PAYROLL

Payroll Solutions for Microsoft Dynamics GP

White Paper

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Microsoft Dynamics™

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Introduction

Payroll management is an integral part of both public and private sector organizations and one of their highest expenses. Regardless the industry sector, organizations need to maintain compliance with federal, state, and local laws and regulations, as well as comply with governmental reporting requirements for the IRS and other government agencies. Payroll management also must meet a wide range of employee needs and internal reporting requirements.

To help organizations address these challenges and control costs, Microsoft Dynamics™ GP has expanded core payroll functionality and also offers new modules for managing specialized requirements.

Enhancements to Payroll in Microsoft Dynamics GP enable users to collect deductions in arrears, create payables vouchers during the payroll process, and use blended overtime rates to meet overtime rules. All these capabilities can help increase productivity and efficiency for payroll processes and provide your organization with increased tracking and reporting capabilities.

Two new modules, PTO Manager and Advanced Payroll Management for Microsoft Dynamics GP, enable organizations to manage demanding payroll management needs. Are you an organization that has payroll-related issues with the managing of paid time off? PTO Manager allows you to accrue paid time off during the payroll cycle, manage your policies to ensure they are applied and enforced consistently, and increase visibility of data for employees and their managers through Business Portal for Microsoft Dynamics GP. Do you need to split employee costs between departments or account for partial pay periods at month end? Would your organization benefit from being able to compare hours associated with payroll dollars within General Ledger in Microsoft Dynamics GP? Advanced Payroll Management enables organizations to manage complex pay policies, month end accruals, posting of payroll hours to the General Ledger, and provide labor FTE reporting and analysis.

Expanded Payroll Functionality

The ability to automate manual processes is critical to increasing productivity and efficiency. Payroll in Microsoft Dynamics GP 9.0 now delivers expanded functionality that can help you resolve organizational issues that include employee unpaid deductions, payables vouchers for payroll deductions, and blended pay rates for overtime calculations. By automating these processes, you can save time and increase your ability to track and report critical data.

Deductions in Arrears collection capability

Deductions are typically set up for important items such as garnishments or the employee's portion of a benefit premium. With the rising cost of insurance, employee deductions have increased proportionately. As a result, when an employee misses a paycheck, has reduced hours or is on leave, the deduction can be missed. It is then up to payroll staff to track and collect these amounts. Enhanced functionality for Payroll in Microsoft Dynamics GP helps ensure that the uncollected amount is automatically tracked and collected in a subsequent payroll period.

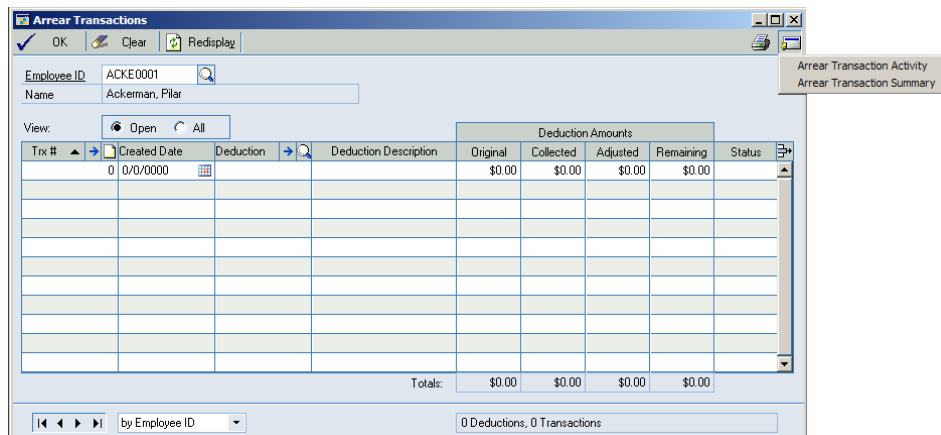New features and capabilities for Deductions in Arrears include:

- Arrears set up at the Deduction Setup level
- Arrears set up at the Employee Deduction level
- Allow Arrears setting for deduction codes
- Mandatory Deductions
- Collect Arrears When Possible
- Add/Edit/Delete Arrears
- Track Activity on each Arrears
- Integration with core deduction collections

The Deduction Setup window, shown below, enables users to identify which deduction codes are subject to arrears collections.

Using the Deductions Setup window, payroll staff can "Allow Arrears", as well as permit mandatory deductions and choose the option to collect arrears when possible. Setting up the deductions in arrears functionality at this level can affect all employees but can be overridden at the employee deduction level. If any arrears exist for this employee and deduction, the system will attempt to collect them during the payroll process. If, during the payroll process, the system is unable to take the full amount of standard deductions and/or deductions in arrears, a new arrears record that includes the total uncollected amount will be created for that deduction.

For example, an employee might pay a deduction outside of the pay cycle or the employer might decide to "forgive" the amount. The Arrears Transaction window, shown below, allows Payroll staff to edit or add the new uncollected amount.

The Arrear Transactions window enables users to view all current arrears for an employee and create new arrears records. The scrolling window includes multiple sorting options in column headings. Additional windows provide access to Arrears Transaction Activity and Arrears Transaction Summary views. When processing payroll, the Deductions in Arrears calculates and attempts to take any deductions that are currently in arrears, along with the current deductions for that pay run. Any new deductions that cannot be collected during payroll processing are then assigned as new arrears records for that employee. The process culminates in a Deductions in Arrears (DIA) Build Report that is executed during payroll processing.

The Mandatory Arrears feature is typically used for a standard deduction—for example, health insurance—that is a required per pay period deduction, even if the employee does not receive a pay check for that pay period. In this case, payroll processing must collect and post all mandatory deductions for any employees who were not included in that pay period processing. Once Mandatory Arrears are calculated, an arrears record for that employee is posted that includes the deduction in arrears amount.

Payroll vendor management

As part of the Payroll process, businesses need to generate checks or issue Electronic File Transfers (EFTs) to vendors to pay for the various deductions applied to employee checks during payroll processing. Microsoft Dynamics GP 9.0 now includes a tool for creating payables transactions for standard payroll-generated expenses. This integration of Payroll with Payables Management in Microsoft Dynamics GP automates the creation of payables transactions for federal, state and local taxes, as well as company and employee deductions and benefits.

For example, you may need to pay payroll taxes for a specific pay period. In a manual scenario, payroll staff would collect the data pertinent to the payable, enter it into the purchasing system, and then cut the check. With this added functionality, once the vendor is set up, the payroll process will automatically generate the payables record, enabling accounting staff to cut the check without a handoff of paperwork and/or manual input of the record.

Amounts can be distributed across various accounts as required. In addition to simplifying payment processes for tax withholdings, insurance payments, retirement plan payments, and more, this new functionality delivers enhanced reporting options for distribution reports, period end payroll reports, and deduction/benefit code reports.

Blended overtime rates for FLSA compliance

According to the FLSA, overtime must be paid at 1.5 times the standard rate. The problem most organizations encounter is defining the standard rate for employees working multiple positions or in various departments at differing rates of pay. New functionality for Payroll in Microsoft Dynamics GP 9.0 automates this process. A typical example would be a hospital, where staff may be required to work on different floors on different days of the week. Being unable to determine which activity forces the individual into an overtime situation requires that you use a blended rate in order to determine what their "standard" rate is for that period of time.

Overtime Hours are the hours worked by employees eligible to receive a pay rate at least 1.5 times the standard rate. This increased rate is referred to in this document as the Overtime Rate. The Overtime Rate can be calculated in a number of ways. However, by law (FSLA), the overtime rate must be at least 1.5 times the standard rate. Sometimes, the difficult part is determining what the "standard rate" is for a particular time period where an employee works for different rates of pay. The "standard rate" may also take into account bonus amounts that are paid to the employee.

The overtime rate process uses a Calculation Method Setup window that allows the user to define multiple calculation methods to meet overtime rate calculation requirements. Different calculation methods may represent different overtime policies for part time versus full time employees. It may also be used to set up double-time calculation methods or other variations that meet your company needs. An unlimited variety of calculation methods can be created. The Calculation Methods created are implemented into the calculations when they are assigned to a Pay Code or to an Employee Pay Code. Users simply select the pay codes that should be used in the calculation and determine whether the hours and or total dollars from that pay code should be used in the overtime rate calculation. The total dollars are then divided by the total hours (from the transactions for the selected pay codes) to arrive at the standard rate. The standard rate is then multiplied times the calculation factor, resulting in the overtime rate used for this pay period.

The Calculation Method window allows you to further restrict your calculation method by assigning exclusions. Exclusions can be selected for Departments, Positions or Shifts. Each exclusion can be set to use only the hours, only the dollars or both hours and dollars from that pay code to impact the calculations. You can choose to allow the overtime average to be calculated by only transactions within a batch or across all batches in the current build. The overtime rates will then be calculated during the "Build" checks process step. This versatile new functionality helps save time by automating the process and ensures compliance with FLSA.

Manage Employee Paid Time Off

Employee time off is handled in many ways by different organizations. Microsoft Dynamics GP now offers a new module, PTO Manager, that enables your organization to track sick time, vacation time, and associated accruals. PTO Manager features and capabilities include:

- User-defined Accrual Schedules with flexible and varying combinations that can fit with your company's policy
- Set Balance Maximums using fixed amounts or variable schedules
- Waiting periods for new employees
- Recurring Waiting Periods for annual accruals based on hours worked
- Carry Over limits to enforce "use it or lose it" policies
- Set PTO calculation based on Hire Date or Adjusted Hire Date
- Process Year End Closing with Dynamics GP Year End Processing or at a specific time
- Report on current PTO Liability by department
- View Life to Date and Year to Date totals

Apply and enforce consistent policies

The first step to having consistent policies is to define those policies. Using the Accrual Schedules Setup window, staff can define multiple accrual schedules specific to your company and your accrual policies. Different schedules can represent different hour ranges and calculation factors. An unlimited number of schedules can be created. The accruals can be based upon hours worked/pay period, hours worked per year, hours worked life to date and years worked. To further ensure consistency, you can set maximums at the accruals level for per pay period and per year variable amounts. The schedules are implemented into the calculations when they are assigned to an employee in the Employee PTO Setup window. Additional reporting capabilities are also available in the form of a PTO Liability Report, Maximum and Accrual Schedule Setup window reports, and an Employee PTO Setup report.

In many cases, the accrual schedule for vacation and/or sick time is dependent on years of service. For instance, an employee might be eligible for 2 weeks of vacation after 1 year of service, 3 weeks after 5 years and 4 weeks after 10 years. This can be converted into accrual schedules that can then be used to accrue time for the employee each pay period. The accrual schedule can also pro-rate the employee's accrual based on actual hours worked.

Other factors that will enable you to apply and enforce consistent policies include the ability to set waiting periods, to define carry over amounts, and the ability to use either Hire Date or Adjusted Hire Date in your calculations.

The Employee PTO Setup window, shown below, enables users to assign accrual schedules, implement a waiting period, set carry over limits, and establish maximum hours (fixed or variable). Each of these options, depending on your selections, can help you administer policies more consistently and accurately.

Manage maximum paid time off allowances

Many organizations face the challenge of managing the maximum time an employee can bank for future use. This affects not only the employee, but also financial decisions made by the organization. With PTO Manager, users can create schedules to automatically control the amount of vacation or sick time an employee is allowed to have in their "bank" at any time.

Real time PTO balance data for employees and managers

One of the most frequently asked questions of HR personnel is "how much vacation/sick time" do I have left? With PTO Manager, the Vacation and Sick Time balances are stored on the Employee Vacation/Sick Time window on the Employee Maintenance Window. Updated accrual and balance information is also available to be printed on the employee's pay stub.   The balances can also be viewed in the HRM Self Service Suite for Microsoft Business Portal by the employee and their manager.

Handle Complex Pay Policies

Many organizations have employees that "move around" in the organization and therefore have multiple pay rates. Advanced Payroll Management for Microsoft Dynamics GP allows you to manage complex pay

policies, split employee transactions over multiple departments, post hours to the General Ledger and provide for additional FTE reporting. For example, when a maintenance employee works in different departments, performing different tasks or functions and on different shifts during the same pay period, they might have many different pay rates based on policies for each of those variations. Advanced Payroll Management provides tools for managing complex pay policies and maintaining employee data.

Track variable rates for employees working in multiple departments, shifts, or positions

Advanced Payroll Management handles variable rates through Adjusted Pay Rates, which are modified Pay Code Pay Rates. Modifying pay rates is handled using one of several options.

Option 1: Assigning Add-On Codes which includes an Amount (% or $) that will be applied to the Employee's base Pay Code Pay Rate when creating payroll transactions.

Example: An Employee's hourly Pay Code Pay Rate of $10.00 with an Add-On Amount of $1.00. All transactions for this Employee would be calculated at a rate of $11.00. This may happen when they work in a different department or in a different position.

Option 2: Linking a pay code to an hour based pay code to inherit that pay codes pay policy and pay policy exceptions.

Example: An Employee's Vacation Pay Code that uses the same Pay Policy as the Employee's hourly Pay Code.

Option 3: Linking a pay code to an hourly based pay code and setting a Percent.

Example: A pay code that tracks differential hours, where the rate of pay is always a set percentage of the adjusted pay rate.

Option 4: Forced minimum pay rates to verify that the employee's pay rate is never less than that rate.

Example: Assigning an additional amount to a pay code for an employee who works in multiple departments for different rates of pay. If you have an Administrative Assistant that works both in Sales and in Accounting, but receives $0.25 more an hour when she is in Sales, then an "Add-On" code can be assigned to this employee to add the $0.25 to their pay rate when they work in Sales.

Create employee-specific pay policies

Advanced Payroll Management uses pay policies to add on amounts to an hourly person's base pay rate for items such as shift differential, additional responsibilities, hazard pay, and so on. A Pay Policy is the combination of any five of the calculation factors: Pay Code, Company, Department, Position, and Shift Code. While standard Pay Policies (or combinations of the five factors) may exist, any combination assigned at the payroll transaction level is a Pay Policy and will be used to calculate the Pay Rate Adjustment. The only restriction to Pay Policy combinations is that only hourly Pay Codes can be used. Any eligible employee that has a payroll transaction entry assigned to this combination of calculation
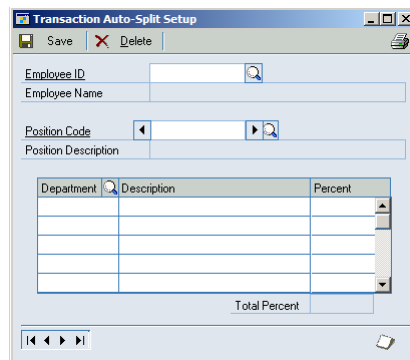
factors will have Add-On Codes and Add-On Amounts applied to calculate their Adjusted Pay Rate. A pay policy priority screen allows you to prioritize which amounts take precedence.

Analyze hypothetical pay policy options

The Pay Policy window allows you to select an option for hypothetical options. Hypothetical pay calculations allow you to see the overall impact of a change to the employee's base pay rate. This calculation will not actually update the pay code.

Automatically split employee expenses across multiple departments

For employees that move around the organization, but don't use a time and attendance system, Advanced Payroll Management can split employee payroll transactions across multiple departments automatically. Any transactions for the employee/position combination will be split into multiple transactions based on the percentages set in the Transaction Auto-Split Setup window. The split information will be reflected in the payroll data as well as General Ledger (assuming different posting accounts for the different departments) without requiring any manual transaction manipulation during the payroll processing.
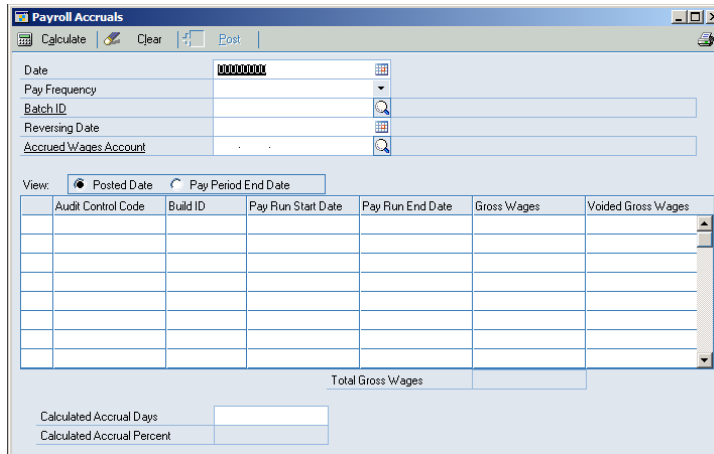

Improve Decision Making through Flexible Reporting

Data is important to every organization. Having access to data through increased reporting methods will allow the management of your organization to make better decisions, using relevant and timely information.

Automated accrual calculations for period financial reporting.

Advanced Payroll Management offers features designed to fulfill the need of companies that must account for payroll accruals within a month that are not accounted for when the pay period ends prior to the end of that month. Once per month, typically near or shortly after the end of a month, accounting personnel must create payroll accruals for accurate financial reporting. Using the Payroll Accrual window, shown below, users can create the payroll accruals and post them to General Ledger, as well as set a reversing date for those accruals to be backed out of General Ledger.

PAYROLL SOLUTIONS FOR MICROSOFT DYNAMICS GP

Payroll Accruals

Calculate | Clear | Post

Date	00000000
Pay Frequency	
Batch ID	
Reversing Date	
Accrued Wages Account	

View: ● Posted Date ○ Pay Period End Date

Audit Control Code	Build ID	Pay Run Start Date	Pay Run End Date	Gross Wages	Voided Gross Wages

Total Gross Wages

Calculated Accrual Days
Calculated Accrual Percent

The Payroll Accrual Preview Report can be printed from the Payroll Accruals window, after required fields have been entered and accruals have been calculated. By clicking the printer icon on the toolbar before posting the payroll accruals, the report will print automatically after you click Post. An example report is shown below.

```
System:      2/13/2006  11:42:57 AM                    Fabrikam, Inc.                         Page:    1
User Date:   4/12/2007                          PAYROLL ACCRUAL PREVIEW REPORT                User ID: sa
                                              Accounting Period End Date: 4/30/2007
                                                      Frequency: Weekly
                                                      Batch ID: GL BATCH
    Posted Date          Reversing Date
    ------------------------------------------------------------------------------------------------------------
    4/30/2007            5/2/2007
    Account              Description                               Hours          Debit          Credit
    ------------------------------------------------------------------------------------------------------------
    000-1100-00          Cash - Operating Account                   0.00          $0.00          $478.48
    000-5100-00          Salaries and Wages                         0.00        $478.48            $0.00
                                                                 ---------------  ---------------  ---------------
    Total Distributions: 2                           Totals:        0.00        $478.48          $478.48
                                                                 ===============  ===============  ===============
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FTEs and departmental analysis reporting

Advanced Payroll Management extends department-level reporting capabilities for both payroll and financial data. It also extends reporting capabilities for FTE data, Productive and Non-Productive employee-level data, FTE budgets and variances, current and YTD totals, and more. Additional reporting enhancements include:

- Set up Areas of Responsibility for multiple levels for reporting
- Set up Report Options for all reports by "current" and "previous" periods to enable faster repeat and batch printing
- Select criteria for each report to drill down on a specific set of data or print all for a specified date range.
- Print reports to the screen, printer, or file
- Print Benefit Accrual Report with expanded vacation and sick pending, taken, and available information
- Print Department Analysis Detail Report to view pay code level Hours, FTE and Earnings for pay periods and Year to Date. Total Groupings are provided by employee, position, General Ledger Account (based on main segment) and department

- Print Department Summary Report to view department total Productive, Non-Productive and overall total Hours, FTE and Earnings
- Print Employee Analysis Report to view employee pay code level Hours, FTE and Earnings for pay periods and Year to Date
- Print FTE YTD Report to view financial department total Productive and Non-Productive Hours, and FTE as well as overall total Hours, FTE, Earnings, and FTE Budgets and Budget variances

The ability to report based on departments can significantly increase flexibility, accuracy, and efficiency for Payroll reporting processes. Just as important, Advanced Payroll also offers a Payroll Account Mapping window that enables users to establish a link between a payroll department and a General Ledger Account segment. This option is required for printing the FTE YTD Report restricted by Area or Responsibility. It provides the route back for the General Ledger Accounts to the payroll accounts assigned to a specific Area of Responsibility.

The Benefit Accrual report adds expanded vacation and sick pending, taken, and available information that can be provided based on pay period and anniversary to date. The Department Analysis Summary Report provides a view of pay code level Hours, FTE, and Earnings for pay periods and Year to Date. The Department Analysis Summary Report provides a view of department total Productive, Non-Productive and overall total Hours, FTE and Earnings. The Employee Analysis Report provides a view of employee pay code level Hours, FTE and Earnings for pay periods and Year to Date. The FTE YTD Report provides a view of financial department total Productive and Non-Productive Hours and FTE as well as overall total Hours, FTE, Earnings, FTE Budgets and Budget variances.

Track budgeted labor through hours versus dollars

During payroll processing with core Microsoft Dynamics GP functionality, only dollar amounts currently get posted to General Ledger posting accounts. With Advanced Payroll Management, the user can set up the system to post actual labor hours to Genera Ledger Unit Accounts. The core Payroll Posting Account Setup window has been modified to allow the user to assign a Unit Account. Additionally, there is an option on the Pay Code Setup window that allows the user to determine at a Pay Code level which payroll transaction hours get posted. This portion of the module processes at the same time as the core Payroll Processing/Posting. For each transaction, associated hours will post to a Unit Account if the Pay Code is not marked "Do Not Post Hours."

Conclusion

Organizations across all industry sectors face increasingly complex and varied payroll requirements. Microsoft Dynamics GP offers enhancements to core payroll functionality and new modules, PTO Manager and Advanced Payroll, designed to meet demanding requirements, save valuable time, improve reporting capabilities, and control costs.

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like and with familiar Microsoft software, automating and streamlining financial, customer relationship and supply chain processes in a way that helps you drive business success.

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