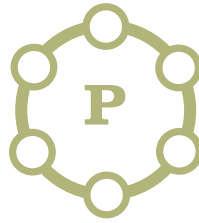


# How to Improve Quarterly Financial Statement Accuracy

by Steve Carter and Jeff Rutherford



**Automated time and attendance solutions can improve your tracking of employees' paid time off.**

Keeping track of paid time off (PTO) has been a challenge for large and mid-sized companies because most do not have an effective system for reporting and tracking all of their employees' time. Paper-based or decentralized processes can be unreliable, allowing PTO to slip through the cracks without being reported. This becomes a liability for an employer, especially when it comes to submitting quarterly financial statements. Is there a better way to capture and report this time?

## REMOVE PAPER FROM THE PROCESS

Some companies have found the answer. They're implementing automated time and attendance solutions that can be used by their entire workforce—salaried and hourly employees. These solutions leave little or no room for error because employees can easily enter their time without involving other people in the process.

Here's how it works: Hourly employees are already familiar with tracking their time on a regular basis whether it is associated with a specific task or "time-off," so learning an automated solution shouldn't be too difficult. The next step is adding salaried employees into the system to report when time is taken off for vacation, an illness, or other personal circum-



stances. The automated solution assumes that salaried employees work a 40-hour week unless they submit a time report for PTO, which is properly captured and then recorded in total on the quarterly financial statement.

At the beginning of the year, employers may give their employees a PTO allotment that covers vacation days, sick days, holidays, and personal days. This pool of time is "available" based on a company's employment policy—some employers require their employees to earn PTO as they work depending on how long they've been with a company. Then, when any employee takes PTO, it is deducted from

their personal account balance. With an automated system, an employee can find out how much PTO they have accrued and how much remains at any point in time. Plus the employer has information for all employees that is up to date and accurate.

Most automated time and attendance solutions also include management reports. These are extremely useful if a company is downsizing its workforce or looking to make other adjustments. Too often, PTO is not accurately forecasted and employers are surprised when they incur a large PTO expense at the same time that they are trying to reduce costs.

## SHIFTING RESPONSIBILITY

Automating the PTO process gives responsibility to the employees and eliminates the burden of filling out paper forms, submitting them to managers for approval,

## Time and Attendance Outsourcing Case Study

### CLIENT:

A leading health benefits company

### SERVICES PROVIDED:

Electronic time and attendance reporting solution

### PRE-OUTSOURCING METRICS:

- ☑ Approximately 50 percent of salaried employees were recording a week or less of their annual vacation each year.
- ☑ Vacation accruals were piling up on the books.

### RESULTS:

- ☑ Savings of \$5.5 million from a combination of time reporting improvements and vacation policy changes.
- ☑ 90 percent of salaried associates record their vacation as they take it.
- ☑ Payroll error rate dropped from 5 percent to less than 1 percent.
- ☑ Number of dedicated payroll full-time equivalents decreased from six to two.

and then handing the paper off to the HR/payroll department so they can record it in the books. These processes are cumbersome with many opportunities for error and are not very reliable because employees see them as difficult to use.

Having an automated system for all employees helps keep records straight between the employee and the company. There is little or no room for a discrepancy because the employee knows exactly what they have reported and the system confirms the same facts.

### LESSONS LEARNED: REAL-LIFE EXAMPLES

Almost two years ago, a leading health benefits company instituted an automated time and attendance reporting solution to reduce administrative costs and improve reporting capabilities for recording time away from work.

Because salaried employees were finding the paper-based process of reporting vacation to be time-consuming, many underreported it. In fact, approximately 50 percent of salaried employees were recording a week or less of their annual vacation each year. Vacation accruals were piling up on the books. Those accruals represented a drain on resources that could have been used elsewhere in the company to support its success.

The company implemented a time-and-attendance system to track complex rules for a variety of employees. At the same time, a new vacation policy was implemented to coordinate with the effort.

According to the health benefits company, the project resulted in a dramatic improvement in vacation reporting. Now, 90 percent of salaried associates are recording their vacation as they take it.

The company achieved other benefits with their time reporting project as well. They slashed the payroll error rate from 5 percent to less than 1 percent and the number of dedicated payroll full-time equivalents fell from six to two. They are providing their population with real-time eligibility verification for FMLA and short-term disability leave right from the desktop.

In addition, the bottom line on vacation liability is eye-popping. The company saw a total reduction of \$5.5 million from

a combination of time reporting improvements and the vacation policy changes. The system exceeded the company's goals and expectations.

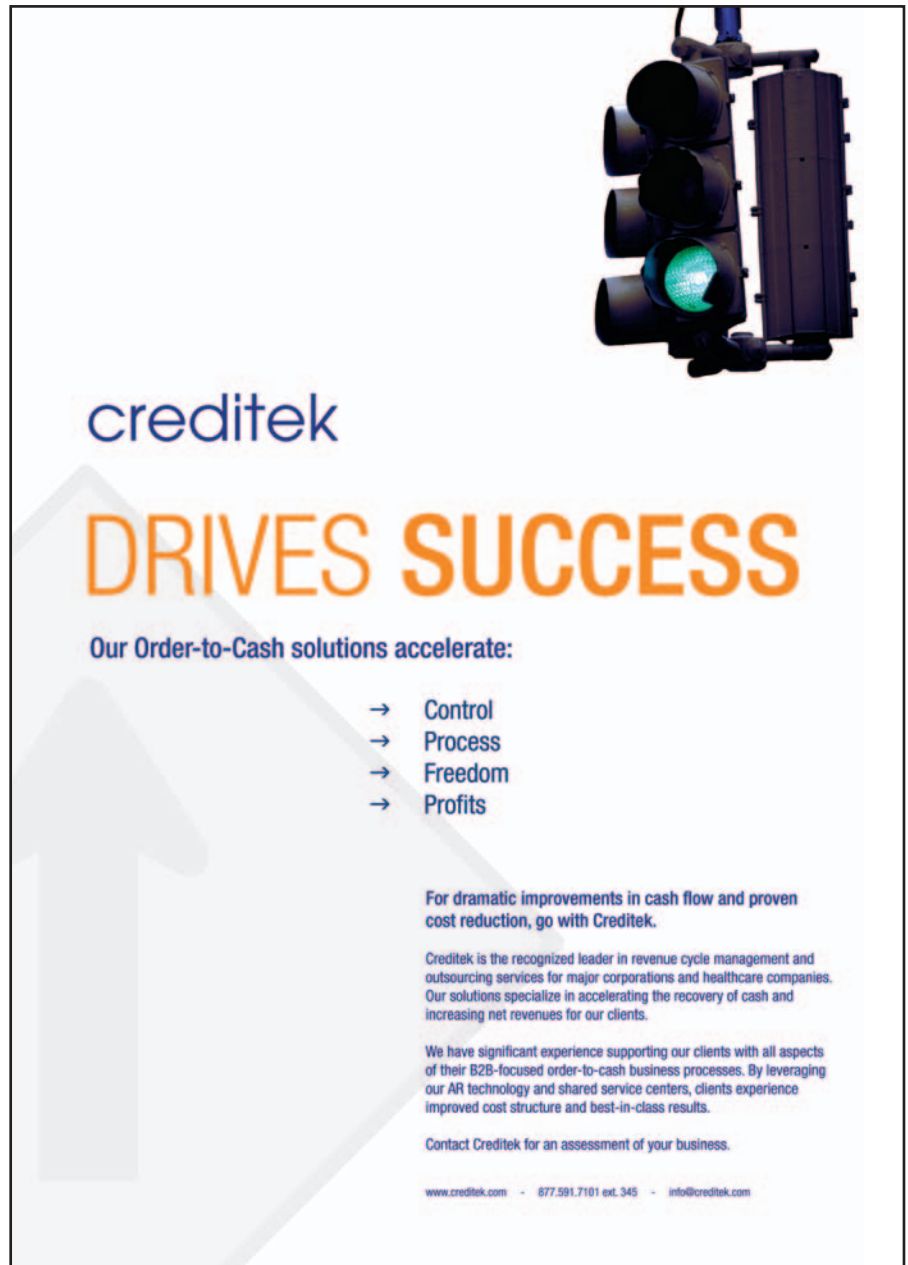
### OTHER BENEFITS

Much can be learned from this health benefit company and other companies that have empowered their employees to be accountable for reporting PTO into an automated solution and helping keep the quarterly financial statements accurate. Other benefits from these systems include reduced pay for unearned overtime, increased accuracy of payroll, reduced

“time theft” from buddy punching by hourly employees, and a reduced amount of time that employers spend on payroll and data management.

The overall cost and timesaving benefits that can be realized from an automated time and attendance system make it an investment that pays for itself quickly. **FAO**

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