



Insource or Outsource: Options in Payroll Tax Processing for Oracle Users



Today's Speakers



Case Study Speakers

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Senior Manager, Payroll Taxes
Spherion Corporation

John Margozewitz

Senior Director, U.S. Payroll
Oracle Corporation

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AGENDA



- Insource versus Outsource Dilemma
- Case Studies
 - Spherion
 - Oracle
- Outsourcing Model
- Ease of Integration
- Questions & Answers

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What seems to be the problem?



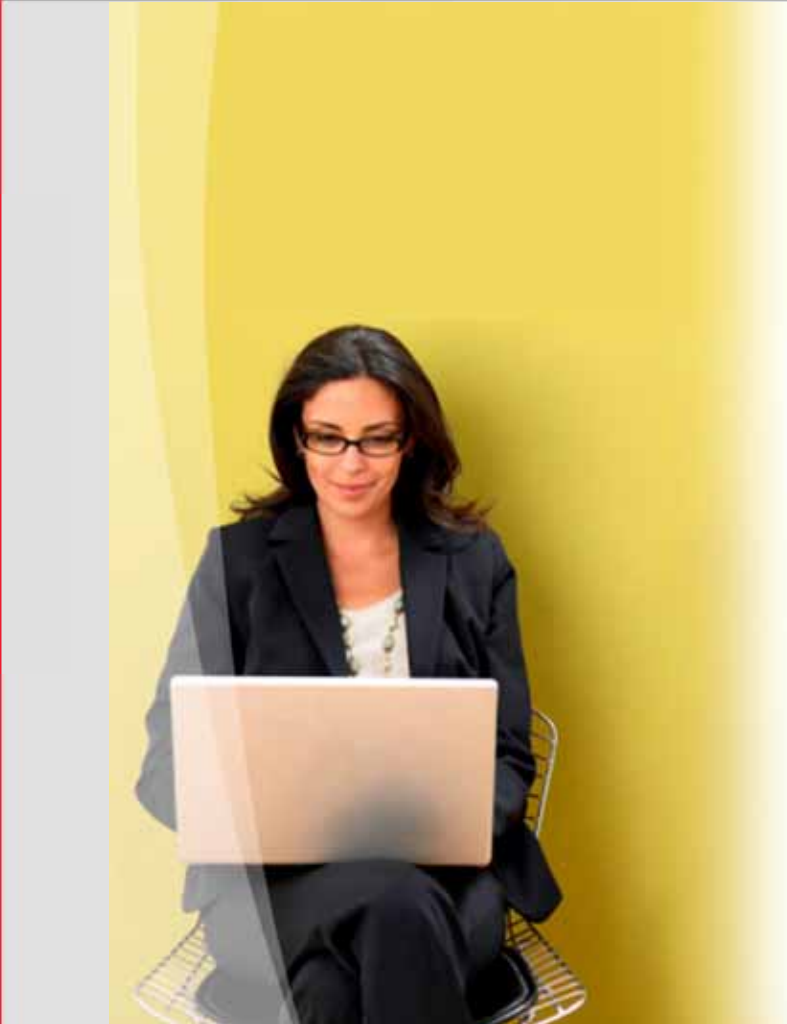
Our payroll process always seems to lag behind as far as compliance, and we don't have a tax department with staff available. We work in all 50 states, how am I supposed to get immediate help tackling all the irritating correspondences from the federal, state, and local agencies?

I just received a memo that our company is going through a merger. I have a feeling that this will bring additional complexity in our payroll tax compliance and processing. My staff is overburdened as it is, I need help!



How do I keep compliant with ever changing federal and state income tax rules and avoid penalties? I have better things to do than worry about these!

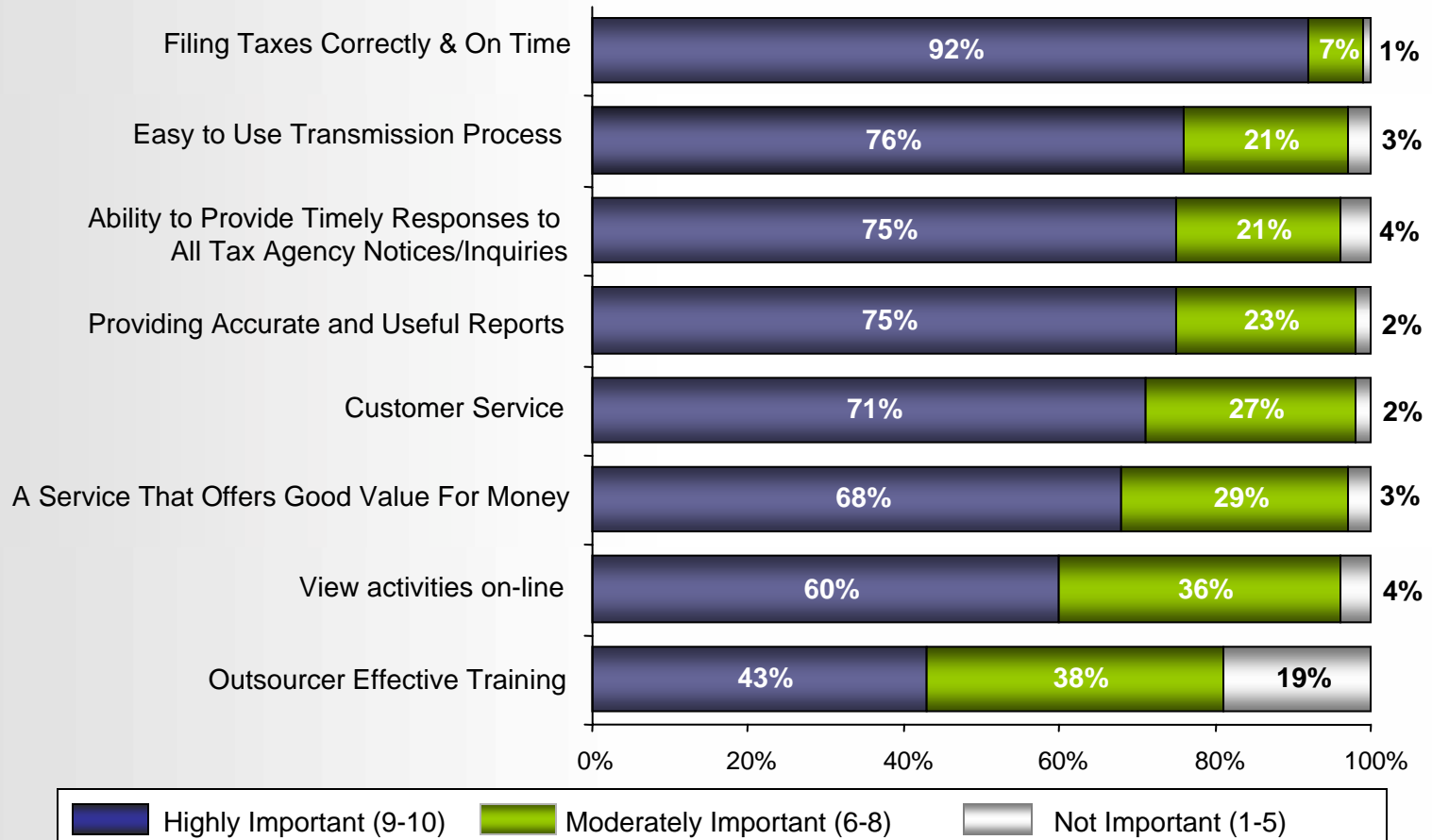
Take a Poll



What do you think are the most common reasons of outsourcing payroll tax processing?

- A. Reduce risks, maintain compliance
- B. Reduce costs
- C. Align with company's organizational priorities

What is Important to Companies Who Outsource Tax?



Source: Evans Research, October 2006



Case Study – Spherion Corporation



Case Study Speaker



Roderick D. Weimer

Senior Manager, Payroll Taxes

Spherion

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Company Background – Spherion



- **Industry:** National staffing organization providing temporary and permanent placements for a broad market perspective focusing on general labor to seasoned accounting, engineering, office and computer professionals.
- **Headquarters:** Fort Lauderdale, FL
- **HR/Payroll Control:** Decentralized employee setup & input via 600 branches
- **Payroll Environment:** PeopleSoft – Weekly & bi-weekly pays
- **Payroll Complexity:** Multiple Federal Employee ID Numbers (FEIN) & 800 jurisdictions
- **# of U.S.employees:** 300,000+
- **Ownership:** Public company – Sarbanes-Oxley environment
- **Outsourced Services:** ADP – Payroll Tax, W-2 Processing, Garnishments

Managing payroll taxes in today's work environment. Insource or Outsource?



- **Insource or Outsource? – Decision challenges:**
 - Challenge # 1 – Define the environment
 - Challenge # 2 – Identify the opportunities
 - Challenge # 3 – Manage the outsourced relationship
- **Implementation options for strategic control of payroll taxes**
- **Additional / On-going benefits of outsourcing payroll taxes**
- **Outsourcing accomplishments**

Insource or Outsource? Decision Challenges



- **Challenge #1 – Define the environment**

- Environment
 - Current
 - Organizational structure – Multiple company / Multi state / Jurisdictions
 - Number of employees paid / Pay frequency
 - Control / accuracy in employee set up. Centralized or decentralized input
 - Internal payroll tax compliance, deposits, and filing.
 - Payroll software / processing
 - Is it working?
 - Is there a need or a basis for a change? Is there a payroll crisis?
 - Is there something better out there than the current mode of operation?
 - Financial cost / exposure to the organization
 - How to control payroll processing and payroll tax costs? What to do?
 - Production expenses
 - Compliance risks
 - Tax Issues – Outstanding issues / penalties / interest
 - Future organization growth
 - Internal
 - Acquisition

Insource or Outsource? Decision Challenges



- **Challenge #2 – Identify the opportunities - Will payroll and payroll taxes be processed in-house or outsourced?**

In-house

- **Human Resource Department interface**
- **Payroll Department**
 - Support for payroll processing
 - Centralized
 - De-centralized
 - Support for payroll compliance
 - New payroll regulations
 - New tax compliance
 - Printing
 - Distribution
 - Pay distribution
 - W-2 distribution

– Payroll Taxes

Separate department or integrated within Payroll Department / Corporate Tax Department?

Outstanding payroll tax issues

Future compliance changes

Return processing / payment / filing / internal access and storage

– Head Count – How many people will it take to maintain payroll taxes?

– Where is Payroll Tax Housed?

· People

How many

Location / Location / Location

· Document Storage

Insource or Outsource? Decision Challenges



- **Challenge #2 – Identify the opportunities - Will payroll and payroll taxes be processed in-house or outsourced? (cont.)**
 - Outsource Solution
 - What will be outsourced?
 - Payroll
 - Payroll Taxes
 - What is the goal of outsourcing?
 - Compliance – Pay calculation / distribution and payroll tax deposit / filing accuracy
 - Elimination of Penalties and Interest
 - What organization can team up with your company and properly handle your company?
 - Who is the industry leader?
 - Does the organization carry clout with regulators and industry organizations?
 - Will there be a dedicated contact person and / or team?
 - IT interface?
 - Network your references.
 - What is the cost of outsourcing?
 - Actual
 - Savings
 - What risk will the outsourced organization accept?

Insource or Outsource? Decision Challenges



• Challenge # 3 Manage the Outsourced Relationship

- **Internal staffing in an outsourced environment**
 - Is a Payroll Tax Department needed in an outsourced environment?
 - Daily / Periodic Processing Validation
 - Employee Assistance
 - IT interface
 - Software Tax Updates
- **Data flow / reliability**
 - Audit and reporting
 - SAS70 audit reports available?
- **Compliance updates**
 - Review and Test
- **Regular status meetings with team contact**
 - Team flow of information
 - Partnership Management
- **Continued savings**
- **Planning for tomorrow**
- **Outsourced management goal**
 - Comfort level target – HIGH
 - Exposure – Low

Implementation Options for Strategic Control of Payroll Taxes



At the time of implementation, there were two viable options:

#1- Internal - Implement and maintain taxes on the PeopleSoft system

- **Payroll Tax Department processing center**
 - Compliance
 - Deposits
 - Periodic
 - Quarterly
 - Annual reconciliations
 - Return processing in 800 jurisdictions - including local taxes
 - Interfacing software
 - W-2 Processing
 - Printing
 - Distribution
 - Corrections

#2 - Outsource to ADP - the industry leader

- **ADP Financial and Compliance Service (FACS)**
 - Compliance solution
 - Deposit solution
 - Filing & distribution solution
 - W-2 print & distribution solution

Additional / Ongoing Benefits of Outsourcing



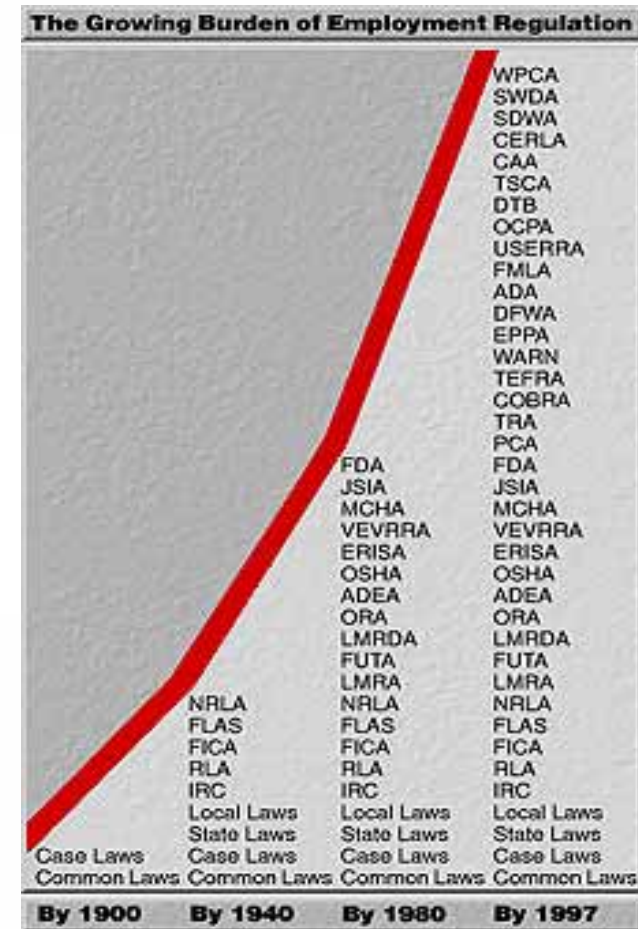
- **PeopleSoft Implementation**
 - Met the PeopleSoft payroll implementation date knowing that our tax responsibilities would be managed by ADP
- **Additional Software**
 - Return Filing Software Avoided
- **Headcount Avoidance**
 - Avoided 6 Corporate Positions
 - Compliance Personnel (1)
 - Return Processing (4)
 - Accounts Payable (1)
 - Filing (1)
- **Compliance**
 - Full confidence that we are in compliance with taxing authorities
 - ADP processes amendments
 - ADP tracks and addresses notices (tracers)
 - Tracking
 - Resolution With Agencies --- Agency Notices have been cut in half
- **Flexibility in Growth**
 - ADP integral element of expansion through flexible account management
- **Partnership Management**
 - Working hand in hand with ADP is a partnership whereby each partner grows and successfully tackles new challenges
 - New Tax Compliance
 - Organization Growth – acquisitions
 - Operational Efficiencies
- **Additional ADP Services Implemented subsequent to ADP Payroll Tax outsourcing**
 - W-2 Printing
 - Garnishments

Outsourcing Accomplishments – What Has Spherion Gained by Outsourcing?



As Spherion continues to grow their business, they are assured that payroll tax compliance is confidently managed via ADP outsourcing.

- No worries on keeping up with changes
 - Payroll tax compliance is the most heavily regulated industry.
 - Dedicated ADP Account Service Rep and Team keeps us abreast of new regulations and reviews our account.
- Flexibility in Growth
 - Assured flexibility – In 2007 and 2008, we successfully integrated 5 new companies and merged taxes from 5 different payroll systems without missing one deposit!
- Confidence in Payroll Taxes by executive management – PRICELESS!





Case Study – Oracle Corporation



Case Study Speaker



John Margozewitz
Sr. Director, U.S. Payroll
Oracle Corporation

Company Background – Oracle



- **Industry:** Software and Services
- **Inception date:** June 16, 1977
- **Headquarter location:** Redwood City, CA
- **Decentralized HR:** Line HR is decentralized, HR SSC is centralized
- **Number of jurisdictions**
 - # federal tax ID's: 2
 - # state and local jurisdictions: over 350
- **# of U.S. employees:** 29,000
- **ERP System:** Oracle
- **Svs. Outsourced to ADP:** Payroll Tax Service

Organization Background



**Finance
Department**



**Centralized
Payroll**
Payroll and Tax Filing
(Rocklin, CA)

Business Challenges in Reducing Risks



- **Challenge #1 – Keep up with tax law changes**
 - Tax rule change updates
 - Agency notice responses, with increased acquisitions
- **Challenge #2 – Manage acquisition activities**
 - Integration of acquired companies
 - Turn-around to load year-to-date taxable is quick
 - Ensure W-2's issued for acquired company and annual reconciliations
- **Challenge #3 – Streamline payroll tax filing process**
 - Focus on core activities for Oracle
 - Need for standardized and efficient processes

Options to Resolve Challenges



At the time of options to consider to resolve business challenges, these were the following options:

#1 - Maintain payroll tax filing process in-house

#2 - Outsource to service bureau providers such as ADP

Benefits of Outsourcing as a Decision

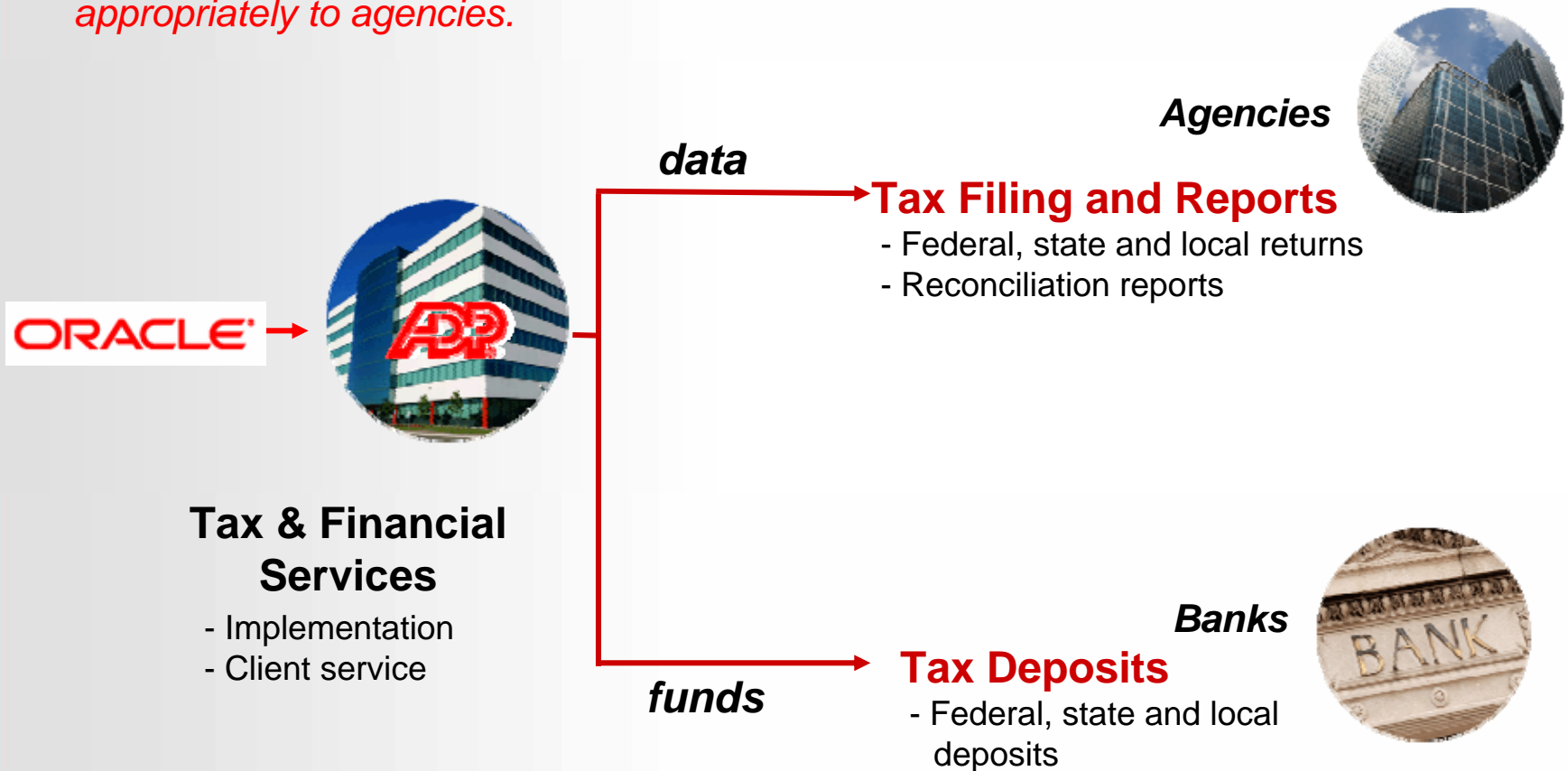


- **Compliance**
 - Tax agency notices have diminished
 - Confidence that Oracle is in compliance with all taxing authorities
- **Seamless Implementation on ADP Transporter solution**
 - Quick turn-around to resolve implementation issues
 - No configuration required from Oracle Payroll balances
 - Good performance, allowing for overnight processing
 - Do not have to maintain jurisdiction code mapping as part of Oracle Payroll application
- **Networking opportunities**
 - Annual User Conference
 - Discuss best practices with similar-sized companies
- **“One-stop-shop” to access other ADP services**
 - Looking to resolve Oracle’s global needs (e.g. ADP Streamline)
 - Employee PayCard service

What Has Oracle Gained?



As Oracle continues to focus on its core business, they are also rest assured that payroll taxes are filed correctly and on-time, and tax deposits are sent appropriately to agencies.





The Outsourcing Model



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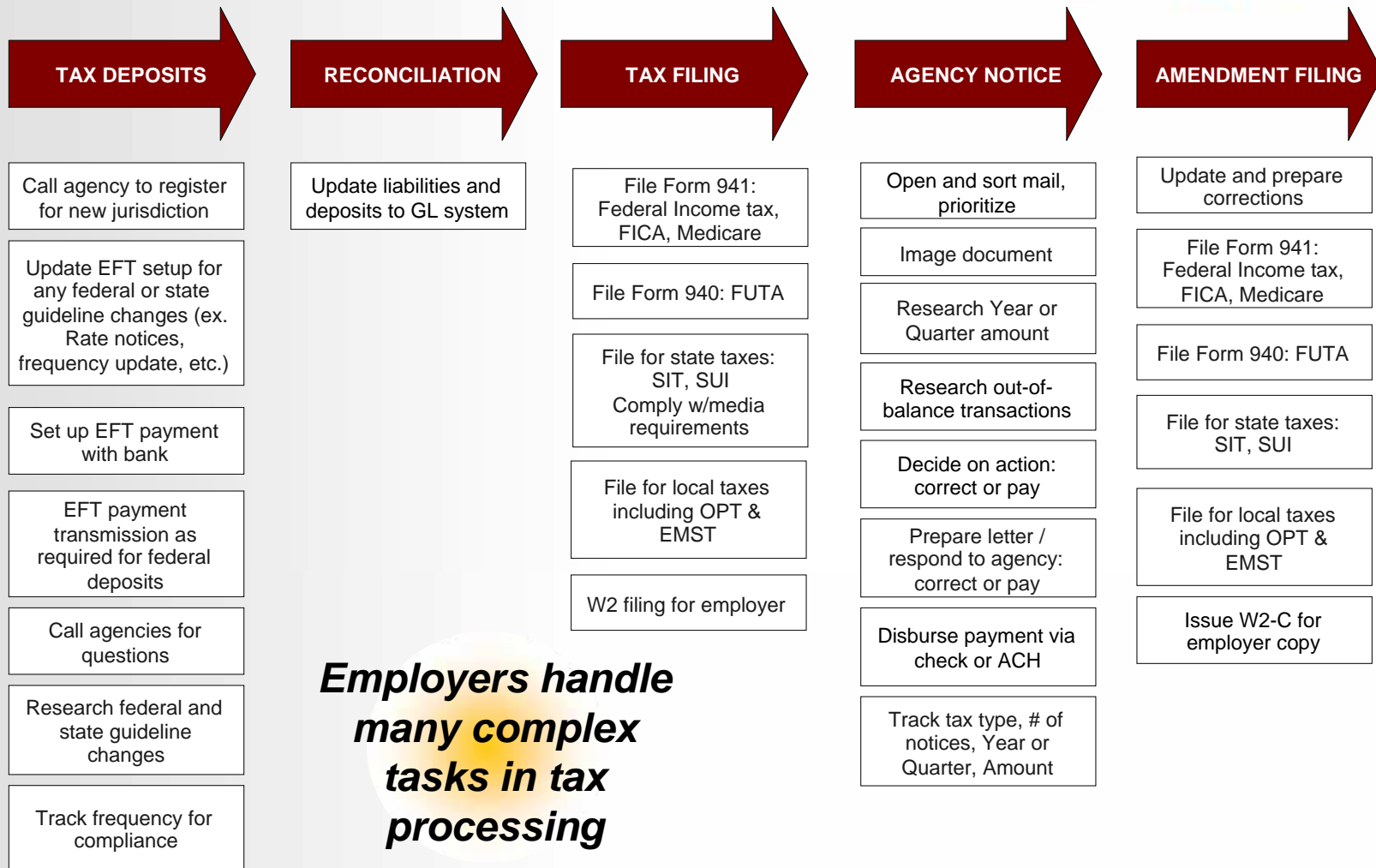
Mike DeCamp

Corporate Product Consultant

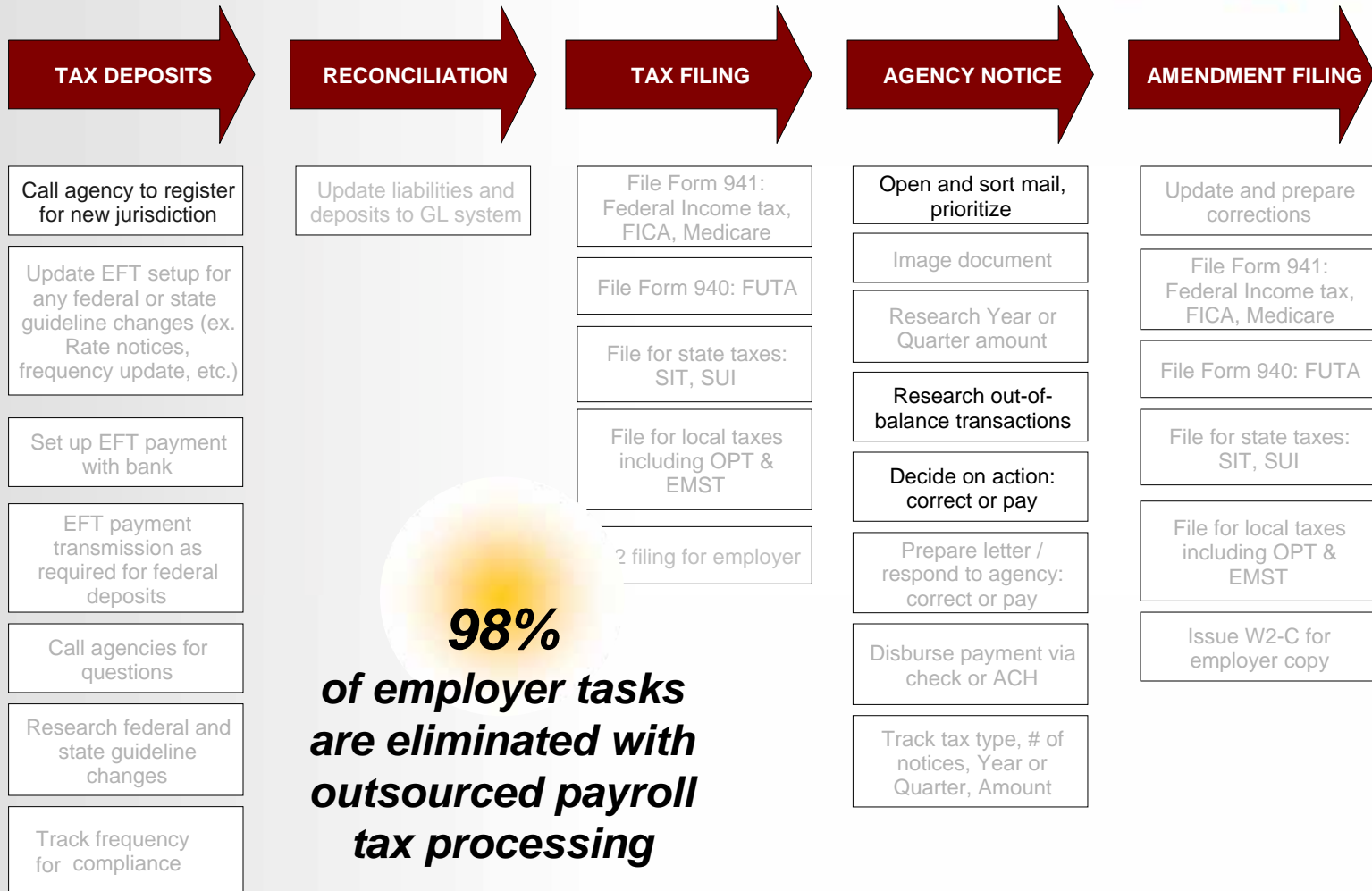
ADP Financial and Compliance Services



Typical In-House Tax Process



Outsourced Tax Filing Process



cashier checks

Tax Service Product Offering



- **File, deposit, and process federal, state, and local payroll taxes**
- **Quarter & annual reconciliations for federal, state, and local payroll taxes**
- **Preparation and Filing of Employee Wage Detail Listings**
- **Agency inquiry research, response, and resolution**
- **Automated reparation and filing of amended returns**
- **Client Secure Web Site for data access, reporting and research**
- **W-2 printing and filing from same source data through a single-feed process**
- **Single point of contact for service relationship**
- **ADP developed & maintained data extract programs for Oracle and PeopleSoft**

Compliance and Risk Management



- **ADP Agency Relations: Tax Research**
- **SAS 70 Type II, SysTrust, ISO 27001**
- **Policy and Security Awareness Mandatory Programs**
- **Data Security/Business Continuity: TIER IV Data Centers**
- **Assured compliance**
- **Risk Mitigation: ADP assumes penalty and interest risks**



Ease of Integration



ADP Speaker

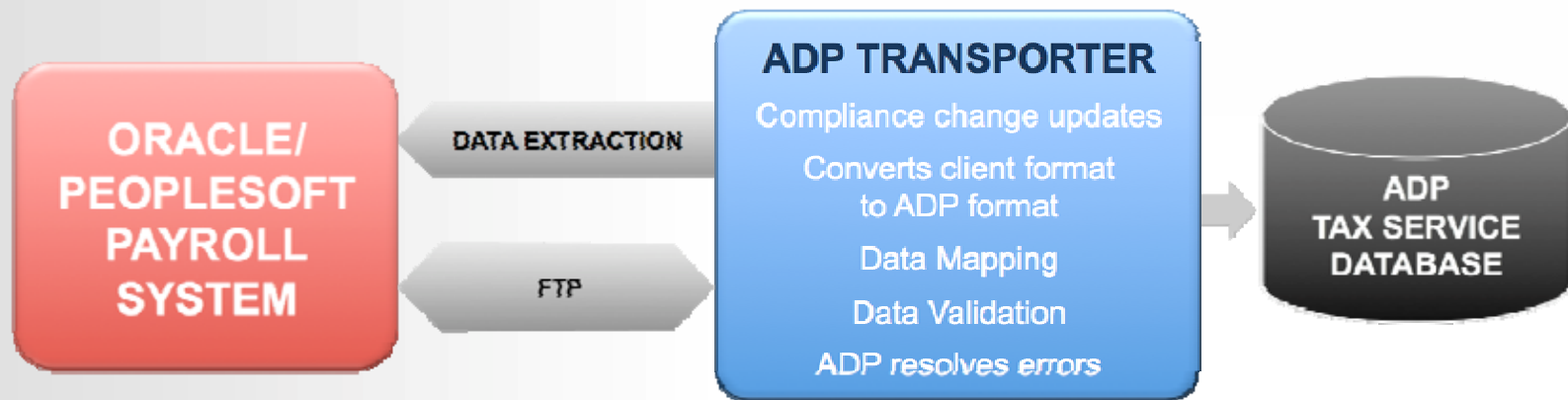


Peggy Ward

Director of Product Development
ADP Financial and Compliance
Services



Transporter Integration



- ADP provides the file extract from your payroll system to our Transporter Interface Engine eliminating any on-site maintenance of an interface software application by the client
- File extracts appear as a standard system menu item within Oracle / PeopleSoft
- Requires no client manipulation
- Standard file transmission via secure FTP
- ADP collects the right amount of data required to make accurate and timely tax deposits

ADP Delivered Transporter Interfaces



- **ADP Client Integration Services developed and supports Transporter interface from Oracle and PeopleSoft to ADP Tax**
 - Oracle - Custom database objects including tables, a PL/SQL package, and SQL+ reports
 - PeopleSoft – SQRs, SQCs and PeopleSoft project
 - Two programs to produce the required files
 - Periodic – Summary Level for each pay run
 - Quarterly – Employee detail for quarter, annual filing and employee W-2's
 - Delivered to the client configured to your environment
 - Minimal Client IT effort
 - Any changes or customizations are provided by ADP
 - No client development needed

ADP Delivered Transporter Interfaces



- **Transporter Technology**

- All mapping from client's pay system to ADP takes place at ADP in the Transporter
- No need to maintain the ADP codes
- New tax jurisdictions automatically extract and are then mapped at ADP

- **Ease of Implementation**

- Brief questionnaire on client specifics
- Delivered interfaces ready to test

ADP Delivered Transporter Interfaces



- **Ease of Use**
 - Reconciliation reports are produced by ADP delivered extract ties out to:
 - Oracle Tax Reconciliation Report (TRR)
 - PeopleSoft Tax 001 & Tax 010
 - Detailed Functional and User Documentation
 - User Training
- **ADP maintains the interface**
 - All compliance changes
 - All new versions and updates to Oracle / PeopleSoft
 - Any changes designated by ADP specification

Oracle Periodic Extract Program



Oracle Applications - KEFD Financials cloned from PROD on 22-MAY-04

File Edit View Folder Tools Window Help

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Submit Request

Run this Request...

Name **ADP Periodic Tax Extract** Copy...

Parameters

Language **American English** Languages...

At these Times...

Run the Job **As Soon as Possible** Schedule...

Upon Completion...

Save all Output Files

Notify

Print to **noprnt** Options...

Help (H) Submit Cancel

Start | CSS Horizon ... | New Memo ... | Kemet Orac... | http://hqcm... | Oracle Appli... | Oracle Ap... | 12:15 PM

PeopleSoft Periodic Extract Program



Run control for ADP Periodic - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Refresh Home Search Favorites Home Mail Print Taskbar

Address Go Links >>

PeopleSoft

Home Worklist Help Sign Out

Run Control ID: MONROE [Report Manager](#) [Process Monitor](#) **Run**

Report Request Parameter(s)

On-Cycle Run Pay Run ID: <input type="text" value="WKBW60211"/> PD 2/17/06	or	Off-Cycle Pay Calendar Company: <input type="text"/> Pay Group: <input type="text"/> Pay End Date: <input type="text"/> Process: Page #: <input type="text"/> Thru: <input type="text"/>
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Payroll Cycle
 On-Cycle Off-Cycle Both

Process Instance:625167 Internet

Key Takeaways



- **Challenges faced in mid-sized and large organizations**
- **Motivation to outsource**
- **Benefits derived from outsourcing decisions**
- **Leveraging Oracle or PeopleSoft payroll platform with seamless integration to ADP Tax Service**

Take a Poll



How quickly do you plan on selecting and implementing a payroll tax outsourcing partner?

- A. Within next 3 months
- B. Within next 6 months
- C. Within next 12 months
- D. Not sure

The Five Steps To Success



- **Start with identifying your evident pain**
- **Benchmark to highlight the issues**
- **Create a vision**
- **Plan and develop timeline**
- **Select outsourcing partners**
 - Best for your business process – experts in the field
 - Long term partnership – have been in the business for many years
 - Speed of implementation – adhere to best practice
 - Risk – financially sound partner you can trust

The Point



- **“Outsourcing” simply says that work can be done more efficiently outside than it can be done inside**
- **Consider an outsourcing partner who has the experience, the expertise, and the financial stability to provide compliance and efficiencies in payroll tax filing**



Questions & Answers

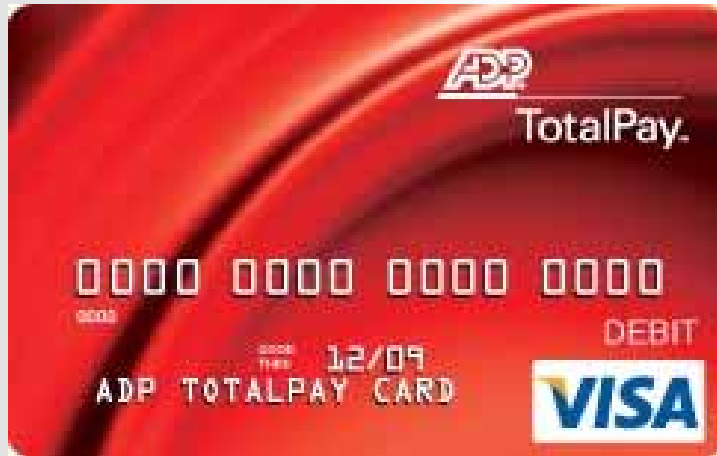


Questions



- **Call:** 1-800 CALL-ADP ext. 228
- **Email:** nas_fac@adp.com

Thank you



About ADP, Inc. (NASDAQ: ADP)



- **One of the world's largest providers of business outsourcing solutions**
- **Over 55 years of experience**
- **\$8 billion in revenues and over 585,000 clients**
- **ADP offers a wide range of HR, payroll, tax, and benefits administration solutions from a single source**
- **Over 25 years of tax filing service experience**
- **Filed over 35 million U.S. tax returns**
- **Produced and filed over 80 million W-2's**
- **Entrusted to deposit over \$400 billion in payroll tax deposits**

Speaker Bios



Case Study Speakers:

Roderick D. Weimer, Senior Manager Payroll Taxes, Spherion Corporation

With over 20 years of payroll and payroll tax experience, Rod has worked in both outsourced and insourced payroll environments with various software products experiencing conversions, and rapid growth environments in multi-company, multi-state platforms. Rod has earned a Master of Science Degree in Accounting from the University of Baltimore.

John Margozewitz, Sr. Director, U.S. Payroll & GPO, Oracle Corporation

John has been with Oracle since 1995. He and his team work closely with ADP to ensure that Oracle's payroll taxes are remitted timely and efficiently. They rely on ADP to ensure that Oracle's payroll taxes are reported according to federal, state and local regulations. They also work with ADP on quarterly and annual payroll tax filings, as well as W2 printing for Oracle and all of its acquisitions that use ADP. John is a graduate of California State University, Chico, with a Bachelor's degree in accounting.

Speaker Bios



ADP Presenters:

Lorelee Welch, Director Product Management & Marketing, ADP Tax & Financial Services

Lorelee is responsible for the product management and marketing of ADP's financial and compliance solutions suite, which includes Payroll Tax Service, Garnishment Services, and Automated Accounts Payable Solution. She has an over ten-year history in the financial, information and data services industries covering high-tech solutions, e-commerce, and business services. Lorelee graduated from California State University Los Angeles with a BS in Finance, and received her MBA in Global Business from Pepperdine University.

Mike DeCamp, Corporate Product Consultant, ADP Financial and Compliance Services

Mike has over 23 years of consulting and solution design experience, enabling some of ADP's largest clients to transition from an in-house tax filing process to ADP Payroll Tax Service. He brings a wide range of expertise in assessing individual organizational needs across varied industries.

Peggy Ward, Director Product Development, ADP Financial and Compliance Services

Peggy has over 15 years of management experience in product development. Now with ADP for 9 years, Peggy's area of expertise has been integrating SAP clients to ADP's Payroll Tax Service. Peggy attended Indiana University-Purdue University Indianapolis and served the US Navy for 4 years. Prior to joining ADP, she worked for Triad Systems in product management.