

Case-in-Point: Simplification and Productive Relationship with Payroll Service Provider Save Processing Time, Reduce Errors and Lower 401(k) Audit Cost

Joe Savidge, Chief Financial Officer of Masonic Health System of Massachusetts, and Bill Gemme, Payroll Manager, share lessons learned and best practices uncovered over the last three years, as they implemented a host of changes to enhance payroll administration.



Joseph (Joe) Savidge, MBA, CPA - Chief Financial Officer

Joe Savidge has considerable experience in all finance functions, technology, due diligence, third party billing, process re-engineering and improvement. He began his career with PricewaterhouseCoopers in New York City with major clients like CBS, NYNEX, AT&T, AIG and Alfred Dunhill of London. He has been the CFO or senior financial leader of public, private, and non-profit entities in a variety of industries, including Healthcare, Banking and Financial Services, Marketing and Direct Mail, and Quasi-public Organizations.

THE OVERLOOK CONTINUING CARE
RETIREMENT COMMUNITY AND
MASONIC HEALTH SYSTEM OF
MASSACHUSETTS

<https://www.overlook-mass.org/>

ANNUAL REVENUE: \$50-\$55 million

EMPLOYEES: 550 (650 pre-COVID)

WILLIAM (BILL) GEMME, CPP PAYROLL MANAGER

Prior to taking his Payroll Manager position at CCRC, Bill Gemme held Accountant/Controller positions for almost 40 years, with oversight over payroll. Bill has been involved in many accounting, payroll, and 401k audits over the years, including audits from the U.S. Department Of Labor (DOL), Massachusetts Attorney General, and the New Hampshire DOL. Bill has also been involved in several payroll software conversions, most recently in 2016/2017 while working as a corporate accountant for a multi-state employer with 1,300 employees. Bill has been a member of the American Payroll Association for nearly 5 years and received his CPP certification from the American Payroll Association in 2017 prior to taking this position at The Overlook.

The SCOOP:

Please tell us about The Overlook and Masonic Health System of Massachusetts

Joe Savidge:

Masonic Health System of Massachusetts is not necessarily just one company, but three companies, and its mission is to provide opportunity for seniors at all stages of the life cycle. Seniors come in to live in our independent living facility. As they need to, they avail themselves of a nursing facility or a visiting nurse service. Our health center has associated with it four units: A post-acute unit, a skilled nursing unit, an enhanced living unit or a form of assisted living; and a memory care unit.

The organization was transformed five years ago when a new CEO, Tameryn Campbell, came in bringing in new leadership. We took an organization losing \$15 to \$30 million a year to break even. In fact, in three of those years, we made a profit.

Bill Gemme, our payroll manager, was brought in to help transform payroll back-office functions. Bill is a payroll expert and manager who could establish a vision and direction for the payroll department.

At the time, we had nine different payroll entities, despite only three legal entities. Payroll processing and analytics were awkward to say the least. These nine entities had grown independently, and each had its own business rules: different rates, different week measures, different overtime

policies, different types of policies, and even different billing codes for similar activities. One of Bill's major accomplishments was to consolidate these entities down to one, and at the same time change all the business rules to add continuity and consistency.

Bill also converted and updated our time and attendance system and is now working diligently on implementing a scheduling system.

This consistency makes our ability to manage operations much easier by providing the information we need to make better decisions about our investment in staff so we can retain and attract the best talent. Of course, before making payroll changes, it is critical to have a detailed understanding of the underlying processes. This knowledge will help ascertain the financial and personnel impact any changes from a new system might have on operations before migrating.

The SCOOP:

You mentioned nine entities, but how many different payroll submission sites do you have?

Bill Gemme:

When I came here four years ago, payroll was decentralized somewhat and done in two or three different locations. The visiting nurses group had multiple sites, each responsible for its own payroll, and one person would pull the data together. The processes used by each visiting nurses' group had grown over time in its own direction as needed to fulfill requirements. The payroll processes didn't have the structure and discipline needed for a truly centralized and efficient system. The payroll department seemed to operate where "if it comes up, we'll fix it in a manual way, so that we can get payroll out this week."

We had to standardize the way things were being done. In many cases, the automation was available, but we weren't using the functionality as intended or in an efficient way. At first, we streamlined the processes and reduced the number of work hours required to process payroll. By streamlining the process, we became more efficient, both in payroll processing software cost and in labor cost.

The SCOOP:

Please explain your approach to payroll administration.

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Bill Gemme:

Paylocity is our third-party provider. Paylocity handles all tax filings. We rely a lot on Paylocity’s Web Benefits software. We use it for 401(k) plan transmittals and payments. Paylocity software also handles benefits enrollment, all benefit changes, and employee notices. Another software called: “HR Enhanced” handles all employee self-service.

As for in-house staff, we are two working full-time. When I first came, we had two full-time people, one part-time person, and one person in Accounting spending 15-to-20 hours a week trying to patch things up and taking care of problems as they came up. We were able to streamline it down to two people.

Roughly 400 staff working on campus get paid biweekly. We use a punch clock here.

We used to mail out paystubs every week, to every employee, even though 95% of our employees had direct deposit. We put everyone on direct deposit and offered a pay card to unbanked employees. We stopped printing pay stubs. All employees now retrieve payroll information on Paylocity’s HR Enhanced system.

Employees can download HR Enhanced on their phone. When we come right down to it, most people want to access the information right off their phone. They can

change passwords if need be; they don’t have to call us. We want to automate as much as possible and we want to make the information transparent to employees. If an employee applies for a car loan on a weekend, I want them to be able to print their last three stubs right away and not to have to wait till Monday to file a request.

For time and attendance, we selected Attendance On Demand (AOD), because their system is a little bit more robust than Paylocity’s when it comes to scheduling. AOD partners with Paylocity and offers a nice integration. For staff, the convenience is the same for time and attendance as for payroll: They can go on their phone and look at their timecard anytime.

In addition to the 400 on-campus employees who get paid biweekly, visiting nurses were once organized in six different companies, each with its own pay codes and unique set of rules. All are now on one single tax ID, all filed with the same tax return. These folks are on the road. We collect their time and attendance using the same software they already use for all scheduling and activity that feeds our billing system. The Paylocity software pulls data needed for payroll processing from that system weekly, but payroll is processed biweekly. On-campus employee payroll is processed one week, and off-campus employee payroll is processed the other week. All employees have the same level of access to payroll information, benefits open enrollment, employee newsletter, employee handbook, and employee self-service.

All employee onboarding is done through Paylocity as well. Employee onboarding is a good starting point for staff because the login information and everything needed for self-service is set up on the date of hire. Once employees start punching in, they can go to Paylocity’s app to get the information they need.

The SCOOP:

Are employee terminations also handled on the Paylocity system?

Bill Gemme:

Yes, HR handles all terminations and changes through Paylocity’s system. We have only one paper form left for terminating employees that needs to be signed by the appropriate manager. Those forms then come to payroll to make final changes to the system.

The SCOOP:

Can you tell me a little about your retirement plans or your retirement program?

Bill Gemme:

We've got a 401(k) plan with immediate eligibility, one-year waiting period for employer contributions, and five-year graded vesting. The plan does not allow loans. We've got a frozen defined benefit plan that pays out people. How we audit contribution amounts is one of the more productive implications of the changes we made. We were just processing payroll. The lady in payroll would try to put together a spreadsheet of 401k contributions and matches, and to identify errors: contributions from an employee who shouldn't have contributions; employer contributions for employees not eligible for matching contributions; or incorrect match calculations.

She would find discrepancies. Someone in HR handled the plan audit at year end. HR and the plan auditors reconciled all these discrepancies at year-end.

We liked the way Paylocity worked with us to create a report that would identify discrepancies after each payroll cycle that showed both employee and employer matching contributions. It was one of the first changes we put in place.

Paylocity put together a custom report for us. They worked back and forth with us to get it to work. They charged us, I want to say \$250, which for me was terrific because now I've got a report that we can run after every payroll that will point out to us if there are discrepancies in somebody's 401k contribution or in their match. We've got a pre-processing report that we can check BEFORE payroll goes out.

We save our post payroll reports so that when the auditors come in, we've got 26 reports that tie out and we should be able to catch any error before it happens.

Paylocity sends the contributions file directly to our 401(k) plan service provider. That's why I wanted the pre-processing report. It was important to me to make sure everything ties out right to the penny before payroll even happens.

The SCOOP:

Did changing your payroll approach save you money on the cost of your annual 401(k) plan audit?

Bill Gemme:

Oh, absolutely. Absolutely. The number of hours in that audit, the number of hours we have for worker's comp audits. We used to do that by hand. Just the automation of so many things. The employer cost of health benefits, that was calculated on the side month-by-month so that every now and then, we could do the manual entry to get them in there. Well, of course we can set that up. We've got the Web Benefits software. It knows what the cost is for the employee. All we have left to do is calculate the matching employer costs and make sure it goes as part of payroll. Now, the two things happen at once. It's all automated. We don't even think about it. So, it'll save us on year-end, and it'll save us during the year, having to plug in those amounts.

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The SCOOP:

How did you go about selecting Paylocity?

Joe Savidge:

One motivating reason was that we had outgrown the prior system. The folks who worked in Payroll at the time did not want to go with other larger third party providers, because of a perceived lack of customer service. They went with Paylocity who could accommodate their needs. Paylocity was more responsive in terms of customer service.

The SCOOP:

What does "service" mean to you? What kind of service makes the better payroll service providers stand out?

Bill Gemme:

When I first came here, I heard: "Paylocity is not very good. The service isn't very good. We don't like the rep we have." Well, some of their criticisms were due to the lack of consistency in our payroll practices. I knew that organizing things right from the beginning would help, like combining the six visiting nurses' entities into one. And we reached out to Paylocity for help with that.

Shortly after that, I asked them if they could send somebody on site for a couple of days, to go through their software, so I could understand it better, hear what they would recommend. We had a biweekly call after that, where we kept up with all the changes we had discussed while they were here for two days.

So, what makes a good provider is at least somebody who is responsive to our questions. No provider is going to be perfect because every company, every employer has unique characteristics. Your service manager may or may not be familiar with all these unique circumstances. Good reps start to know who we are.

It is important also that the client company have some internal knowledge of payroll and accounting. It is unrealistic to expect an outside provider to do everything.

To me, responsiveness is most important. I like that if I ask Paylocity to escalate something, they will. If I ask for a meeting, they will meet. And when I reached out to them for reports, they were very accommodating, and the cost was reasonable.

Joe Savidge:

When Bill came on board, we talked about establishing a relationship with Paylocity. Our relationship was somewhat deteriorated when we came in, and it wasn't all because of them. It might have been because of the lack of integrity of our payroll processes. Our setup was awkward, cumbersome, and difficult. Bill's personality, his understanding, and his diligence in keeping in touch with Paylocity was important. Straightening out our own issues and our own business rules made it easier for Paylocity to respond to us in a way that could provide integrity to their solutions to our problems.

"With any payroll system, it will certainly be a project to convert, to upgrade, or even to change a system. I suggest that the project team be very carefully considered, and that the project lead be the payroll manager. The payroll manager should be fully supported by leadership and by those who will work in the department. "



The SCOOP:

Any final words of wisdom that you would like us to share with our readers.

Joe Savidge:

With any payroll system, it will certainly be a project to convert, to upgrade, or even to change a system. I suggest that the project team be very carefully considered, and that the project lead be the payroll manager. The payroll manager should be fully supported by leadership and by those who will work in the department. The team must be comprised of folks who are personally or peripherally involved in payroll. So, the team is important, and team structure is important, structure to the meetings is important. Timelines, action plans, diligence and follow-up on issues are not only important, but essential.

When the project timeline deteriorates, the manager needs to keep leadership of the organization apprised so that they can react. Communication with senior leadership has to happen, and senior leadership must be open to receive the information and then to act on it. This has to be established before commencing the project.

The SCOOP:

Thank you so much for your time and insights.

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