance with the requirements of the Fair Labor Standards Act (FLSA), you will be issued up to a \$1,000 fine for each violation. With the I-9 penalty for first offenses ranging from \$252 to \$2,507 per I-9 form, it's easy to see that the cost of even the smallest compliance mistake is high.

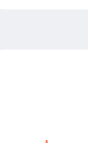


Tips:

- Stay informed about legislative updates by subscribing to relevant newsletter and publications, attend trainings and webinars with legal experts, and utilize government resources (DOL, IRS, and state labor departments).
- Establish systematic audit procedures, utilize compliance software, and schedule periodic internal reviews.
- Leverage a payroll outsourcing partner with expertise in compliance to help keep you on track.

3

Inaccurate recordkeeping



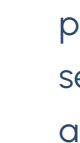
Risk:

Errors in maintaining accurate payroll records.



Impact:

Payroll mistakes can hit your business where it hurts the most: the bottom line. Consider the staggering fact that a single error can cost an average of \$291, a toll that quickly adds up when you think about larger businesses with thousands of employees.



Tips:

- Reduce human error by deploying more automation across payroll processes or work with a payroll services partner with advanced automation technology.
- Develop a schedule for conducting regular audits to identify and correct errors promptly.
- Offer training sessions on payroll best practices, recordkeeping guidelines, and the proper use of payroll software.

4

Employee misclassification



Risk:

Incorrectly classifying employees as independent contractors or vice versa.



Impact:

Up to 30% of US employers have misclassified at least one worker. Employers who misclassify workers may be subject to legal and financial penalties, including back wages, fines, and legal fees. Federal violations associated with employee misclassification can result in penalties of up to \$1,000 per employee, punitive damages, and even jail time.



Tips:

- Review and understand the classification criteria according to federal and state laws routinely as these policies may evolve over time.
- Document classification decisions with rationale for audit purposes and for helping provide clear guidelines for future employee classification.
- When in doubt about how to classify a worker, seek guidance from legal professionals specializing in employment law or labor relations; payroll outsourcing partners may also be able to provide this service.

5

Late payments



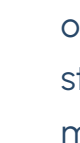
Risk:

Poor time clock hygiene and delays in payroll processing lead to late payments and employee dissatisfaction.



Impact:

Late paychecks send a message to employees that the organization does not prioritize their well-being and can quickly impact trust and morale. And don't forget, paying payroll taxes late also comes with penalties and interest payments.



Tips:

- Invest in automated payroll software or outsourcing services that streamline payroll processing and minimize the risk of errors or delays.
- Set up a clear and consistent payroll schedule outlining when employees will be paid, including the frequency and taking into account holidays and weekends.
- Ensure that employee records, including timesheets, attendance records, and relevant HR information, are accurate and up-to-date.

6

Sudden lack of resources



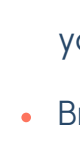
Risk:

Members of the payroll team leave or M&A leads to an understaffed department with outsized responsibilities.



Impact:

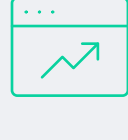
A lack of available payroll talent can lead to critical positions going unfilled for months. With many payroll departments already running lean, this prolonged resource gap increases your exposure to a variety of risks.



Tips:

- Embrace technology to optimize and automate key payroll processes to increase efficiency and scalability while minimizing your reliance on manual tasks.
- Bring onboard a payroll outsourcing partner with scalable services that can take on increased workload during times of resource scarcity.

The biggest takeaways for reducing risks



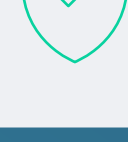
Invest in technology and services

Use payroll software to automate processes and reduce manual errors. Bringing on a payroll outsourcing partner can help you make the most of your technology to further improve speed, accuracy, and reliability.



Continuous training

Provide ongoing training to payroll staff to keep them updated on compliance requirements and how to best use the tools on hand.



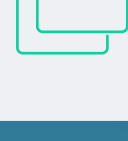
Regular audits

Conduct regular internal audits to identify and rectify any compliance or operational issues.



Legal consultation

You don't have to go it alone! Seek legal advice when navigating complex compliance issues or classification concerns.



Communication

Maintain open communication with employees about any changes in payroll processes or regulations.



Documentation

Keep thorough documentation of payroll processes, compliance efforts, and any audits conducted.

How a payroll outsourcing provider can help

Partnering with a payroll outsourcing provider offers a comprehensive solution to navigate the intricacies of operational and compliance risks. These experts bring a wealth of knowledge in maintaining compliance with ever-changing regulations, optimizing and automating payroll processes, and minimizing errors.

OneSource Virtual (OSV) delivers patented in-tenant technology and expert services that efficiently automate the administrative, transactional tasks of Workday Payroll. We eliminate complexity to give business leaders the confidence they need to drive strategic change.

Our customer-centric approach puts your goals and objectives at the center of everything we do. With over 1,000 active customers and 95% customer retention, OSV is the leading exclusive provider of Business-Process-as-a-Service (BPaaS) solutions for Workday customers.

Ready to minimize risk and take your team from transactional to transformational?

Contact us

