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# Implementing Oracle Payroll at Large Organizations

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## Introduction

RGIS Inventory Specialists is the world's largest inventory company. We have over 325 offices located throughout all states in the US plus offices in Puerto Rico, Canada, Mexico, and Brazil. On average, we employ approximately 30,000 people. Two thousand of these are salaried employees and the balance are hourly employees. Due to the nature of our business, this hourly segment of the work force experiences a high level of turnover which results in the processing of a large number of W-2s annually.

Our offices are responsible for keying time into our custom time entry system. This time is keyed by inventory site. It is then transferred to Oracle Payroll and the payroll is processed at the Headquarters office in Rochester, Michigan. We pay on a biweekly basis, and half of the country is paid each week. Our payroll turn around time is two days including all activities such as receiving time entry, processing payroll, and printing and mailing checks.

As you might imagine, this kind of volume in the payroll brings about a unique set of issues. In this document, we will address the issues that we face on a regular basis. We will address problems and solutions using Oracle HR/Payroll in the following areas: overall system checks and balances, withholding tax problems, W-2 Quarterly Balancing, and Check Printing options.

## Checks and Balances

Certainly it becomes a very large job to maintain the integrity of data within the system when you are paying 30,000 people. The goal should be to identify as many potential problems or errors before they actually occur in a payroll run. You need to devise tools and methods that you can use to help make the job as painless as possible. These are some reports we use or have developed based on some of our needs:

- **Invalid Address Report** - This report is run daily. If employees have an invalid address or missing address they will not process in a payroll run and may not even be assigned to a payroll. We like to identify and fix these prior to running the payroll process to eliminate errors of this type and keep the payroll process moving along. It's more time sensitive and difficult to correct problems during a payroll run than it is to minimize the occurrences of the errors from the onset.
- **End Dated Element Report (custom) Wages and Vertex** - With our high level of turnover, we experience a large number of instances where a Reverse Terminate process is required. One of the side-effects of this process is the end-dating of wages elements and/or Vertex elements that are not visible on the element entries form. The Reverse Terminate process should remove end dates from these elements, but we have found that this doesn't always work. We use this custom report to help us identify these individuals and take action before the payroll is run.

People: 26-MAR-1999

Name  
 Last: REED    Male  
 First: MARCUS    Type: Employee    Hire Date: 06-JAN-1999

Element Entries: 26-MAR-1999 (REED, Mr. MARCUS)

Period: 7 1999 Bi-Week (13-MAR-1999 - 26-MA)  
 Classification:

Processing Types  
 Recurring  
 Nonrecurring  
 Both

Additional  
 Processed  
 Effective Dates

| Element Name  | Processing Type | Costing | Reason | From        | To          |
|---------------|-----------------|---------|--------|-------------|-------------|
| FUTA Reversal | Recurring       |         |        | 06-JAN-1999 | 21-MAY-1999 |
| Regular Wages | Recurring       |         |        | 06-JAN-1999 | 21-MAY-1999 |
|               |                 |         |        |             |             |

- Resident/Work State Report (custom)** - RGIS may be unique when it comes to taxing employees in the proper state or locality. Our hourly staff (that performs the actual physical inventory-counting) may never report to their local office after training. Sometimes the employee's place of residence may be in a bordering state. The inventory project that these employees are scheduled to work upon are usually in their resident state. This could present a problem when Oracle Payroll performs its tax calculation. Oracle Payroll uses taxation rules using the underlying Vertex tax engine to withhold taxes based on an employee's home and work address. In this case, it would not be fair to the employee to have taxes withheld based on the location of their organization when they may never physically set foot in their own organization (department). Therefore, while the organization is in a different state we have set up tax locations we can use for each organization that may have employees who qualify for these special taxing considerations. We run this report for active employees and transfer them to the locations that match their residence, if needed. Thus, we accomplish the following. We assign the employee to the correct organization to satisfy requirements for General Ledger costing and managerial reporting. However, we override the work location to assure that the employee is not taxed from a state where he/she never works.

### Withholding Tax Problems

Assignment: 07-MAY-1999 (HUBBARD, Ms. MARLO)

Organization: D435    Group: No.none.FIELD.NONE.INV CREW.No  
 Job: Auditor.    Position:  
 Grade:  
 Location: 435 - Salt Lk City N    Payroll: DIV09  
 Status: Active Assignment

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 Status: Active Assignment

There are times when employees' taxes are withheld incorrectly or are not withheld at all. Below are several tax-related challenges we have solved:

- Incorrect withholding** – This condition is most likely due to an incorrect home address and is usually apparent after-the-fact requiring some sort of corrective action. Typically this corrective action is in the form of balance adjustments or non-payroll payments made to the employee to refund taxes incorrectly withheld. You will need to adjust wages as well as deferred compensation and taxes. Also, if the incorrect home address was in the wrong state, then you must check the tax rules of the state to which you move the earnings and taxes.

The screenshots show the 'Adjust Balance' interface for '01-MAY-1999' for 'MIMS, Mr. MATT'. The period is '10 1999 Bi-Week' and the effective date is '01-MAY-1999'. The element name is 'SIT Adjustment' and the costing is 'Costed'. The consolidation set is 'RGIS Business Group'.

The four screenshots show different stages of data entry for 'SIT Adjustment' entries:

- Screenshot 1: Jurisdiction: 19-000-0000, SIT Gross: -538.46, SIT Subj With: -538.46, SIT Subj NWit: , SIT 401k: .
- Screenshot 2: SIT Sec125: , SIT DCR: , SIT Withheld: 9.04.
- Screenshot 3: Jurisdiction: 25-000-0000, SIT Gross: 538.46, SIT Subj With: 538.46, SIT Subj NWit: , SIT 401k: .
- Screenshot 4: SIT Sec125: , SIT DCR: , SIT Withheld: 9.04.

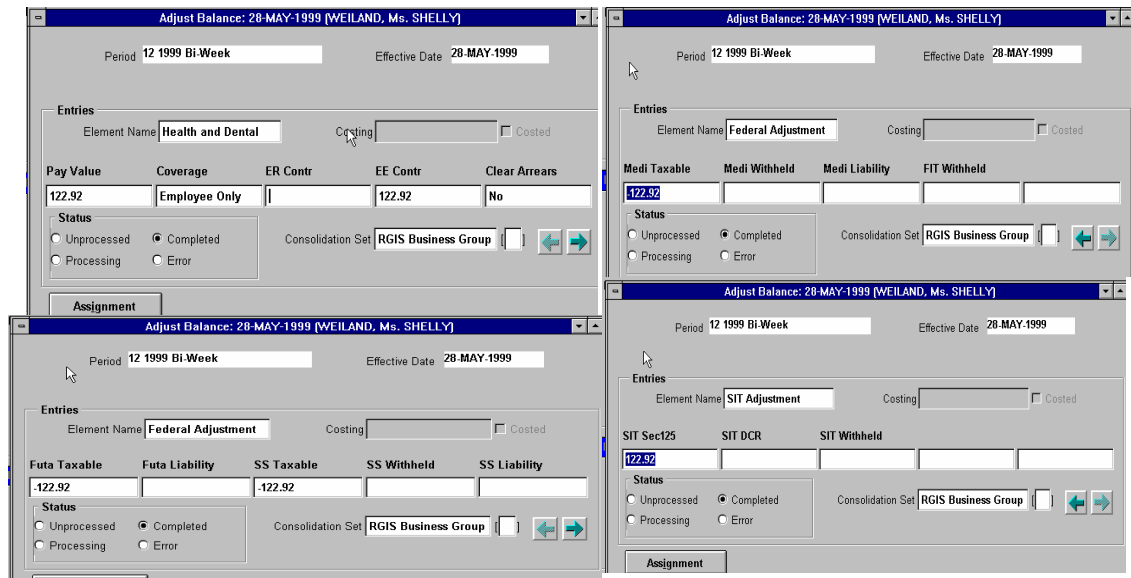
The status options are: Unprocessed, Completed, Processing, Error. The Consolidation Set is 'RGIS Business Group'.

- No withholding** – This can occur when there is an address change at the person level or an address change at the work location level that includes a county change. When these changes are made, Vertex elements become end-dated and will no longer withhold. Currently, the workaround for this problem is to transfer the employee to another location then back again (in correction mode) or changing the address. These workaround activities cause the Vertex elements to be reactivated and will once again begin withholding taxes properly. We have designed, and are in the process of implementing a program that will determine which records will result in this condition and fix them automatically. Identification of the employees who may have no tax withholdings is performed using a report that checks all employees in a payroll process that have received earnings but have a Medicare tax withholding of zero. We call this report our FICA discrepancy report. If this lack of withholding occurs, the employees identified on this FICA discrepancy report will have earnings accumulated in excess wages for SS and Medicare wages. This will require you to do a balance adjustment to eventually fix this. Even if your tax rules are set up to self-adjust, the wages thrown into excess will never self-adjust until taxable is adjusted.

|                     | Period   | Month    | Quarter  | Year     |
|---------------------|----------|----------|----------|----------|
| Gross               | 7,139.66 | 7,139.66 | 7,139.66 | 7,139.66 |
| Exempt              | .00      | .00      | .00      | .00      |
| Subject             | 7,139.66 | 7,139.66 | 7,139.66 | 7,139.66 |
| Subj Not WHable     |          |          |          |          |
| PreTax 401k         | .00      | .00      | .00      | .00      |
| PreTax 125          | .00      | .00      | .00      | .00      |
| Dependent Care      | .00      | .00      | .00      | .00      |
| Reduced Subj WHable | 7,139.66 | 7,139.66 | 7,139.66 | 7,139.66 |
| Taxable             | 6,380.25 | 6,380.25 | 6,380.25 | 6,380.25 |
| Excess              | 759.41   | 759.41   | 759.41   | 759.41   |
| Withheld            | 92.51    | 92.51    | 92.51    | 92.51    |

- Balance Adjustments** - Payrolls are rarely 100% accurate and usually these inaccuracies are not the fault of the payroll department but somewhere in the time entry process. Oracle provides tools like Quick Pays, Retries, or Retro-Pays to correct errors. However, you will often find a need to do a direct balance adjustment. For example; a section 125 deduction or over payment of wages to an ex-employee or for imputed earnings. You should familiarize yourself with the View Tax Balances form when doing balance adjustments. Beware: Balance adjustments can cause problems if not timed properly within your payroll processes. If you perform a balance adjustment within a current payroll period and follow with your payroll process, tax limits could be falsely reached because of the balance adjustment. The result is a lack of withholding, or perhaps a refund in taxes if your tax rules are setup to self-adjust. For example; New York SDI and California SDI both have weekly limits. Additionally, at the time of this writing, we have a TAR logged regarding the duplication of checks within the Checkwriter process caused by this condition.

- *Examples of problems and balance adjustments*
  - *Overpayment and funds returned*
  - *External Payment*
  - *Imputed income for ex-employees*
  - *Incorrect tax withholdings/ Bonuses lack of withholdings*
  - *125/401k adjustments*
  - *Balance uploads*



## W-2 Quarterly Balancing

When dealing with a large number of employees it is more efficient and much easier on you at year-end if you verify your tax balances on a quarterly basis. This way you'll take some of the pressure off at a very busy time of year.

Gross to Net reports should balance to the values of Federal and State tax remittance reports. These should balance to SQWL reports as well as 941's and to the W-2 reports. This flow of balancing can be done as often as you like but recommended at least quarterly. SQWL processes and the Year End Pre-Process can be rolled back easily.

- **Outsource tax remittance** - Because RGIS has a presence in all states, we utilize a tax service. Ceridian Tax Service (CTS) has long been our choice. CTS works with companies that run in-house payroll systems that wish to outsource their payroll tax remittances. Previously, our legacy system reported payroll tax liabilities and quarterly data to CTS host-to-host. When we converted to Oracle we developed a custom host-to-host payroll tax file. We went through a sequence of trials and tribulations writing our own package that could call balances for a payroll of our magnitude in a timely fashion to remit our payroll tax liabilities. Note that we needed to overcome system performance processing challenges in implementing the solutions for the CTS tax interfaces. An aspect of this is addressed in the next section.

## Increasing Speed for Balance Calls by Effectively Using Latest Balance Tables

In order to improve performance when referencing a balance amount, the Oracle HRMS application balance call function is designed to first check for the presence of a figure in a table of latest balances and use it before dynamically generating the balance amount from historical detail. If the balance amount does not exist in the latest balance table, the balance must be generated. All balances that are referenced in Fast Formulas and processed during pay runs are automatically entered into the latest balances tables (PAY\_ASSIGNMENT\_LATEST\_BALANCES, PAY\_PERSON\_LATEST\_BALANCES). If a user runs a report that references many balances that are not present in the latest balances table, the report could require significant processing time. To help alleviate this problem, references to the required balances can be placed in a Fast Formula so that entries to the latest balances tables will be created by the system. When dealing with balances that are related to tax jurisdictions (states, cities, and counties), a jurisdiction code must be supplied as an input value for the Fast Formula.

## Check Printing Options

One of the most time consuming steps in the overall payroll process is the production and distribution of checks or deposit advises. With larger numbers of payees this becomes more and more difficult to manage. You have a couple of options here:

- **In-house production** – You can simply use standard Oracle functionality to generate and print checks if you don't mind the standard layout. If you want to alter the layout, you will need to customize the CheckWriter program or use software (Optio has worked well for us) to take the generated spool file and reformat the output to the desired layout. (As is the case with any modification or extended processing, you must always be prepared to make adjustments when system updates are released.) Check production doesn't end with printing. Checks must be distributed as well. You might elect to distribute the checks within the organization or through the mail, but either way you will be responsible for maintaining check stock, separating and envelope stuffing (if not using a self-seal type stock, where you will still be responsible for sealing). This method of check production doesn't lend itself well to high volume payrolls unless you have a large staff you can rely on to perform the associated duties.
- **Outsourced production** – With this method, you would run your payroll normally including running Checkwriter. It is the Checkwriter spool file that you will transmit (usually via FTP or other electronic means) to the vendor of your choice. The vendor (for applicable fees, of course) will actually produce the checks and will even mail them for you. These vendors are equipped for high volume check production and can turn around the documents very quickly. There are some things to consider when using this method:
  - **Check design:** You will need to work with the vendor to help map the spool file that you provide to the output specifications you require. You will need to build enough time into your project for this activity.
  - **Transfer method:** How will you get the source file to your vendor? These vendors can provide an FTP site that you can place your file into on a regular basis. Of course it would be password protected and secure. You may also elect to use your own FTP or web site and allow the vendor to "pick up" the file at certain intervals. You will need to build in logic so that files do not get overwritten in case you may need to reproduce a check for any reason. You will also need to agree on a process that will not permit the same file to be processed again.

## Added Or Enhanced Features

- **Check reconciliation** - There currently is no Oracle delivered method of reconciling checks generated from the HRMS Payroll application (this functionality is said to be present in Release 11i). Clearing checks manually was not an option at RGIS due to the large number of employees paid each month. We researched the Oracle Cash Management Open Interface functionality and determined that we could use this open interface to bring in payroll check information provided we could get everything the interface requires from the HRMS Payroll tables. After extensive research we were able to design a custom interface program that picked up payroll check information and populated a customized version of the Oracle delivered Open Interface view. We incorporated this custom table into the Oracle delivered view and are now able to automatically reconcile payroll checks against bank statement files in the Oracle Cash Management application.
- **Payroll Journal** - The Oracle delivered version of the Payroll Register (Journal) lists 1-½ employees per page and takes over 6 hours to complete for an average RGIS payroll. We felt we could improve upon this. We started with PAYRPREG.rdf version 40.16 98/12/21. We determined that the only information needed on the Journal were earning elements plus gross and net pay for each employee. We further determined that it was not necessary to report QTD and YTD values. We used Developer 2000 Reports (32 bit) to remove all queries not pertaining to what we wanted on the report. We rearranged the items on the report so that only 3 lines were printed per employee. The report was now in an acceptable format but still took over 4 hours to complete. We analyzed the queries in the report and used a number of performance tuning techniques designed to make them run more efficiently. After tuning all of the queries, the report now takes less than 4 minutes to complete.

## Conclusion

Currently we have 14 payrolls averaging about 2,500 people each. On average they take about 60 minutes to process start-to-finish. Our most time consuming jobs to run are payroll tax reports because they do system intensive balance calls. Maintaining a payroll system of this size requires some special problem-solving and significant effort, but we have experienced success in this project. Hopefully the information presented here will inspire thought and provide some ideas to build upon.

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## About the Authors

Karen Coopriider has worked in payroll for 13 years and is the Manager of Payroll for RGIS Inventory Specialists. She's been participating as a key member of the Oracle HRMS implementation team and has been actively using the Oracle HRMS payroll package since 1996. Karen is currently holding the office of Secretary for the Global OAUG HRIS Special Interest Group, and is a member of the American Payroll Association.

Mike Auquier is a consultant who is exclusively dedicated to Oracle HRMS (HR, Payroll, Advanced Benefits, and Time Management) implementations for BOSS Corporation (Better Organization Service Solutions). Mike has contributed in both a management and hands-on role in the implementation of several Oracle HR/Payroll projects. As a member of the BOSS Corporation HR/Payroll Systems Division, Mike joins an experienced team, which provides consulting services to clients throughout North America.