Time and Attendance: Managing Your Punch Ins and Punch Outs

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Introduction

(Based on studies from American Payroll Association and Robert Half Associates.) Time is money. In today's economy, this statement has never been truer. Efficient time and labor management is vital to any organization's success. Most companies do not really appreciate the losses they incur due to their lack of proper time and attendance accounting. Generally, time and attendance systems are primitive paper- or in-house–based systems, often one per department, incompatible with each other as well as with most of the enterprise systems in place. There is a very low penetration rate of these types of mechanized systems, whether simple time and attendance management (TAM) systems or full-blown PSAs. Considering that the United States is the leader in most mechanization and modern management techniques, we assume that the penetration is even lower in most other countries.

Time and Attendance (T&A) Data Capture

Employees do not like filling out timesheets; this is a fact that is hard to overcome. However, because the lifeblood of a Project and Service Oriented Organization (PSORG) is billable services or budgeted time, accurate timesheets that can also be used to bill customers are imperative. Often employees rush to fill and submit a timesheet without considering the consequences in time-consuming administrative corrections.

Time Misappropriation

"*Time loss*, which is the time misappropriation for longer-than-appropriate lunches and breaks, late arrivals, and early departures is equal to 4.08 hours on average each week. (From a joint study including the American Payroll Association and Robert Half Associates. Available at http://www.majoraccounts.adp.com/time/etcalc.htm. Retrieved on 11/05/2001.) If there is no system that can accurately track the arrival, departure, and break times systematically, then abuse and carelessness add up to a significant weekly, monthly, and yearly loss, especially when amortized over the total number of employees. Because at some point all these costs must be burdened by employers and customers, more efficient organizations will either be more profitable, lower-cost producers, or both.

Data Validation

Receiving the data is only part of the challenge. Usually the time entries need to be manually validated, and then the work really begins. The person who has to check the timesheets will notice discrepancies, from wrong codes to missing time entries and violations of the organization's time and attendance policies. The inaccuracies caused by human error are estimated to be up to 3%. (Based on studies from American Payroll Association and Robert Half Associates. Available at http://www.majoraccounts.adp.com/time/etcalc.htm. Retrieved on 11/05/2001.)

Payroll Preparation Time

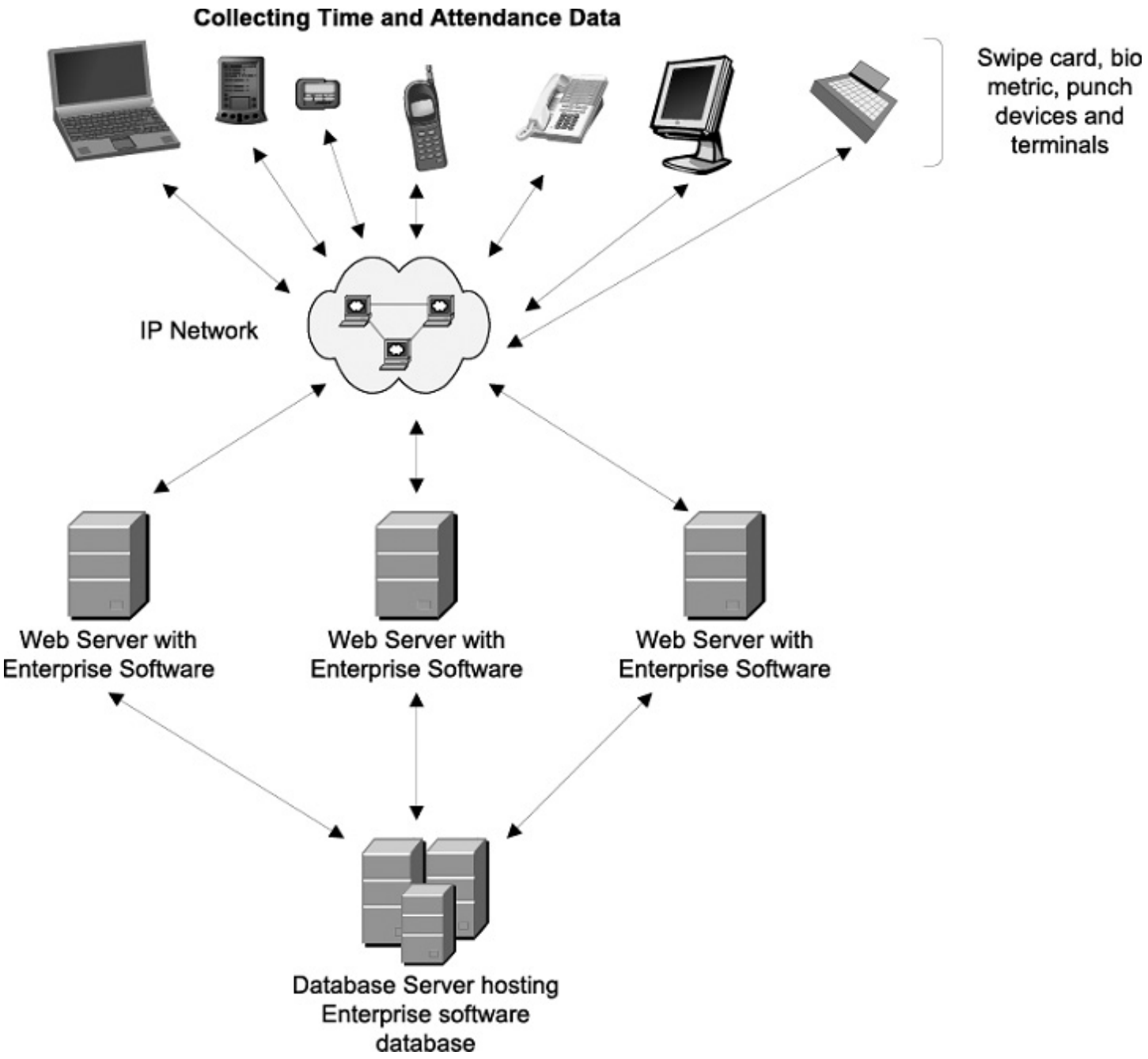
Payroll preparation time, which is intimately tied into the time and attendance process, is always delayed by late time cards, wrong job codes, and after-the-fact administrative adjustments. This preparation process can be reduced by 80% through the use of an automated solution. The seven minutes that it takes to audit each card can be reduced to one minute using an automated solution, a saving of six minutes, or over 85. This *single* small incremental savings per employee and per pay cycle represents, in a 1,000-person organization, about 100 hours per pay cycle, and assuming two pay cycles per month, represents a savings of 2,600 hours over the full year, or 325 eight-hour work days. As can be seen from this example, a *very small* insignificant savings—*per* employee, per payroll cycle—translates into significant savings over the year, and in this case can support an extra employee on the payroll or can flow directly to the bottom line.

Benefits of a Timesheet Software Solution

Eliminating Paperwork

An automated solution drastically reduces and in certain cases eliminates any need to use paper in your time and attendance cycle.

Exhibit 1. Collecting Time and Attendance Data



This will result in savings directly associated with printing, distributing, and handling the heaps of paper that need to be processed every week.

Online Access to Information and Policies

Employees always have questions such as:

- How much vacation or sick leave they have remaining?
- To whom should they submit their timesheets?
- How should they deal with various exceptions?
- What is their time and attendance policy?

Or they may just want to see their timesheets from previous periods.

A best-of-breed time and attendance software will give employees online access to this information and allow them to make automated requests for vacations, personal days, and so on.

Streamlining the Process

The manual process of users' receiving their time sheets from the HR department and submitting the timesheets involves a lot of excessively wasted time, including walking around, printing faxes, and then routing the information to the appropriate parties for approval until it finally discovers its way to the payroll department. Also consider that at any time, the manager or payroll department may need to send back the timesheet to a user who is required to

Exhibit 2. Actual Annual Cost Savings Calculation

Number of employees	20	50	100	200	1,000
Department time savings/week	$20.00	$50.00	$100.00	$200.00	$1,000.00
Reduced human error savings/week	$113.00	$281.00	$563.00	$1,125.00	$5,625.00
Total wages recaptured/week	$1,224.00	$3,060.00	$6,120.00	$12,240	$61,200
Total annual savings	$65,136.00	$162,768.00	$325,584.00	$651,120.00	$3,255,600

modify and then resubmit the timesheet to the appropriate parties throughout the approval process. This lengthy and cumbersome process can be significantly streamlined using an automated system that sets up a clear workflow and simplifies the process of pre-validating and correcting time sheets.

Email Notification and Online Status

There is always room for increased efficiency when a task involves a workflow including several parties with potential transitions going back and forth. Time sheets can be halted due to one or any combination of the following parties:

- Users forgot to submit their timesheets
- The manager did not approve employee timesheets
- One of the managers is out of the office
- The payroll department or manager noticed an error that the user had to correct but did not.

A system that provides email notification and online status of timesheet workflows allows organizations to manage these points of failure, which can cause the process to break down. Using software, the payroll administrator can work proactively, be advised to review the workflow as to where a timesheet has been delayed, and quickly resolve the issues.

Reducing Payroll Adjustments

Making adjustment entries to employee pay is yet another time-consuming activity. Having the right data flowing directly to the payroll system can alleviate errors and manual entry. Time and attendance management software that also manages pay adjustments can result in substantial timesavings; this allows all parties involved—the employee, manager, and payroll administrator—to more easily input, track, and identify changes for previous pay periods.

Avoiding Double Entry

Payroll is ongoing and for the majority of organizations one of the biggest (if not the biggest) costs, and with the use of modern PTM tools, this area can be better controlled. Timesheets are collected and validated manually, and are required to be entered into the payroll system for employee payroll. This type of double entry of data leads to human error. Employees can be overpaid or underpaid, which both have associated direct and indirect costs.

Other Enterprise Systems

Time and attendance data certainly has to interface with the payroll system and in many cases, the organization will also need to share the same data with various other enterprise systems to avoid human error and time loss in re-keying of data.

Live bi-directional data synchronization with other Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Project Management (PM), Payroll and Accounting systems is vital for offering a best-of-breed solution.

Assuming: 37.5 average hours/employee/week, $15 average hourly rate and $20/hour Department head/auditor's hourly rate.

Based on studies from American Payroll Association and Robert Half Associates:

- Six minutes saved auditing each card
- 1–3% the estimated human error factor
- 4.08 hours the average weekly "time theft."

Greatly decreasing inaccuracies caused by human error, payroll preparation time, management of labor costs and time misappropriation for lunches, breaks arrival, and departure.

The Ideal TAM Solution

Implementing a complete best-of-breed time and attendance solution is an important business decision that is often overlooked and underestimated. A complete TAM solution must include most or all of these features to maximize return on investment.

Conclusion

A time and attendance management solution will reduce the costs and errors associated with the collection, submission, approval, and administration process, greatly decreasing inaccuracies caused by human error, payroll preparation time, management of labor costs, and time misappropriation for lunches, breaks, late arrival, and early departure.

This white paper is an exert chapter from the first and most comprehensive textbook in the history of Professional Services Automation (PSA) software entitled "Professional Services Automation: *Optimizing Project & Service Oriented Organizations,*" published by John Wiley & Son Inc., 2002, ISBN: 0471230189.

It has 25 chapters spanning 300 pages filled with workflows, figures, charts, and diagrams that describe every PSA component, illustrate and clarify concepts visually to help project and service oriented organizations be more successful in obtaining maximum benefits from this new emerging class of enterprise software.

Exhibit 3

Feature	Description
Various Timesheet Views	Offer several views to accommodate the different ways data needs to be entered and captured.
Shift Management	Pre-fill and apply various rules based on employee type and work shift with support for rotating shifts. Shift time is entered automatically without user intervention. Manual timesheet changes are flagged and require approval.
Exception Reporting	Schedule the system to auto create and submit a predefined timesheet for a specified date interval for various users. Users make changes to their timesheets only if there are exceptions such as time off for vacation etc.
Approval	Timesheet approval with multiple levels, including alternate, line item, client and alternate with automatic routing
Pre-fill Holidays	Site specific defined holidays; every user can be assigned a specific holiday set for which time is automatically entered
Work Hour Thresholds	Enforcing work minimums and maximums (Daily, weekly and period) before allowing a user to submit their timesheet
Request Processing	Request processing (Vacation, leave, travel, personal day, etc.)
Overtime Policy System	Overtime accrual and usage rules to be specified for every weekday, on a daily, weekly or per period basis
Labor Management	Administrative tasks (such as vacation, sick leave, personal day, jury duty, etc.) processing, constraints, validations and usage rules
Compliance For Various Government Regulations	Full support of government regulations such as: Defense Contract Audit Agency (DCAA) timekeeping guidelines. California Wage Laws, European Time directive, Family Medical Leave Act (FMLA), Fair Labor Standards Act (FLSA), United States' per diem (FAR) regulations
Email Notifications	Event triggered notifications such as incomplete and rejected timesheets
Adjustments Entries	Track special charges; make positive or negative changes to time data
Note Entries	Various types of notes to be used for reporting, R&D claims, client invoice, project status updates, etc.
Status Indicators	To mark time entry status, such as R&D, funded and costed
Mass Update	Make massive changes to data for past periods; for example marking all time entries in a date range as posted
Access	Access to data via punch devices, terminals, web, wireless, email, Windows and other devices delivers a far more flexible solution to cater to various user types that need to interact with the TAM server

Feature	Description
Site and Scoping	Maintain a central database and track work by location; allow users, managers and administrators of each site (or within a virtual site) to have access only to site-specific information
R&D (research and development) tracking and claim management	Identify, track and process all R&D related work by specifying the projects, activities, time, and adjustment entries which are eligible
Business Intelligence Analysis	Advanced and sophisticated multidimensional enterprise reporting can add business intelligence to your T&A data. Anyone with the proper access rights can drill up/down and gain significant insight about the organization's operational efficiencies and weaknesses
Document Attachment	Attach documents to Clients, Projects, Activities, Users, Timesheets, Time entries with keyword based search capabilities
Tree Format	To setup hierarchies and a better representation of the organizational and work breakdown structures. Support for search/find and drag/drop

Six years in the making this textbook provides the real-life experiences of veteran project managers, IT experts and business executives. The book brings a unique value to many organizations, management consultants, business analyst, reengineering professionals, software vendors, and academics that work, teach and study in this strategically vital market sector. It probes emerging technologies such as: dynamic integration, wireless, ASP and their impact on PSA systems. The extensive analysis using the PSA cycle for each

component, return on investment calculators, best practice functionality and PSA RFP template make this the PSA reference that no manager or executive in a project and service oriented organization should do without.

For more information on Professional Services Automation: *Optimizing Project & Service Oriented Organizations, published by John Wiley & Son Inc., 2002,* or to purchase this book online, please visit www.psabook.com.

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