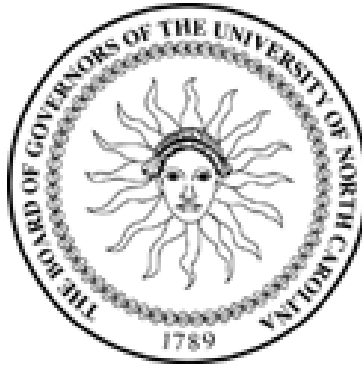


**University of North Carolina
Finance Improvement and Transformation Project**



**Report to the Executive Steering Committee on Payroll Migration Options
for Central Payroll Campuses**

January 23, 2009

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1. Executive Summary

This section summarizes the findings, options, and conclusion of the business case document. The full document should be read to obtain the best understanding of the options and recommendation.

1.1 Background and Situation

Nine UNC campuses are currently using the Central Payroll services provided by the Office of State Controller (“OSC”) to process payroll. At a high-level, the current process is split between the campuses, who perform on-going HR master file maintenance and monthly time entry, and Central Payroll, who takes the data submitted from the campuses and performs payroll calculation, disbursement, and various payroll reporting tasks.

| Nine Central Payroll Campuses | |
|--|----------------------------------|
| - Elizabeth City State University | - UNC Asheville |
| - Fayetteville State University | - UNC Pembroke |
| - NC Agricultural and Technical State University | - Western Carolina University |
| - NC Central University | - Winston-Salem State University |
| - UNC School of the Arts | |

The OSC, at the direction of the NC General Assembly, began the implementation of a new business infrastructure for the State of North Carolina several years ago. Due to the risk of failure, the first systems to be replaced within this new infrastructure were the State’s Central Payroll System and the State’s Personnel Management Information System (PMIS). The University made a decision not to migrate to the State’s new system and to seek alternative payroll processing by January 1, 2010.

As we move forward, a number of factors are driving the need to thoroughly assess the payroll processing model:

- ▶ Internal audit reviews and a study performed by Ernst & Young (E&Y) dated April, 2008, have shown opportunities for improvement in internal controls surrounding the payroll processes.
- ▶ The PACE study, dated November 1, 2006 showed significant opportunities for cost effectiveness improvement in the payroll area and high-level benchmarking of payroll process metrics indicates the potential for improvements in process efficiencies.
- ▶ The E&Y study and others have shown the payroll environment to be complicated due to the lack of standard operating policies, the reliance on manual processing, and the inconsistent manner in which technology is utilized.
- ▶ The current Banner payroll and HR systems implementations in process at these 9 campuses lack standardization in many areas, due largely to a lack of system-wide standards, data definitions, etc.

1.2 Objectives of Business Case

An effort has been undertaken to perform a rapid analysis of the payroll situation and create a business case to address it. The primary goal of this business case is to identify and evaluate options and set a clear direction for a consistent payroll framework at the nine UNC campuses required to migrate off of the State’s Central Payroll system. Supporting objectives underlying the business case analysis include the intent to:

- ▶ Deliver both tangible and intangible benefits to campuses.
- ▶ Enhance the payroll control environment and risk mitigation approach.

- ▶ Limit transition costs and reduce ongoing processing costs.
- ▶ Standardize processes where possible and where supportive of the other objectives.

1.3 Business Need

While this business case is focused on specific objectives and a defined payroll and HR scope in order to meet specific needs, the HR and payroll process model options considered may have broader implications as part of the ongoing UNC Finance Improvement and Transformation effort. This initiative seeks to strengthen the control environment and align UNC people, processes, and technology by implementing short-term process improvements. In addition to meeting the above requirements, any decision around the long-term HR and payroll direction may influence and guide decisions, and lay the ground work for potential centralization of certain back office financial operations in the future.

1.4 Options

In developing this business analysis, a number of process model options were considered for the nine campuses currently relying on OSC for payroll processing. The primary options are:

- ▶ **Campus Processing** – Individual campuses assume responsibility for processing payroll, fully utilizing the Banner tool using standardized processes, common control tables and reports. A central support team monitors and supports campus activities.
- ▶ **UNC Shared Services** – A campus-serving shared service center assumes responsibility for processing payroll, fully utilizing the Banner tool using standardized processes, common control tables and reports. Service level agreements are utilized to ensure campus requirements are met. Detailed design of this model will determine responsibilities for specific processes and activities.
- ▶ **Process Outsourcing** – An outsource provider is utilized to replace OSC processing. Outsourced activities are integrated with HR and payroll activities remaining at the campuses. Service level agreements are utilized to ensure campus requirements are met and to clarify outsourcing charges for different service activities and service levels.

The following chart summarizes the Costs and Key Benefits and Risks related to each option:

| Payroll Options | Costs (\$000s) | Key Benefits | Key Risks |
|--|--|---|---|
| Option 1 – Payroll Processing in Banner on Campuses with GA Monitoring | One-time costs \$1,858 Annual recurring costs \$1,924 | <ul style="list-style-type: none"> – Utilizing Banner HR functionality will provide increased visibility and detailed reporting capabilities inherent in the system. – Campuses have the ability to control their individual payroll practices and quickly handle unique requirements. – Restricted access to the system would provide less access risk. | <ul style="list-style-type: none"> – Difficulties in adequately training and sustaining payroll resources on the campuses. – Lack of redundant full time payroll specialists at individual campuses based on resourcing levels. – Considerable effort required to control divergence from HR and payroll standards after implementation of standard processes and roles across the campuses. – More difficult to centrally view processing status and key performance metrics in a decentralized processing environment. |
| Option 2 – Payroll Processing in Banner at Shared Service Center | One-time costs \$2,172 Annual recurring costs \$1,234 | <ul style="list-style-type: none"> – Standardization is required for a shared service center and will result in consistent processes, organization, and technology usage for payroll. – Compliance with EAGLE standards is easier as one group is responsible for the implementation and maintenance of the control environment. – Centralization of the back-end payroll processing activities creates cost savings resulting from economies of scale. – Staffing at a single center of excellence allows for redundant full time payroll specialists at the same location similar to the current central payroll function. – Utilizing Banner HR functionality will provide increased visibility and detailed reporting capabilities inherent in the system. – The shared services model will provide service level agreements, a central view to payroll processing, and standard published key performance metrics. | <ul style="list-style-type: none"> – Difficulties in executing timely on cross-functional, multi-campus projects. – Lack of interactions between the shared service center and the campuses. – Considerable effort required to control divergence from HR standards after implementation of standard processes and roles across the campuses. |
| Option 3 – Payroll Processing by Outsource Provider | One-time costs \$2,599 Annual recurring costs \$1,486 | <ul style="list-style-type: none"> – Conceptually, an outsource provider model is similar to the OSC payroll processing model currently being utilized. – An outsourced model shifts most of the administrative tasks associated with the payroll process allowing better utilization of resources. – Responsibility for maintaining the infrastructure to support payroll processing would shift to outsource provider. – Outsource provider offers comprehensive payroll experience and skills. – Outsource provider assumes risks inherent in running the payroll processes. – Outsource provider has significant redundancy, back-up and support built into its operation. | <ul style="list-style-type: none"> – Integration benefits inherent in full Banner utilization may not be realized. – UNC may incur additional costs for deviations from outsource provider schedules. – Additional employees, more frequent pay cycles, or further report requirements would result in incremental cost to UNC. – It would be difficult to transfer processing to a different vendor or back to UNC in the future, and there may be a need to periodically rebid the contract. – Requires multiple, and potentially complex, interfaces to be designed, implemented, and maintained. |

1.5 Recommendation

After extensive discussion and consideration of the options presented in Section 5 of this business analysis, the team has concluded that Option #2, a shared service center model, would be the best option for certain aspects of payroll processing. To maximize the shared service center model, the team also recommends the implementation of Web Time Entry at each affected campus and that strong consideration be given to implementing more frequent pay cycles for a portion of the UNC workforce.

This decision was based on an evaluation of the risks and benefits of all options. Specifically, this option provides the best opportunity to strengthen controls at campuses and provide operating effectiveness. Under this option, HR and Payroll processes (including systems to the extent feasible and appropriate) would be standardized across the nine central payroll campuses, with consistent policies, procedures and control tables.

1.6 Next Steps

This business case will be presented to the UNC Finance Improvement and Transformation Executive Steering Committee on January 28, 2009, with the expectation that an initial decision in early 2009 will set the future direction for payroll processing. Subsequent detailed design and implementation should result in a new payroll processing model and supporting system in place for the nine campuses, a framework for a long-term payroll/HR direction, and a shared services model for other UNC finance processes.

1.7 Acknowledgements

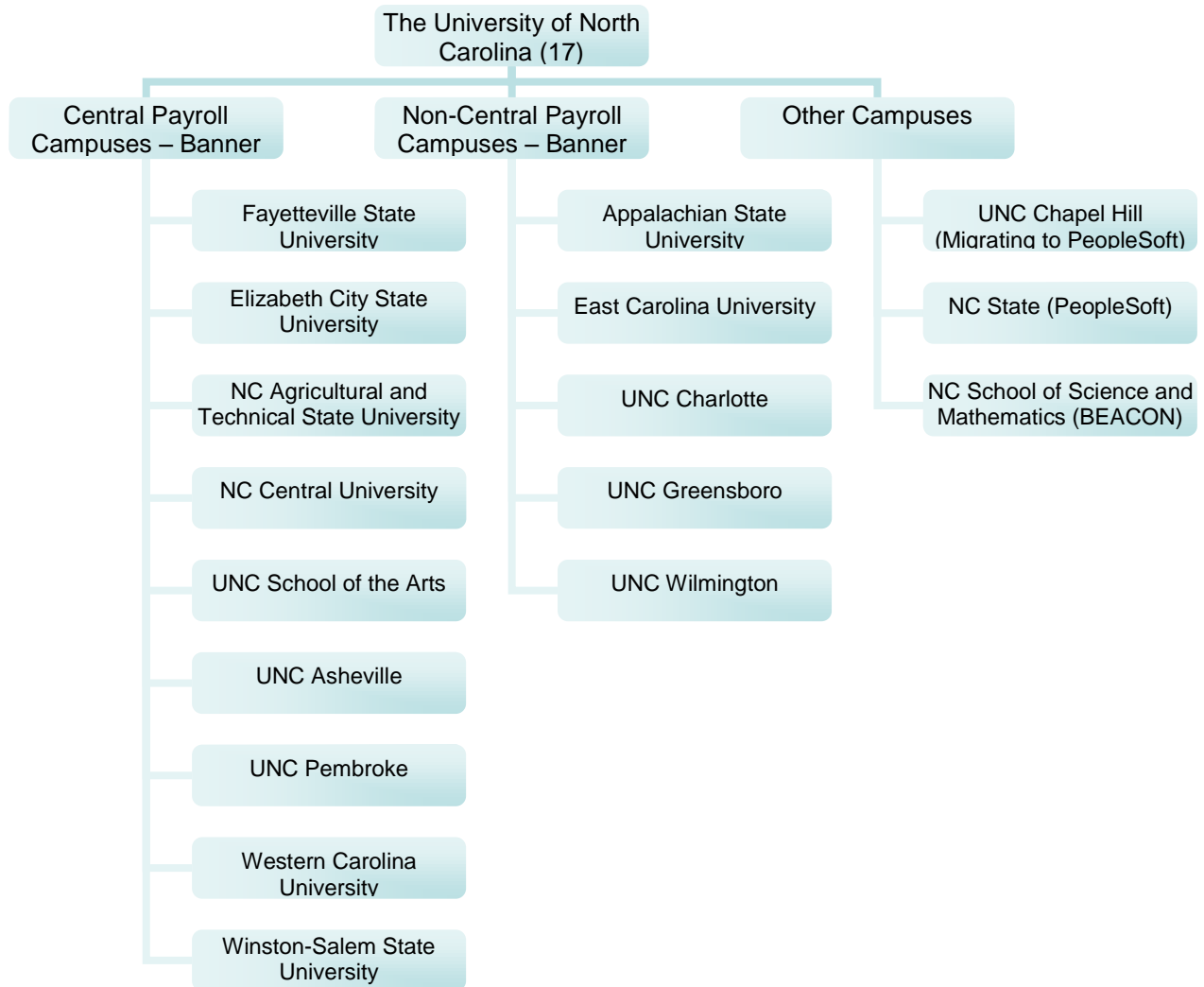
While we have agreement among the Advisory Team that there should be a shared services environment for certain payroll operations, there are dissenting opinions on where the lines should be drawn between campus responsibility and shared services responsibility. Some feel strongly that those campuses capable should be allowed to process as much as possible at the local campus level.

While we also have agreement that there is some efficiency to be gained from a shared services environment, there are dissenting opinions regarding the validity of the metrics that are presented within this report, given the different competencies on the various campuses and the uniqueness of the university environment. We also acknowledge that there will be additional implementation resources required for the start-up of a shared services environment and for critical support functions and quality assurance on the campuses. We recognize that we have a responsibility to present the potential efficiencies; however, the Advisory Team is concerned about the message this sends about potential job losses versus a redirection of resources in other needed areas. It will be critical to have careful communication and representation of this issue by the decision makers.

2. Background

Nine UNC campuses are currently using the Central Payroll services provided by the Office of State Controller (“OSC”) to process payroll. The OSC, at the direction of the NC General Assembly, began the implementation of a new business infrastructure for the State of North Carolina several years ago. Due to the risk of failure, the first systems to be replaced within this new infrastructure were the State’s Central Payroll System and the State’s Personnel Management Information System (PMIS). The State’s new BEACON system (Building Enterprise Access for the State’s Continuing Operational Needs) went live in 2008. The University evaluated and decided not to move to the State’s new system, rather to seek alternative payroll processing. The State agreed to continue to provide payroll services for the universities until January 2010.

The following organization chart groups UNC campuses based on current payroll processing methods:



Today, the nine Central Payroll campuses key employee data into both the State’s Central Payroll system and into the State’s PMIS system which tracks personnel data for all state employees. These campuses are also expected to maintain

personnel information in the Banner system. While the Central payroll keying will go away when the campuses migrate to a new payroll system, the dual keying on the personnel side will continue until the State provides a new reporting solution for personnel data. **It is important that the University push for this direction in order to eliminate duplicate entry of HR data at our campuses.**

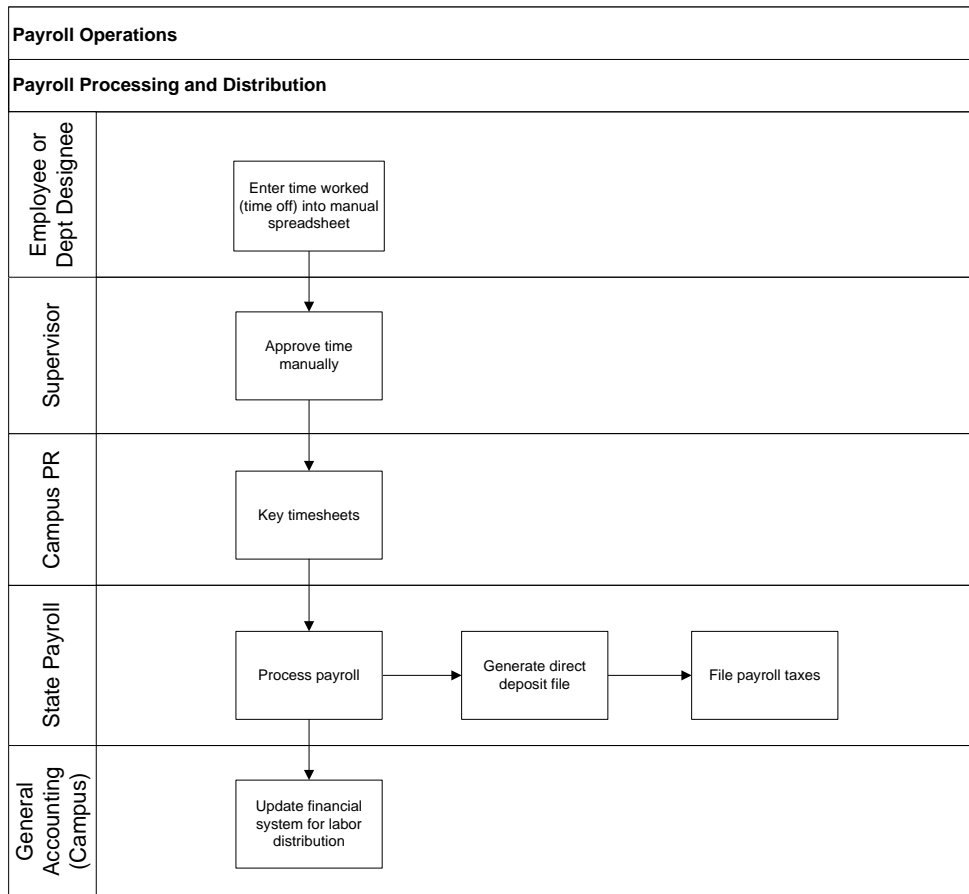
The University decision not to move the processing of these nine campuses to the BEACON platform provided UNC GA the opportunity to re-assess the payroll processing model for the nine campuses that were immediately affected. A number of factors were identified in this assessment:

- ▶ Internal audit reviews and a study performed by E&Y dated April, 2008, have shown opportunities for improvement in internal controls surrounding the payroll processes.
- ▶ The PACE study, dated November 1, 2006 showed significant opportunities for cost effectiveness improvement in the payroll area and high-level benchmarking of payroll process metrics indicates the potential for improvements in process efficiencies as well.
- ▶ The E&Y study and others have shown the payroll environment to be complicated due to the lack of standard operating policies, the reliance on manual processing, and the inconsistent manner in which technology is utilized.
- ▶ The Banner payroll and HR systems implementations in process at these 9 campuses lack standardization in many areas, due largely to a lack of system-wide standards, data definitions, etc.

2.1 Payroll Status

The specific activities required to set-up new employees and process payroll depend greatly on the nature of the position (e.g., salaried, hourly, student). The disparate nature of the supporting tools utilized requires redundant data entry and reconciliation between systems. The nine central payroll campuses are currently implementing Banner Human Resources which requires human resource actions to be entered in both the Office of State Personnel's system (PMIS) as well as Banner Human Resources. Time is manually captured and routed for supervisor approval. The time is then keyed into the OSC Central Payroll system for payroll processing. Payroll is mostly processed on a monthly pay cycle, with hourly employees typically paid on the 15th of the month and salaried employees paid at the end of the month. The resulting labor distribution is sent in summary to the Banner Financial system.

A high level flowchart focused exclusively on the payroll processing is as follows:



Note: Flowcharts within the business case represent the high-level steps needed for this process and do not include all activities undertaken on campuses for these processes.

Selected Campus Metrics

From a campus perspective, HR and payroll support levels to execute payroll processes are varied. The chart below summarizes the current resource capacity for HR and payroll at the nine campuses currently utilizing OSC payroll processing.

| | ECSU | FSU | NC A&T | NCCU | NCSA | UNCA | UNCP | WCU | WSSU | Total |
|---|------|-------|--------|-------|------|-------|-------|-------|-------|--------|
| Total Employees per OSP (#) as of 12/31/07 ¹ | 557 | 820 | 1,705 | 1,185 | 398 | 722 | 913 | 1,487 | 913 | 8,700 |
| Total Employee Estimate ² | 850 | 1,690 | 3,000 | 2,670 | 775 | 1,600 | 1,300 | 2,600 | 1,820 | 16,305 |
| Total Payroll FTE (#) ³ | 2 | 3 | 6 | 6 | 2 | 2 | 3 | 4 | 3.5 | 31.5 |
| Average Monthly Payroll Disbursements ⁴ | 800 | 3,080 | 3,000 | 2,670 | 715 | 1,400 | 1,300 | 2,800 | 4,660 | 20,425 |

¹OSP records do not include temporary and student employees

²Provided by GA Banner support group

³Self-reported by campuses

⁴Information from GA support team; average monthly payroll disbursements exceed total employee estimates for some campuses due to the use of multiple payroll cycles (i.e., certain employee disbursements occur more than once per month)

Costs

Current costs are estimated using an activity based costing approach for material items. Historically, the costs are not captured in such a manner as to easily compile and verify the completeness of these numbers. In addition, historically the University has not been billed for the cost incurred at OSC to process payroll; however, for comparative purposes to various alternatives, these costs have been included.

| OSC Annual Payroll Processing Costs (\$ in 000s) | | | | | | | | | | Total |
|--|-------|-------|--------|-------|-------|-------|-------|-------|-------|----------------|
| Personnel Costs | | | | | | | | | | \$375 |
| General and Administrative Expenses | | | | | | | | | | \$123 |
| Total Annual OSC Payroll Processing Costs | | | | | | | | | | \$498 |
| Annual Recurring Campus Costs | FSU | ECSU | NC A&T | NCCU | NCSA | UNCA | UNCP | WCU | WSSU | |
| Personnel Costs | \$132 | \$93 | \$306 | \$308 | \$115 | \$92 | \$120 | \$209 | \$185 | \$1,560 |
| General and Administrative | \$7 | \$14 | \$22 | \$18 | \$7 | \$8 | \$10 | \$14 | \$13 | \$113 |
| Total Campus Costs | \$139 | \$107 | \$328 | \$326 | \$122 | \$100 | \$130 | \$223 | \$198 | \$1,673 |
| Total Annual Payroll Processing Cost (OSC and Campus) | | | | | | | | | | \$2,171 |

Note: OSC costs were sourced from OSC; campus costs were self-reported by the campuses, including benefits.

2.2 HR Implementation Status

The handling of activities associated with the Human Resources (HR) function vary significantly across campuses and, in some instances, involve multiple departments (e.g., Human Resources, Academic Affairs, EPA Services, Budget, etc.). The HR business processes are:

- ▶ Hiring Employees (including position control, applicant tracking, new employee set-up).
- ▶ Maintaining Employees (General Person data (i.e. name, SSN, DOB, Address, etc.) must be accurate and complete to ensure there are no duplicate IDs that would prompt multiple pays per cycle/employee).
- ▶ Managing Employee Benefits (including determination of benefits eligibility, initial benefit set-up, change processing).
- ▶ Developing the Compensation Budget (including set up of labor distribution).
- ▶ Collecting Time (varies by employee class and party responsible for capturing).
- ▶ Managing Salary Changes (including processing of the legislative increase and labor distribution changes).
- ▶ Processing Leave (leave accruals, tracking and update).
- ▶ Processing Action Forms (including separations, promotions, demotions, position reallocations and any changes).

Additionally, based on the overall status of the current Banner HR implementation, the following issues also need to be addressed:

- ▶ Determining adequate segregation of duties based on process ownership.
- ▶ Comparing HR data in Banner to PMIS/Central Payroll, synchronizing both databases, and developing processes to keep both databases aligned.
- ▶ Determining what department will own the student employment population.
- ▶ Implementing standardized HR tables, proper rule set up and processes for interaction between HR and the Budget Office, Contracts and Grants Office, Financial Aid Office and Finance.
- ▶ Implementing Position Control and providing adequate training for HR, Budget and Finance staff.
- ▶ Training the HR staff on the use of Banner for campuses requiring further training.
- ▶ Training all employees on web time entry.

Currently, HR processes are performed on two discrete systems: Banner HR and the State's PMIS system. This is an onerous task and some of the campuses have fallen behind in this process. In addition, other tools, including People Admin and legacy HRS systems, are still being utilized to perform certain activities (e.g. hiring, leave tracking).

The implementation of the Banner HR system does not substitute for the reporting requirement to the State's current PMIS, therefore redundant data entry and reconciliations between these systems are still required. Ultimately, migration off the PMIS system and introduction of new reporting requirements by the State will occur. The timing and details around this migration have not been determined by the State; however, it is important for the University to push for this decision in order to eliminate the dual entry required of our campuses. Currently, per OSC, the State's current cost of maintaining PMIS for state-wide reporting of human resource information for non-BEACON entities is approximately \$360,000 per year.

The integrity, consistency and validity of HR data are fundamental requirements for effective and efficient processing of payroll data. In anticipation of changes to payroll processing, efforts were also made to understand the current status of Banner HR implementation efforts across the nine central payroll campuses. Due to the lack of consolidated cross-campus documentation of existing implementation efforts, a detailed assessment was developed for the nine central payroll campuses.

The GA Banner support staff was asked to verify these self assessments and, where differences were observed, provide an update to the assessment. Although 60% of the assessment remains unverified to date, the verified results reveal that there is a wide range among the campuses (10%-80%) of HR processes that have not yet been enabled by Banner HR. This indicates that much work remains to be done to complete the implementation of Banner HR. Other findings that have come out of this assessment include:

- ▶ Standard processes for HR functions have not been developed across the nine central payroll campuses prior to enabling Banner functionality; since there is no existing UNC system protocol; each campus has implemented the application independently.
- ▶ Some standardization of table values has been proposed and agreed to by the nine central payroll campuses; these are in various stages of implementation.

- ▶ Consistent roles and responsibilities within the Payroll and HR organizations, and within the Banner HR environment, are not established across campuses.
- ▶ There is a wide variety as to the quality of data in the HR data tables, some very good and some very poor.
- ▶ One campus, UNC-Pembroke, has implemented the web-based time entry feature in Banner Human Resources for time capture.
- ▶ A consistent reporting tool is not in place across all nine central payroll campuses.
- ▶ Not all campuses use a job scheduling tool; campuses using a job scheduler do not use a consistent tool.
- ▶ For specific campuses that are in the very early stages of Banner HR implementation, it may be more efficient to re-implement HR using a standardized approach and methodology.

Appendix 8.2 provides a more detailed analysis of the current state of Banner HR Implementation at each campus.

As noted above, the Banner HR implementation efforts differ considerably between the nine central payroll campuses. Additional focus needs to be placed on the standardization of HR processes and organizational alignment across the campuses. In addition, the implementation of specific items such as position control, web time entry, security, and job scheduling needs to be addressed before the implementation of the payroll option.

All options presented in this business analysis require the Banner HR implementation to be finalized across all nine central payroll campuses. Implementation can occur in a structured manner as it is anticipated that one or more pilot campuses will go live with payroll, while less prepared campuses continue their pre-implementation efforts.

2.3 Opportunity

Within the current payroll and HR context, opportunities exist to improve the overall back-office environment as well as the specific payroll environment. Opportunities that were considered in the preparation of this business case include the following:

- ▶ Increase collaboration – Communicating ideas and practices across institutions creates a knowledge-sharing environment and helps university personnel operate more effectively.
- ▶ Enhance controls – Complying with operational and financial requirements and actively monitoring control points mitigate risks and increase confidence that the UNC system is fulfilling its fiduciary responsibility to stakeholders.
- ▶ Leverage existing IT investment – Maximizing use of current tools and technology, such as automation, increases efficiency. In addition, taking a holistic view of the IT landscape helps rationalize future IT investments.
- ▶ Reduce redundancy – Applying economies of scale toward processes creates efficiencies and may ultimately remove some cost from the UNC system.
- ▶ Increase standardization – Utilizing uniform tools and techniques in a consistent manner streamlines processing activities and supports information comparability.
- ▶ Develop UNC personnel – Maintaining an environment that attracts, develops, and retains a talented workforce allows the University to better accomplish its mission while providing appealing career paths for employees.

- ▶ **Implement leading practices – Comparing activities against benchmarks and proven methodology reveals areas of potential improvement within the UNC environment.**

Specific opportunities to improve the payroll processing environment include the following:

- ▶ **Reduce payroll processing cost - As outlined in Appendix 8.4, considering benchmark data, there is the potential to reduce payroll full time equivalents (FTE) headcount in the total process by 40-50% over time.**
- ▶ **Standardize payroll cycles – Pay cycle standardization should streamline processing activities and provide consistency within employee types (Note: Central Payroll has standard pay cycles today.)**
- ▶ **Utilize web-based time entry – Replacing manual maintenance and submission of timesheets with web-based time entry should reduce data entry requirements and increase speed and accuracy of payroll processing. (Utilizing web-based time entry will require a lagged payroll cycle.)**

3. Business Case Description

To best respond to the current state needs and opportunities, a focused business case analysis approach was developed with input from GA and campus representatives. The following HR and Payroll Advisory Committee was created to review the current state of Banner implementation and to provide guidance on the business case analysis:

- ▶ Kitty McCollum, UNC-GA, Committee Chair
- ▶ Diana Catley and Kathy Wong, Western Carolina University
- ▶ Brian Simet, North Carolina State University
- ▶ Lisa Honeycutt, UNC Asheville
- ▶ Rhonda Gavin, East Carolina University

The process followed by the Finance Improvement and Transformation Project Management Office to develop the business case included review of current state environment, analysis and costing of process options, development of recommendation and next steps, and validation of content with the Advisory Committee as well as various GA stakeholders.

3.1 Objectives

The primary goal of this business case is to set a clear direction for a consistent payroll framework at the nine UNC campuses required to migrate off of the Central Payroll system operated by the OSC. Supporting business case objectives include the following:

- ▶ Deliver both tangible and intangible benefits to campuses.
- ▶ Enhance the payroll control environment and risk mitigation approach.
- ▶ Limit transition costs and reduce ongoing processing costs.
- ▶ Standardize processes where possible and where supportive of the other objectives.

3.2 Scope

Business case scope includes the payroll process at the nine Central Payroll campuses (References to UNC in this document refer to these nine campuses):

| Nine Central Payroll Campuses | |
|--|----------------------------------|
| - Elizabeth City State University | - UNC Asheville |
| - Fayetteville State University | - UNC Pembroke |
| - NC Agricultural and Technical State University | - Western Carolina University |
| - NC Central University | - Winston-Salem State University |
| - UNC School of the Arts | |

Note: Items that are specifically out of scope include hardware hosting options.

3.3 Outcomes

This business case will be presented to the Executive Steering Committee in January 2009, with the expectation that an initial decision in early 2009 will set the future direction of payroll processing. Subsequent implementation should result in a new payroll system in place for the nine campuses and a framework for a long-term Payroll/HR direction.

3.4 Stakeholders

Key stakeholders considered for the business case include the following:

- ▶ **Employees** – All university personnel receiving payments through the payroll process have an inherent interest in the accuracy, timeliness and completeness of payroll processing.
- ▶ **HR and payroll organization** – University personnel supporting the HR and payroll functions have an interest in the processes executed as well as the resources and tools available to execute payroll activities.
- ▶ **Technology function** – The IT support team has an interest in the technical viability of payroll solutions, the consistency of tools utilized, and the overall fit within the IT landscape.
- ▶ **State of North Carolina** – Agencies within North Carolina, including OSC and Office of State Personnel at a minimum, have a specific interest in payroll continuity during the transition of processing from OSC to UNC.
- ▶ **UNC campus leadership** – Campus leadership teams have a vested interest in the quality, consistency and efficiency of campus back office operations, including HR and payroll processing.
- ▶ **UNC GA executive management** – The GA executive team has an interest in efficiently utilizing resources across the system to ensure the accuracy, timelines and completeness of payroll processing for all its employees.
- ▶ **UNC Board of Governors** – The oversight body for the University has an interest in ensuring the highest quality in its service to its employees and accountability to the citizens of the State.

4. Strategic Fit and Business Needs

While this business case is focused on objectives and scope in order to meet specific payroll and HR needs, HR and payroll options may have broader implications as part of the ongoing UNC Finance Improvement and Transformation effort. This initiative seeks to strengthen the control environment and align UNC people, processes, and technology by implementing short-term process improvements and laying the ground work for potential centralization of certain back office financial operations in the future. In addition to meeting the above requirements, any decision around the long-term HR and payroll direction may guide decisions for other back office operations.

The payroll management process model/system plays a key role in the University's ability to make timely payroll, meet regulatory requirements and keep costs under control. At this time, Central Payroll campuses invest a considerable amount of time, effort and resources to manage the data input, processing and delivery for payroll via multiple systems. The selected payroll solution needs to accommodate employee self service, complex workforce diversification, tax obligations, custom payroll calculations, and best practices. The essential functional requirements are:

General Requirements

- ▶ The selected solution must integrate human resources and payroll functions to ensure that employee information is processed based on data entered by Human Resources, and UNC staff is not required to redundantly manage and update data in multiple systems.
- ▶ The system should support work flow capabilities that allow campus business offices to select and define the flow of data based upon business rules, roles and routing of documents as well as ability to support work flow management, including electronic signature and electronic approval.
- ▶ The system should provide capabilities allowing receipt and transmission of information including electronic file transactions with external entities and other internal State systems in the required formats.

Time and Attendance Collection

- ▶ The time and attendance solution should provide web-based Employee Self-Service functionality for electronic time capture across multiple sites with a broad range of secure and reliable data acquisition points and access control. This solution can only be successful if a lag pay schedule is implemented.
- ▶ The system should allow rule setting for various types of leave and leave tracking.
- ▶ The system should facilitate FLSA compliance.

Payroll Management

The selected system should support payroll processing for desired payroll cycles as well as multiple classes of employees (e.g., FLSA subject, SPA, EPA faculty and non-faculty, Post Docs, students and temporary employees). The critical processing capabilities should include the ability to:

- ▶ Maintain a position register capable of handling an array of job and position codes and allowing flexible fulfillment of positions.
- ▶ Handle multiple pay arrangements for faculty members (e.g., 9 or 10 month salaried employees electing deferred pay options) and non-standard hours (e.g., shifts, on call, call back, holiday work, overtime, comp time, weekend work, etc.).

- ▶ Appropriately code and process special pay situations such as on-call pay, shift differential, call back pay, extended duty straight time, dual employment pay, etc.
- ▶ Calculate various leave accruals based on hours worked or employee status, track leave affecting benefits and report on excessive or overdrawn leave.
- ▶ Write checks or override payroll in contingency situations.
- ▶ Handle taxation requirements, including non-resident alien taxation.

Benefits Management

The system should provide flexibility in the payroll deduction structure and have the ability to support complex or unusual pay elements, including the ability to:

- ▶ Support unique enrollment dates for each benefit plan as well as automatically enroll employees in certain types of positions into certain benefit plans.
- ▶ Define and handle multiple benefits plans (e.g., 401(k)/403(b)/457(b) plans, flexible spending plans, campus-based benefit plans, pre-tax and post-tax benefits, etc.) including contribution limits.
- ▶ Allow employees to enroll and view benefits via employee self service.
- ▶ Set-up and manage institution specific deductions.

Reporting

The selected solution should provide flexible reporting capabilities, allowing for information retrieval from different Banner modules to execute various payroll data analyses for a specific institution and comparative analyses across all institutions.

Interfaces

The selected solution should have capabilities to interface with internal and external systems, as required. A list of relevant interfaces is attached in Appendix 8.5 Interface Requirements listing.

5. Options

In developing this business analysis, five different options were considered. Each option was crafted with input from the HR and Payroll Advisory Committee, UNC-GA resources and external consultants and was evaluated based on:

- ▶ Ability to meet current requirements.
- ▶ Ability to enable long-term back office strategy.
- ▶ Cost of implementation and assumptions supporting these costs.
- ▶ Risks associated with each option.
- ▶ Ability to strengthen the control environment.

5.1 Preliminary Options Considered

Two alternatives that were initially discussed and dismissed include 1) processing payroll in a single instance of Banner, and 2) processing payroll in PeopleSoft. These two options were discussed thoroughly with the HR and Payroll Advisory group as well as the UNC GA Chief Information Officer and other functional subject matter resources. After conducting a high level cost-benefit analysis, it was determined by consensus, that these two options were not feasible or desirable from a long-term perspective for UNC and should not be considered within this business analysis. The primary drivers for this conclusion were:

- ▶ The appetite within the 9 campuses to undertake the technical challenges associated with either deploying a single instance of the Banner application or introducing another vendor's ERP solution just to process payroll.
- ▶ The amount of financial and strategic investment already committed to the existing fully integrated ERP solution within the Banner application suite.
- ▶ The extent to which these two options would have an effect on the University's existing culture and organization structure.

Noted below are some specifics which were considered for these two options.

(1) Single Banner Instance

One of the first options discussed was to utilize the Banner system on a single instance across all campuses. The Banner system was not implemented centrally, and as a result, each campus has a stand alone instance of Banner. Not all campuses using the Banner system have implemented the same functionality or release of the Banner software, nor have they implemented Banner HR and Payroll consistently.

Based on discussion with the software vendor, it was determined that in order for a single instance to be a viable option, a full reimplement of Banner was required. A full reimplement would involve creating a common identify management system (i.e., every campus access system would be reimplemented, all portals and web interfaces would change, and standardization of ancillary software, such as housing, would be necessary). Some additional points that were considered around this option included:

- ▶ This option would impact other modules within Banner including Financial Aid, Student Accounts, Finance, Purchasing, Student, and Admissions.

- ▶ The financial chart of accounts would need to be standardized across all campuses.
- ▶ Admissions processes, academic history data, transfer work, and graduation criteria would need to be standardized across all campuses.
- ▶ Discussion with the HR and Advisory Group and other campus finance leaders indicated that this scenario would be extremely difficult for campuses to accept given the time, effort and money that have already been spent on the current Banner implementation.
- ▶ The time required to re-implement Banner on each of the nine central payroll campuses would be greater than under the other proposed options, so a longer extension would be required from the OSC to continue to process payroll.
- ▶ The database and technology infrastructure would need to be modified to allow for the necessary access and technology requirements.
- ▶ The option does have the benefit of providing a consistent implementation of Banner thus allowing for standard reporting, processing of information, upgrades, etc.
- ▶ Based on initial, high-level analysis, this option would be at least as expensive as the other options considered in this business analysis.

After considering the information noted above, and the known degree of customization already in place at each university, implementing a single Banner instance of HR/Payroll would be extremely challenging. As such no further evaluation of this option was considered as part of this business analysis.

(2) PeopleSoft Processing

PeopleSoft is a leading provider of human resource and payroll solutions for higher education institutions and other entities. North Carolina State University currently uses PeopleSoft as its ERP platform, and the University of North Carolina at Chapel Hill is in the process of implementing PeopleSoft. As such, PeopleSoft was an option that needed to be considered as part of this business case.

Two options were discussed for consideration:

- ▶ PeopleSoft becomes the HR and Payroll solution for the nine payroll campuses.
- ▶ Campuses continue to use Banner for HR and Financials while PeopleSoft is used centrally to process payroll.

The first option would require an implementation of PeopleSoft for each of the nine campuses and the creation of a number of interfaces between PeopleSoft and Banner. Most of the issues listed for a single instance of Banner would exist and they would be compounded with a PeopleSoft implementation. Also, there was strong consensus that the campuses can not support another ERP implementation. In addition, the campuses will lose some of the functionality within Banner if the total Banner suite is not utilized. To further complicate the problem, campuses don't have any PeopleSoft knowledge or skills today. Additional resources would be needed at each campus to implement, install, manage and support PeopleSoft.

The second option would require either the installation of PeopleSoft at a shared service center or the use of NCSU's PeopleSoft application and infrastructure to process payroll for the nine central payroll campuses. Furthermore, the following PeopleSoft specific items would need to be considered:

- ▶ The same reasons that Beacon was rejected can be applied for this option. In addition you will need to purchase new hardware and software if the shared service center concept is used.
- ▶ Interfaces between Banner and PeopleSoft will have to be developed. NCSU understands PeopleSoft and not Banner. The campuses understand Banner but not PeopleSoft. Acquiring the resources to develop and maintain the interfaces would be difficult.

Additional hardware and/or software may be required to meet the changes in business requirements associated with a multi-campus payroll processing model.

Discussion with NC State indicated that they had spent approximately \$6.6 million for the PeopleSoft HR and payroll implementations. While it was not possible for NC State to allocate the costs of the implementation between HR and payroll, based on preliminary research of similar PeopleSoft implementations, this option would be the most expensive in the short-term. No further evaluation of this option was considered as part of this business analysis.

5.2 Options Overview

This business case considers the three remaining options. Under each of these options, there would be varying levels of monitoring by the GA ERP support team:

1. Payroll processed in Banner on campuses.
2. Payroll processed in a shared service center.
3. Payroll processing outsourced to a third party provider.

An overview of each option is provided below, including a high level flow chart of the future state process. The detailed activities for the payroll process are provided in Appendix 8.1. The analysis below focuses on benefits, risks and critical success factors that are unique to each option. Certain factors are present in both Option 1 and Option 2. These are noted below.

The critical success factors required to make both options viable include:

- ▶ Ability to maintain 99.9% availability of the Banner system, especially during peak payroll processing periods.
- ▶ Ability to implement HR, Time Entry, and Payroll functionality within a reasonable timeframe.
- ▶ Ability to maintain data integrity, as well as current and accurate HR Banner records mirrored from PMIS.
- ▶ Ability to adequately train and sustain payroll resource levels on the campuses.

The cost of implementation for Option 1 and Option 2 are fairly consistent. Appendix 8.3 provides details on the costs for both options. The low end of both options ranges from \$1.8 to \$2.1 million. The costs provided are only an estimate. Under either option, the implementation will not be completed prior to January 1, 2010. As such, additional charges will be incurred to maintain payroll at OSC. Per initial discussions with OSC, Central Payroll charges will be approximately \$50,000 per month. Based on the implementation plan proposed for either Option 1 or Option 2, this will potentially add \$400,000 to the implementation cost.

The true cost will vary depending on the implementation plan and implementation decisions (pay cycle, etc.), time lines and acceleration efforts, use of external consultants, risk mitigation factors, etc. The high end of the implementation is estimated at \$3.2 to \$3.5 million.

Several other factors will need to be considered in developing the implementation plans. Both implementation plans require significant involvement from campus personnel in various departments. Given current staffing levels, it does not appear that the campuses will be able to provide adequate resources without backfilling current positions. The cost, efficiency implications, and effectiveness impacts of either backfilling positions or other staffing scenarios will need to be evaluated under either option.

Comprehensive business continuity and disaster recovery procedures currently do not exist for the nine central payroll campuses. Based on our initial assessment and understanding of the current state of disaster recovery procedures at the University, it will not be possible to have a fully functional business continuity and disaster recovery (D/R) solution for all nine campuses within the payroll implementation time-frame. However, according to the UNC General Administration (UNC GA) Chief Information Officer, it should be noted that, although it is very important, the need for a sound D/R solution is not specific to the payroll process. A comprehensive D/R plan is needed for all important administrative information systems and this absence may not be a critical success factor for the payroll implementation initiative.

UNC GA is currently in the process of implementing a two-phased approach to providing a standardized D/R solution to fifteen UNC campuses (including all nine of the central payroll campuses). This solution will provide a central on-line data repository for live-data recovery and a centralized virtual computing platform to act as a warm-site hosting environment for the recovery of critical applications. The first phase is scheduled to be completed by the end of fiscal year 2009 and the second phase is scheduled to be completed within an 18 month time frame.

As part of the payroll implementation detailed design phase, the team will develop, test, and implement an interim D/R procedure for the payroll process. It will be important for the campuses and the shared services center, if selected, to iterate the testing of this interim D/R procedure on a regular time schedule until a comprehensive approach is available.

5.3 Option 1 – Payroll Processing in Banner on Campuses with GA Monitoring

Overview

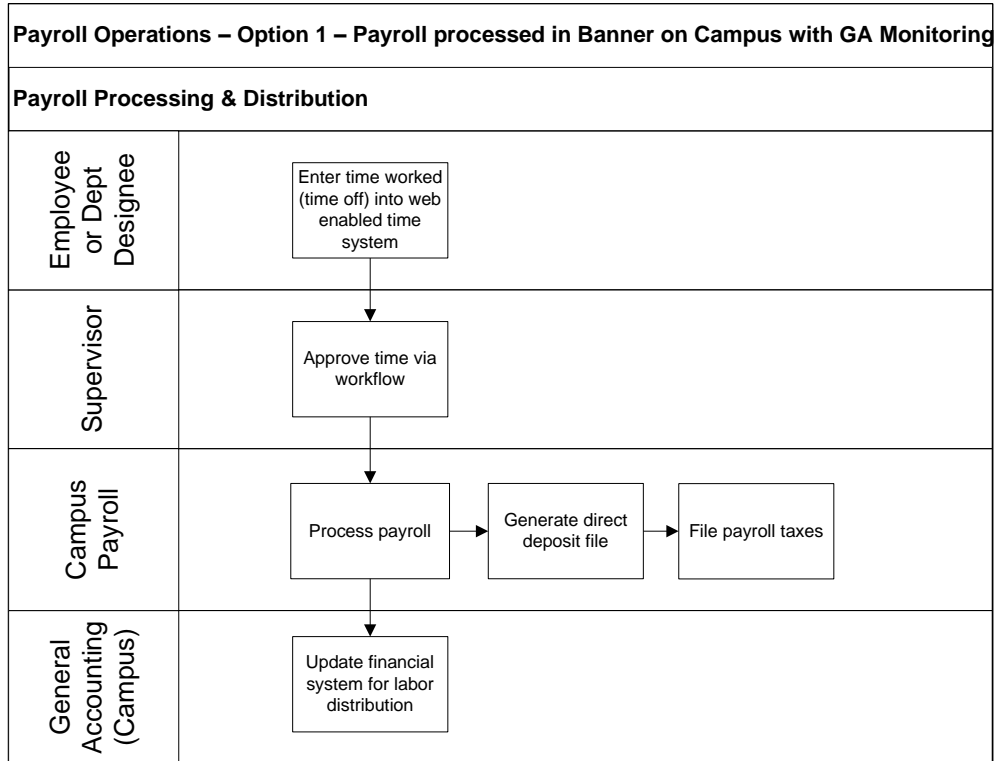
The first option evaluated in detail is finalizing the implementation of Banner HR and fully implementing Banner Payroll at the nine campuses as separate and distinct implementations. Under this option, each campus would be responsible for time entry, processing and distribution of payroll, managing tax payments, performing account reconciliations, and providing customer service for payroll related inquiries. Each campus would implement Banner Payroll with GA Support using exactly the same processes, common control tables and a common reporting library. The processes would be run using a common timetable and the execution of those processes would be actively monitored by the support staff at GA.

The GA support staff would be available to supplement campus resources during unavoidable staff absences so that process schedules would be maintained. In order to enforce consistency across the campuses, updating of the configuration and control tables would be controlled centrally using a change management process.

The hardware, operating system, database and applications would continue to be implemented in a stand alone manner at each individual campus. Support and execution of the HR and Payroll functions would remain on the individual campuses in this scenario. The hardware, operating system, and database location may or may not change to a central hosting solution in the future, but is outside the scope of this business case and is not included in the following cost/benefit analysis.

Future State Payroll Process

This high level flowchart is focused exclusively on the payroll processing.



Note: Flowcharts within the business case represent the high-level steps needed for this process and do not include all activities undertaken on campuses for these processes.

Benefits

The benefits associated with Option 1 include:

- ▶ Utilizing Banner HR functionality will provide increased visibility and detailed reporting capabilities inherent in the system that are not available when using an outsourced solution.
- ▶ Campuses have the ability to control their individual payroll practices and quickly handle unique requirements.
- ▶ The implementation of web-based time entry would reduce manual time entry and allow resources to focus on other activities.
- ▶ Central support group will monitor processes and can intervene when campuses require assistance.

Costs

| | |
|--|--------------------|
| One-time Cost of Banner Payroll Implementation | \$1,858,000 |
| | |
| Annual Recurring Costs – Campus, Payroll Support and Monitoring from GA | \$1,924,000 |

See appendix 8.3 for detail of the cost break-out.

Risks

Specific to this option are the following risks:

- ▶ Difficulties in adequately training and sustaining payroll resource levels on the campuses.
- ▶ Lack of redundant full time payroll specialists at individual campuses based on resourcing levels.
- ▶ Difficulties in adequately training and sustaining payroll expert resource levels at the Central Support Center.
- ▶ Considerable effort required to control divergence from standards after implementation of standard processes and roles are implemented across the campuses
- ▶ More difficult to centrally view processing status and key performance metrics in a decentralized processing environment.

Critical success factors

The critical success factors required to make this option viable include:

- ▶ Ability for all nine campuses to find, train and retain adequate staff to execute the payroll processing.
- ▶ Ability to establish and enforce sufficient processes and controls across campuses.
- ▶ Ability to supplement UNC resources with skilled central support resources.
- ▶ Ability to monitor/control Banner changes across the nine campuses.

5.4 Option 2 – Payroll Processing in Banner at Shared Service Center

Overview

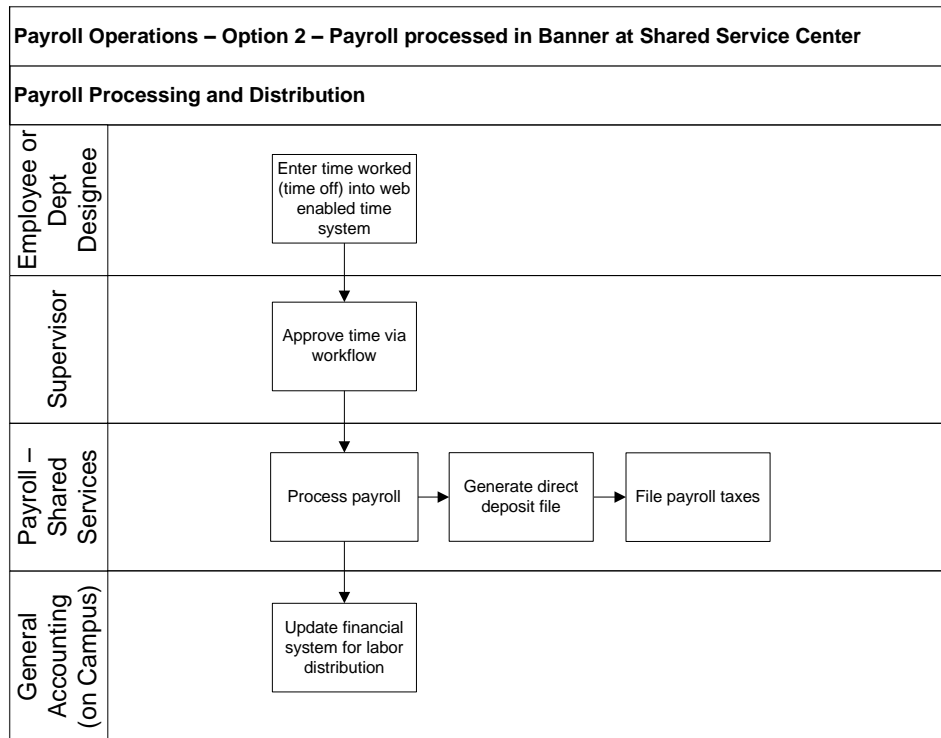
This option would require finalization of the implementation of Banner HR on the campuses and a standardized implementation of Banner Payroll for each of the 9 campuses. Certain aspects of Payroll processing would then be performed in a shared services environment. Staff would specialize in payroll processing and provide redundant capabilities across the campuses.

As part of a shared service center implementation, detailed design methodology would be utilized to standardize the processes, organization and technology as appropriate across the payroll processing functions. The design period would define the specific activity assignments among the shared service staff, campus teams, and GA personnel. In addition, service level agreements would be designed and implemented along with key performance metrics necessary to track that the service level agreements are met.

The hardware, operating system, database and applications would continue to be run in a stand alone manner at each individual campus. GA support staff would provide first line Banner support and would have control over the Banner Payroll configuration tables. Support and execution of the HR functions up to and including time entry would remain on the individual campuses, as confirmed in a detailed design period. Support and execution of certain aspects of the payroll system would be moved to a shared service center environment. The hardware, operating system, and database location may or may not change to a central hosting solution in the future, but is outside the scope of this business case and is not included in the following cost/benefit analysis.

Future State Payroll Process

This high level flowchart is focused exclusively on the payroll processing.



Note: This is a representative flowchart and actual process responsibilities between the nine campuses and the shared service center will be determined in the detailed design stage.

Benefits

The benefits associated with Option 2 include:

- ▶ Standardization of processes and organization is required through the implementation of a shared service center, and as a result payroll will be processed in a consistent manner. Ongoing maintenance of this standardization becomes much easier once processing is under common control.
- ▶ Compliance with EAGLE, the State’s internal control program, standards becomes easier as one group is responsible for the implementation, maintenance and testing of the control environment.

- ▶ The implementation of web-based time entry, with the required lag pay cycle, would reduce manual time entry, allow resources to focus on other activities, and strengthen payroll audit controls. Additional savings can be achieved by applying standardization along with economies of scale through the shared service center model.
- ▶ The shared service center model allows for redundant full time payroll specialists to be staffed as a center of excellence in the same group, at the same location similar to the current central payroll function.
- ▶ Utilizing Banner HR functionality will provide increased visibility and detailed reporting capabilities inherent in the system that are not available when using an outsourced solution.
- ▶ The shared service center model will provide service level agreements, a central view to payroll processing, and standard published key performance metrics by which to drive on-going process improvement.

Costs

| | |
|---|--------------------|
| One-time Cost of Banner Payroll Implementation | \$2,172,000 |
| | |
| Annual Recurring Costs – Campus Payroll, Shared Service Center and GA Monitoring | \$1,234,000 |

See appendix 8.3 for detail of the cost break-out.

Risks

Specific to this option are the following risks:

- ▶ Access to the system would be through a virtual private network across existing networking capabilities between the shared service center and the targeted campuses, providing more access risk and a lesser degree of security than accessing locally.
- ▶ Difficulties in executing timely on large cross-functional, multi-campus implementation project.
- ▶ Lack of personal interactions between the shared service center and the campuses.
- ▶ Use of remote network connections increases the risk of technical communication failures.
- ▶ Considerable effort required to control divergence from standardized HR processes after implementation of standard processes and roles are implemented across the campuses.

Critical success factors

The critical success factors required to make this option viable include:

- ▶ Ability to sign-on and execute the Banner Payroll software from a remote (centralized) location.
- ▶ Ability to perform site selection, establish governance and build out the shared service center within a realistic project timeframe.
- ▶ Ability to supplement existing UNC resources with skilled shared service center resources.

- ▶ Ability to determine the level of service to be provided by the shared service center and integrate service with processing activities remaining at the campuses.

5.5 Option 3 – Payroll Processing by Outsource Provider

Overview

The third primary option evaluated is the replacement of the current outsourcing arrangement with the OSC to a new outsourcing partner. Under this option, both UNC and the outsource provider will have specific responsibilities:

UNC Responsibilities

Each campus will continue the execution and maintenance of the Banner HR application, providing required employee information to the outsource provider (e.g. new hires, salary, deduction information, etc.), including payroll time entry; new hires, terms and changes; and adjustments and voids.

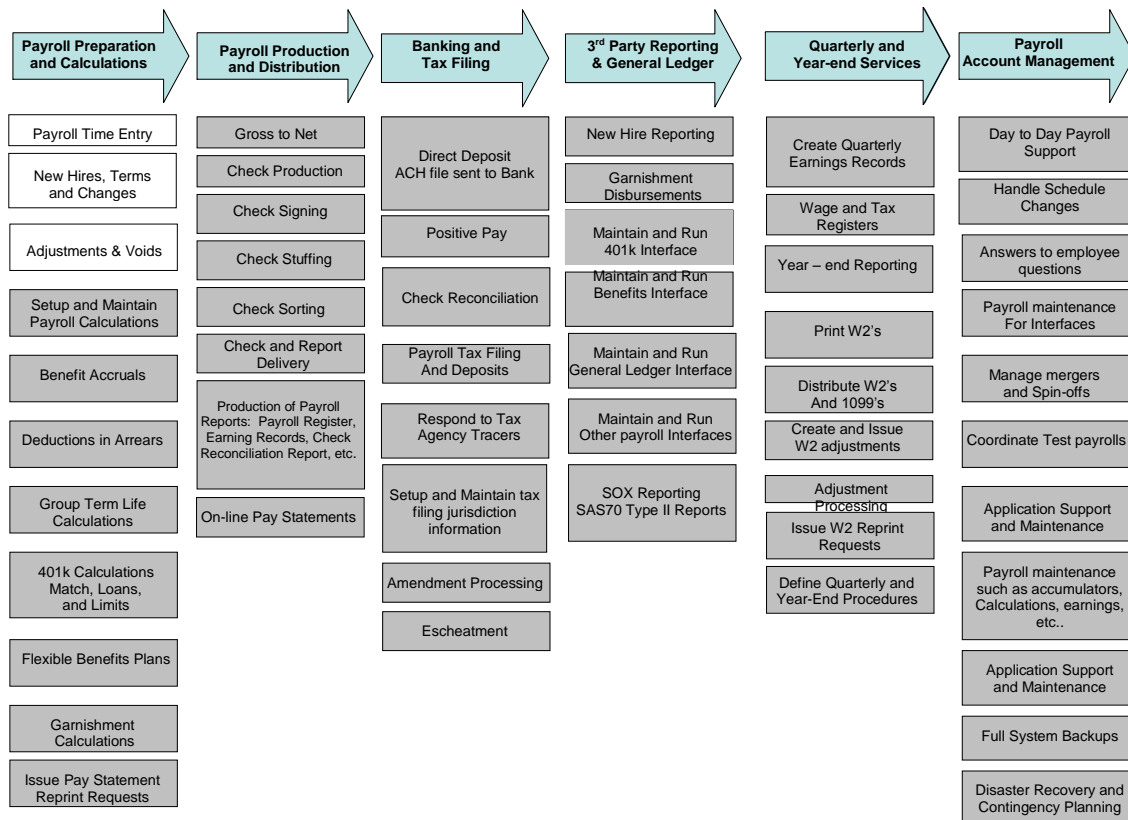
Outsource Provider Responsibilities

The outsource provider will implement their Enterprise Payroll Services solution, which includes a single database for workforce development and deployment as well as a fully integrated, cost-effective, and resource effective payroll processing and distribution. Under this option, the outsource provider will provide the following services:

- ▶ Application hosting with disaster recovery and business continuity services.
- ▶ Tax Management Services (State and Local Reporting).
- ▶ Payment Solutions Bundle that includes direct deposit, payroll debit cards, printed checks and internet accessible pay statements.
- ▶ Yearly W-2 processing.
- ▶ Wage Garnishments processing and payment.

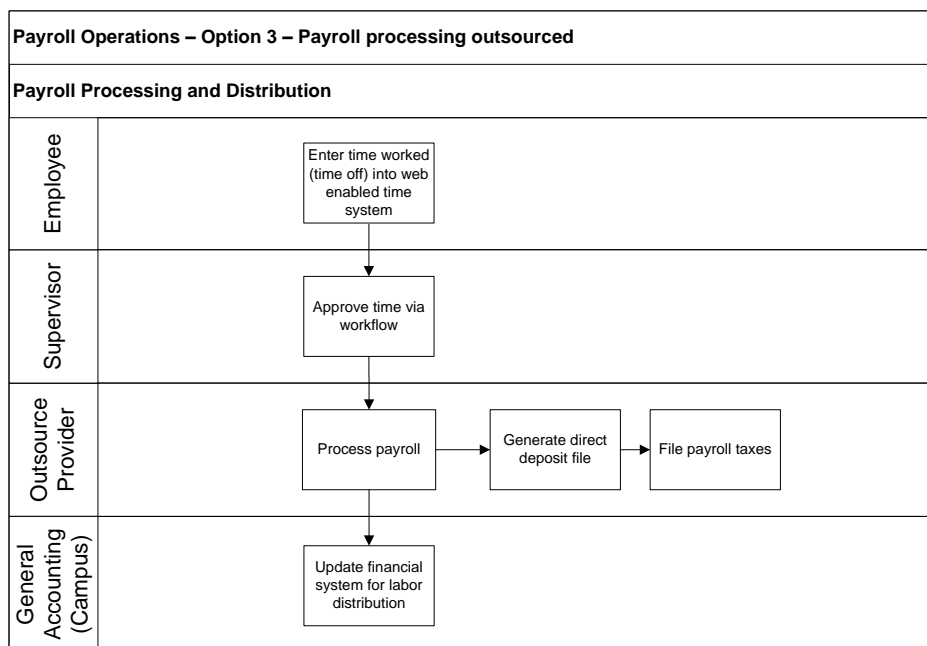
The outsource provider will provide labor distribution information back to the University necessary to properly record payroll.

Summary of potential payroll tasks provided by the outsource provider are shown in grey background in the following illustration:



Future State Payroll Process

This high level flowchart is focused exclusively on the payroll processing.



Note: Flowcharts within the business case represent the high-level steps needed for this process and do not include all activities undertaken on campuses for these processes.

Benefits

The benefits associated with Option 3 include:

- ▶ Conceptually, an outsource provider model is similar to the OSC payroll processing model currently being utilized.
- ▶ An outsourced model off-loads most of the administrative tasks associated with the payroll process allowing alternative utilization of resources.
- ▶ Responsibility for maintaining the infrastructure to support payroll processing would shift to outsource provider. UNC would be responsible for its own infrastructure and the maintenance and support of the Banner HR module. UNC would also be responsible for the daily batch processes that would update the corresponding database at the outsourcer.
- ▶ Outsource provider offers comprehensive payroll experience and skills.
- ▶ Outsource provider assumes risks inherent in running the payroll processes.
- ▶ Outsource provider has significant redundancy, back-up and support built into its operation for the provider's software and tools.

Costs

| | |
|---|--------------------|
| One-time Cost of Implementation – Outsource Provider Payroll | \$2,599,000 |
| | |
| Annual Recurring Costs | \$1,486,000 |

Assumptions

Specific to this option are the following assumptions:

- ▶ Annual recurring costs are based on monthly processing for 8,700 salary employees and bi-monthly processing for 7,630 hourly employees.
- ▶ All known required interfaces are included in cost estimates.
- ▶ Standard reporting from outsource provider will be adequate for UNC needs.
- ▶ Little or no customization will be required to meet UNC requirements.
- ▶ All institutions will follow the same implementation schedule and go-live on the same date.
- ▶ Data cleansing and integrity checks can be provided by UNC resources prior to go-live.

Risks

Specific to this option are the following risks:

- ▶ Integration benefits inherent in full Banner utilization will not be realized.
- ▶ UNC may incur additional costs for any deviations from initial outsource provider schedules/service level agreements.
- ▶ Since recurring costs of outsourcing are transaction-driven, additional employees, more frequent pay cycles, or further report requirements would result in incremental cost to UNC.
- ▶ Once the payroll process is outsourced, it would be difficult to transfer processing to a different vendor or back to UNC in the future, and there may be a need to periodically rebid the contract.
- ▶ Inaccurate payroll may result if required interfaces are not properly designed, implemented, and maintained.
- ▶ Use of remote network connections increases the risk of communication failures.

Critical success factors

The critical success factors required to make this option viable include:

- ▶ Ability to quickly select and finalize negotiations with an outsource provider.
- ▶ Ability to develop and test integration to/from the outsource service provider prior to go-live.

6. Recommendation Details

After extensive discussion and consideration of the options presented in Section 5 of this business analysis, the team has concluded that Option #2, a shared services model, would be the best option for certain aspects of payroll processing. To maximize the shared service center model, the team also recommends the implementation of Web Time Entry at each affected campus and that strong consideration be given to implementing more frequent pay cycles for a portion of the UNC workforce.

This decision was based on an evaluation of the risks and benefits of all options. Specifically, this option provides the best opportunity to strengthen controls at campuses and provide operating effectiveness. Under this option, HR and Payroll processes (including systems to the extent feasible and appropriate) would be standardized across the nine central payroll campuses, with consistent policies, procedures and control tables.

This option is also most in alignment with the University's strategic direction as outlined by President Bowles and the Board of Governors and provides the greatest opportunity for process efficiencies. As noted in both the PACE report and the Operational Assessment Report, there are opportunities to achieve process efficiencies and economies of scale and the University should leverage these where possible. As outlined in Appendix 8.4, there is the potential with this option to reduce payroll full time equivalents (FTE) headcount in the total process by 40-50% over time.

All options, including this option, carry some risks. These are discussed in the business analysis in sections 5.3 to 5.5. To move forward, the process, people and technology components of a shared services operating model for payroll will need to be defined and incorporated into the detailed design of the shared services processing model. These components include:

Process

- ▶ Determination of activities that will be processed in the shared service center and at the campus level. A list of all key activities in the payroll process is provided in Appendix 8.1.
- ▶ Development of standard policies for payroll.

People

- ▶ Definition of roles and responsibilities at the shared service center and at the campus level with appropriate segregation of duties.
- ▶ Identification of key shared service center resources.
- ▶ Identification of resources required for payroll processing at each campus.
- ▶ Strategy to source all resources needed including those needed to backfill campus positions during the campus implementations.

Technology

- ▶ Development of functional and technical requirements associated with the shared service center, including but not limited to: Banner configuration requirements, remote connectivity, business continuity/disaster recovery, ongoing technical support and operational level agreements and information privacy and reporting tools.

These process, people and technology components will be addressed by the team during the detailed design phase, discussed in Section 7. The results of the detailed design phase will lead to clear delineation of process roles and responsibilities between the shared service center and campuses; an implementation plan for the new model; and a “roll-in” plan for campuses to transition processing to the shared service center.

Web Time Entry

Web time entry is currently being used in only one of the nine Central Payroll schools. The team strongly believes that an electronic time capture tool for all 9 Central Payroll campuses will provide significant opportunities for improvement, including:

- ▶ Greater efficiencies in capturing, reviewing and approving hours.
- ▶ Tighter controls over approval of hours.
- ▶ Better matching of hours entered against hours processed.

However, the approvals process and time interface associated with web time entry in the Banner system will not work effectively unless the compensation date falls after the attendance date (a lag payroll). Currently only the hourly, temporary and student payrolls are lag payrolls. In order to generate the efficiencies noted above over a greater population, the team recommends the conversion of all non-exempt SPA employees from a monthly exception based payroll to a lag payroll.

More Frequent Pay Cycles

As UNC implements Banner payroll, there is an opportunity to choose a more frequent pay cycle for employees. While there is a cost associated with this recommendation, the opportunity to compensate employees more frequently (particularly when one first enters employment) in these tight economic times and to pay more in line with standard practices for additional time worked (compensatory time, extended duty, etc) would be a significant benefit to current and potential employees. The team proposes maintaining the exempt salaried employees on the monthly exception based pay cycle they are paid on today and to pay the lag payroll group (typically our lower paid employees) on either a bi-weekly or semi-monthly payroll cycle.

The first lag payroll would be an imposition for current employees. As such, the team proposes that the affected employees be offered a loan equal to two weeks net pay to be repaid over six months. The one-time economic impact of converting to a “lag payroll” is calculated using the following assumptions:

- ▶ 60% of the total number of SPA employees would be eligible for the loan.
- ▶ The average pay rate is estimated to be \$20 per hour.
- ▶ The loan amount is based upon net pay rather than gross pay.
- ▶ The loan amount is calculated by multiplying the net pay by 80 hours (i.e., two weeks).
- ▶ Repayment is twelve equal payments over a six month period.

Using the assumptions above, the employee loans to facilitate the lag payroll would total \$2,665,200. If the loan amount is borrowed and repaid over a six month period, the interest cost is estimated to be between \$21,576 and \$37,824, depending on the interest rate (3% - 5.25%).

Analysis of Other Options

While the team recommends the implementation of the shared service center model, the primary reasons why the other options considered in this business case were not selected are outlined below.

Option 1 – Payroll Processing in Banner on Campuses with GA support

When all the risks and benefits of this option were considered, it was concluded that this option did not provide sufficient additional efficiencies to the overall process. The analysis showed that current total payroll FTE headcount of 31.5 for payroll processing activities would remain unchanged. The FTE headcount savings envisioned with the implementation of web time entry would be offset by headcount required to perform the additional payroll functions on each campus that are currently being performed by OSC. Furthermore, additional FTEs would need to be added in a central support monitoring group for quality assurance. As such, there would be no FTE efficiencies gained under this option.

Additionally, there were concerns raised about the ability on some of the campuses to attract and retain personnel with the appropriate skill sets to process all payroll functions. The skill sets required to perform the service that OSC is currently providing are different from the current skill set on most campuses.

Option 3 – Payroll Processing by Outsource Provider

The key disadvantage of choosing this option is the use of the outsource provider's non-native ERP system to process payroll, which limits the use of Banner's existing fully integrated ERP solution and diminishes the investment already committed to the Banner product. Additionally, the use of non-native technology leads to a number of technical constraints, including the potential cost to update interfaces with each significant Banner upgrade. Lastly, due to the significant one-time set up costs, the use of an outsource provider may require a long-term contract and commitment to a single vendor. If the contract relationship is rebid periodically, the costs to change the provider could be significant.

7. Execution and Next Steps

In order to have a fully-functioning shared services model in place for payroll within, much effort is necessary over the next 12 – 18 months. Close coordination with the Office of State Controller is required, as well as an extension of the January 2010 existing deadline for migration. While this effort will be focused on future state payroll design, many of the overarching decisions will set the stage for future UNC shared services strategy and operations in other processes.

The primary areas of focus in the short-term include: Banner HR Implementation, Future State Payroll Design, and Shared Services Model Development. To effectively and efficiently focus UNC's efforts on these three areas, supporting project management decisions are needed. Specifically, an approach for this "detailed design phase" must be created and a detailed workplan for the phase must be developed; workplan/initiative owners must be identified and enabled; subject matter advisors must be engaged; and program management and governance protocols must be put in place to ensure design milestones are met.

Banner HR Implementation

As stated in section 2.2, the campus Banner HR implementations need to be completed, in as standardized a manner as is feasible, in order to have a complete HR and payroll solution in place. As part of this effort, detailed project plans must be prepared to standardize and finalize HR implementation steps such as: standardize data definitions and 'cleanse' existing data, define standards for and establish ownership of position control, formulate specific application roll-out and training schedules, etc.

Future State Payroll Design

Detailed design of the future state payroll processing model must also be performed. Design activities will define the specific payroll processing steps, organizational structure, and supporting technology for the "to-be" environment. Examples of design decisions include the following:

- ▶ **Process** – Define specific, standardized payroll activities including task sequences, task responsibilities (e.g., campus versus shared services versus GA), exception processing decisions, etc.
- ▶ **People** – Establish staffing model for the shared services payroll organization including team structures, compensation, career planning, people development processes, cultural vision, etc. Also, determine staffing impacts at the campus level including personnel changes, training and development needs, revised roles/responsibilities, etc.
- ▶ **Technology** – Determine standardized (and campus-specific, as needed) Banner Payroll application configuration, table definition and set-up, interface needs, reporting requirements, etc.

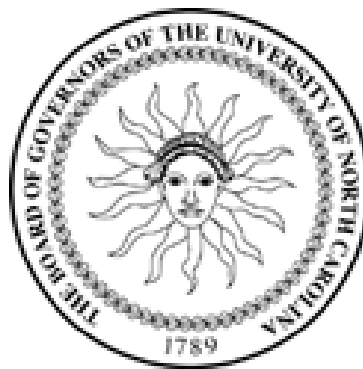
Shared Services Model Development

To guide the development of the overall UNC shared services model, in addition to the shared services design specific to payroll, a number of strategic and tactical decisions regarding the shared services model need to be made. Specifically, the following items should be analyzed and agreed upon:

- ▶ **Scope** – Create an initial shared services strategy for UNC, including the high-level functions, processes, and campuses likely to utilize a shared services model in order to drive the scale and timing of shared services development.
- ▶ **Location** – Evaluate potential locations for shared service center(s) considering new versus existing UNC properties, cost, geography, talent pool, political considerations, goodwill, etc.

- ▶ **Structure** – Define how the shared service center will operate including determination of shared services organization, reporting lines within the broader UNC structure, funding and cost sharing of shared services, service level agreements between campuses and shared services, strategy regarding shared services operating culture/hiring/teaming.

8. Appendices



8.1 Activities within the Payroll Process

The following activities are all required to be performed as part of the total payroll process. In detail design, each activity will be analyzed and a determination will be made regarding where the activity should be processed (either in the SSC or the campus, and within which department in the campus). Opportunities for standardization will be evaluated as process changes noted during detailed design.

| Standard Banner Payroll Processing Activities | Campus Payroll | Campus HR | SSC | Finance |
|--|----------------|-----------|-----|---------|
| PTRLIFE-Life Insurance Calc | | | | |
| PDPLIFE-Life Insurance Process | | | | |
| PHPSHRS - FICA Student Eligibility Process | | | | |
| PHPTIME-Time Processing | | | | |
| PHRDERR-Payroll Error Report | | | | |
| PHRDCON-Disposition Control | | | | |
| PHAMTIM- Mass Time Entry Form | | | | |
| PHPMTIM-Mass Time Editing Process | | | | |
| PHAHOUR-On Line Time Entry | | | | |
| PHPPROF-Pay Period Proof Process | | | | |
| PHPLEAV-Leave Accrual/Taken Process | | | | |
| PHPCALC-Payroll Calculation Process | | | | |
| PHRPREG-Payroll Register Report | | | | |
| PHPDOCM-Calculate Check/Deposits (Dependent on check printing/processing) | | | | |
| PHPCHKL-Print Checks & Deposits (Dependent on check printing/processing) | | | | |
| PHPDIRD-Direct Deposit File | | | | |
| PHPUPTD-Pay Period Update Process | | | | |
| PHRDREG-Deduction Register | | | | |
| PHPFEXP-Payroll Data List for Finance | | | | |
| NHPFIN1-Finance Extract Process | | | | |
| NHPFIN2-Transactions Report | | | | |
| GURFEED - General Finance Interface Table | | | | |
| FURFEED-Finance Feed Sweep Report | | | | |
| FRTRNI-Transaction Interface Report | | | | |
| FGTRNR-Transaction Interface Errors | | | | |
| FRGACTG-List of generated postings | | | | |
| Set up of Self Service Accounts | | | | |
| Maintain Self Service Accounts | | | | |
| Administering SSB Passwords | | | | |
| Support of SSB Passwords | | | | |
| Benefit and deduction Vendor reconciliation, including reconciliation of clearing accounts | | | | |
| Payment vouchers, ACH wire transfers, electronic warrants and supporting journals to make payments to benefits and deduction vendors | | | | |
| Reconciliation and remittance of garnishments to public and private vendor and collection agencies | | | | |
| Depositing and reporting federal, NC, multi-state and foreign tax payments | | | | |

| Standard Banner Payroll Processing Activities | Campus Payroll | Campus HR | SSC | Finance |
|--|-----------------------|------------------|------------|----------------|
| Update Comprehensive Annual Financial Reports (CAFR) with monthly salary and vendor totals | | | | |
| Direct deposit "strip-offs" and manual check replacements, where appropriate; issue stop payment on checks | | | | |
| Labor distribution and feeding labor charges to the general ledger | | | | |
| Recapitulation of salary, taxes, deductions, benefits, and net pay submitted to University Accounting, used as basis for cash requisition to the State Treasurer's office to move money to cover the net payroll | | | | |
| Electronic warrants to the State Treasurer's office to pay federal taxes, NC Flex Dependent Care and NC Flex Medical Spending Account | | | | |
| Research and calculate overpayments based on retroactive termination dates; communicate overpayment to affected employees, deposit repayment and reconcile back through HR System | | | | |
| Balance each payroll figures to year-to-date figures and W-2, including | | | | |
| Making balance adjustments for unique foreign national, out-of-state or out-of-country tax problems | | | | |
| Making balance adjustments for salary or deduction problems | | | | |
| Moving salary, tax, deduction and benefit balances for individuals paid under wrong employee id (when duplicates are created in error) | | | | |
| Issue replacement checks for lost checks; issue stop payments on lost checks (PHAADJST) | | | | |
| Audit, approve and produce manual/on-demand checks for late actions, refunds of deductions taken in error or corrections for individuals paid less than they were owed | | | | |
| Interface to Windstar to determine individuals whose tax treaty benefits may have expired due to reaching treaty earnings limits or who have a change in status | | | | |
| Provide deduction registers to internal vendors for payroll deductions for All Campus Card, Parking Fees, Carmichael Gym, Student Health Services and NCSU Foundation | | | | |
| Remittance and reconciliation of all federal benefits/deductions for county extension and federal employees | | | | |
| Submit NC Flex plan remittance totals to the Office of the State Controller; process subsequent invoice for payment of NC Flex/FICA savings | | | | |
| Produce and submit quarterly and annual tax reports for federal, NC, multi-state, foreign tax entities | | | | |
| Produce and distribute W-2 (plus custom W-2 for Puerto Rico) and 1042S wage and tax statements | | | | |
| Produce and submit quarterly State Unemployment Insurance (SUI) report for NC and multi-states | | | | |
| Produce and distribute fiscal-year payroll calendars to campus; produce and distribute internal, operational calendars to central offices involved in HR/Payroll process | | | | |
| Track individuals in HR System with invalid or "dummy" social security numbers to ensure HR System is updated with valid number | | | | |
| Track individuals who have failed to enroll in direct deposit, which is a condition of employment | | | | |
| Return incomplete/invalid tax withholding certificates to employees for correction | | | | |
| Wage verifications for social agencies | | | | |
| Employer cost summaries | | | | |
| General ledger transaction reports (gross to net, other) | | | | |
| Tax liability reports | | | | |
| Reconciliation reports* (W2; FEXP to FIN2; 941 reconciliations) | | | | |
| All miscellaneous vendor deductions | | | | |
| Retirement contributions | | | | |
| FLEX FICA savings | | | | |
| Taxes are paid to the IRS and NCDOR with each payroll. Schedules for payment are available on the appropriate websites. | | | | |
| Bank reconciliation | | | | |
| Analysis of employer liability balances (balances should zero) | | | | |
| Analysis of accounts receivable (amounts remaining due from the universities to SSC) | | | | |
| Clearing of suspended items | | | | |
| Submission of letters to payees owning checks remaining outstanding for more than 60 days | | | | |

| Standard Banner Payroll Processing Activities | Campus Payroll | Campus HR | SSC | Finance |
|--|-----------------------|------------------|------------|----------------|
| Health insurance premium clearing accounts (employer and employee contributions) | | | | |
| ESC reporting | | | | |
| IRS 941 reporting | | | | |
| NCDOR tax reporting | | | | |
| Generation of Form W-2 (paper and electronic file creation for the IRS and NCDOR) | | | | |
| Adjustments to W-2s for Non-Resident Aliens (issuance of Forms 1042s) | | | | |
| Adjustments to W-2s for non-taxable moving expenses | | | | |
| Reconciliation of annual tax liabilities and payments (IRS and NCDOR) | | | | |
| Removal of tax exempt status for ineligible employees in February | | | | |
| CMS exception reporting (Medicare reporting) | | | | |
| Escheat processing | | | | |
| Creation of electronic file for FLEX discrimination testing | | | | |
| Backup of payroll file reports | | | | |
| Preparation of Form W-2C (corrections to prior year W-2s) with subsequent 941C submission | | | | |
| Processing and reporting of statutory changes, including legislative increases impacting pay rates, longevity, and retirement contributions, including retroactive postings/payments | | | | |
| Add/Replace Benefit Deduction one-time changes | | | | |
| Bond purchases and calculation of bond balances | | | | |
| Respond to employees' requests for detailed information and related requests. | | | | |

8.2 Current Status of Banner HR Implementation

This document was developed by the UNC GA ERP Support team based on on-site visits at each of the campuses listed below.

| HR Payroll Summary | FSU | ECSU | NC A&T | NCCU | UNCSA | UNCA | UNCP | WCU | WSSU |
|---|---|------------------------------|--|------------------------------|---|---|---|---------------------------------|---------------------------------|
| Employment Administration | Salaried – Completed Hourly – Testing (2) | Needs significant effort (8) | Salaried – Completed Hourly – Testing (2) | Needs significant effort (8) | Salaried – Completed Hourly – Testing (2) | Salaried – Completed Hourly – not started (2) | Salaried – Completed Hourly – Testing (2) | Live | Bio Demo information only (6) |
| Compensation Administration | Salaried – In Progress Hourly – needs effort (4) | Needs significant effort (8) | Salaried – Testing Hourly – needs effort (6) | Needs significant effort (8) | Salaried – In Progress Hourly – needs effort (4) | Salaried – In Progress Hourly – needs effort (4) | Salaried – In Progress Hourly – needs effort (4) | Partially complete (1) | Needs significant effort (8) |
| Faculty Administration | Completed | Completed | Completed | Not started (2) | Completed | Completed | Completed | Testing | Live |
| Benefits and Deduction Administration | Salaried – Completed Hourly – Needs effort (2) | In progress (8) | Salaried – Testing Hourly – Needs effort (4) | Needs significant effort (8) | Salaried – partially completed Hourly – Needs effort (2) | Salaried – Testing Hourly – Needs effort (4) | Salaried – Testing Hourly – Needs effort (4) | Testing (final stages) | Needs significant effort (8) |
| Time Entry and Electronic Payroll Processing | Needs significant effort (8) | In progress (8) | Leave – Live Time – Not started (6) | Needs significant effort (8) | Needs significant effort (8) | Leave – Live Time – Not started (6) | Leave – Live Time – Not started (6) | Leave – Live Time – Testing | Not started (8) |
| Position Control Administration | Salaried & Hourly – Testing (2) | In progress (2) | Salaried – Completed Hourly – Not started (4) | In progress (2) | Salaried – Completed Hourly – Not started (4) | Salaried & Hourly – Testing (2) | Partially live (2) | Salaried & Hourly – Testing (2) | Salaried & Hourly – Testing (2) |
| Self service for Employees | In progress (6) | Planning stage (4) | Not started (except for leave) (6) | Not started (8) | Not started (8) | Partially completed (4) | Live (except for benefits & deductions) (1) | Live | Not started (8) |
| Performance Management | Testing (2) | Not started | Testing (2) | Not started | Not started | Live | Live | Not started | Not started |

| HR Payroll Summary | FSU | ECSU | NC A&T | NCCU | UNCSA | UNCA | UNCP | WCU | WSSU |
|---|--|--|--|-------------------------------|---------------------------|--------------|---|---|---|
| Electronic Approvals | Planning (2) | Not started | Not started | Not started | Not started | Live | Live | Planning (2) | Not started |
| Data Management Reporting and Compliance | Completed (except for duplicate issues) (2) | Completed (except for reporting) (2) | Completed | Needs significant effort (12) | Partially completed (4) | Completed | Completed (except for duplicate issues) (2) | Completed | Completed |
| Employee Relations Administration | In progress (2) | Not started | Testing | Not started | Not started | Not started | Planning | Not started | Not started |
| Health and Safety Administration | Not started | Not started | Not started | Not started | Not started | Not started | Planning | Not started | Not started |
| Function Management | Not started | Not started | Partially complete (1) | Not started | In progress | Completed | Planning | Testing | Testing |
| Performing Tax Reporting | Planning (3) | Planning (3) | Planning (3) | Not started | Not started | Planning (3) | Planning (3) | Testing | Not started |
| Banner Maintenance | Current (0) | Current (0) | Current (0) | Needs effort (4) | Current (0) | Current (0) | Current (0) | Current (0) | Current (0) |
| Banner Cross Module Functionality | Required modules - current Other - partially complete | Required modules - current Other - partially complete | Required modules - current Other - partially complete | Needs significant effort (6) | Testing (4) | Completed | PeopleAdmin - Live Other - needs effort | Needs significant effort - no modules in production | PeopleAdmin & Webfocus - Live Other needs effort |
| Standard HR and PY Rule tables | Not loaded and tested (2) | Not loaded and tested (2) | Not loaded and tested (2) | Not loaded and tested (2) | Not loaded and tested (2) | Testing (1) | Live | Salaried - Live Hourly - Testing (4) | Loaded - not used |
| Estimated Hours to Complete HR Implementation | 1600 | 1920 | 1280 | 2560 | 1280 | 960 | 960 | 640 | 1600 |

Index: Function in Gray/BOLD means required for go-live (list may be shortened depending on options)

Figure in brackets is an estimate of weeks of effort required to go live for that function. It is meant only as a guideline.

8.3 Cost Analysis – Implementation Costs – Option 1

| Role | # of FTE | Cost (Low) |
|--|----------|--------------------|
| Phase I - Solution Design and Campus Pilot | | |
| UNC-GA Project Manager ³ | 1.0 | \$112,500 |
| SunGard Consultant - Payroll (HR Consultant) ² | 1.0 | \$391,000 |
| SunGard Consultant - Finance (Consultant) ² | 0.23 | \$159,850 |
| Senior Analyst (Consultant) ³ | 1.0 | \$200,000 |
| Senior Analyst (Consultant) ³ | 0.5 | \$39,000 |
| Senior Analyst ³ | 0.5 | \$42,500 |
| Senior Analyst ³ | 1.0 | \$85,000 |
| Support Supervisor | 1.0 | \$75,000 |
| Junior Analysts | 4.0 | \$187,500 |
| Information Tech support | 0.5 | \$30,000 |
| DBA support | 0.5 | \$37,500 |
| Campus support | 2.5 | \$360,500 |
| | | |
| Total Phase I | | \$1,720,350 |
| | | |
| UNC Travel Expenses | | \$137,000 |
| Total One Time Cost | | \$1,857,350 |
| | | |
| | | |
| ASSUMPTIONS | | |
| 1. UNC Personnel costs include 20% for benefits allocation | | |
| 2. External resources include 15% travel expenses for the low cost figures | | |
| 3. Existing UNCGA resource. Includes web time entry implementation | | |
| | | |
| | | |
| Annual Costs | | |
| | | |
| Campus Personnel Costs (current FTE count remains) | 31.5 | \$1,673,000 |
| GA Monitoring and Support Personnel Costs | 2.5 | \$190,000 |
| Overhead Allocation | | \$11,000 |
| Travel | | \$50,000 |
| | | |
| Total Annual Cost | | \$1,924,000 |
| | | |

8.3 Cost Analysis – Implementation Option 2

This cost analysis is based on an 18 month implementation plan leveraging as much of internal resources as possible to provide a low end cost estimate. The total implementation cost could go up depending on the mix of internal and external resources.

| Role | # of FTE | Cost(Low) |
|--|----------|--------------------|
| Phase I - Solution Design and Campus Pilot | | |
| UNC-GA Project Manager | 1.0 | \$49,824 |
| SunGard Consultant - Payroll | 1.0 | \$150,406 |
| SunGard Consultant - Finance | 1.0 | \$150,406 |
| Functional Consultant - Payroll | 1.0 | \$179,055 |
| Functional Consultant - Finance | 1.0 | \$179,055 |
| Senior Analyst (Consultant) | 1.0 | \$88,576 |
| Senior Analyst (Consultant) | 1.0 | \$34,600 |
| UNC- IT and DBA support | 1.0 | \$29,064 |
| UNC-GA Support Supervisor | 1.0 | \$33,216 |
| UNC-GA Senior Analyst | 2.0 | \$74,736 |
| UNC-GA Junior Analyst | 2.0 | \$41,520 |
| Campus 1 Pilot Resources | 2.5 | \$36,330 |
| Campus 2 Pilot Resources | 2.5 | \$36,330 |
| Total Phase I | | \$1,083,118 |
| Phase II - Campus Rollout | | |
| UNC-GA Project Manager | 1.0 | \$174,384 |
| UNC-GA Pay Support Supervisor | 1.0 | \$116,256 |
| UNC-GA Senior Analyst | 1.0 | \$130,788 |
| UNC-GA Senior Analyst | 1.0 | \$130,788 |
| UNC-GA Junior Analyst | 1.0 | \$72,660 |
| UNC-GA Junior Analyst | 1.0 | \$72,660 |
| Campus Resources | 2.5 | \$254,310 |
| Total Phase II | | \$951,846 |
| Implementation | | \$2,034,964 |
| UNC Travel Expenses | | \$137,000 |
| Total One Time Cost | | \$2,171,964 |
| ASSUMPTIONS | | |
| 1. UNC Personnel costs include 20% for benefits allocation | | |
| 2. External consulting resources include 15% travel expenses for the cost figures | | |
| Annual Costs | | |
| GA Monitoring and Support Personnel Costs | 1.0 | \$112,000 |
| Campus Personnel Costs (current FTE count reduced) | 13.0 | \$690,000 |
| Shared Services Personnel Costs | 5.0 | \$411,000 |
| Overhead Allocation | | \$21,000 |
| Total Annual Cost | | \$1,234,000 |
| ASSUMPTIONS | | |
| 1. Campus Personnel Costs use an historical blended rate of \$25.53/hour based on a 2,080 hour year | | |
| 2. Shared Services Personnel Costs include 1 FTE at \$45/hour and 4 FTE at \$30/hour with 20% overhead | | |

8.3 Cost Analysis – Implementation Costs – Option 3

| Role | # of FTE | Cost (Low) |
|---|----------|--------------------|
| Implementation (9 months) | | |
| UNC Executive Sponsor | 1.0 | \$7,560 |
| UNC Project Manager | 1.0 | \$97,344 |
| UNC HR/Benefits Lead (Consultant) | 1.0 | \$269,514 |
| UNC Payroll Lead (Consultant) | 1.0 | \$320,850 |
| UNC IT Lead | 1.0 | \$26,208 |
| UNC SMEs | 4.0 | \$186,816 |
| | | |
| UNC Implementation support for Outsource Provider | | \$908,292 |
| Outsource Provider one time implementation cost | | \$1,691,000 |
| Total One Time Cost | | \$2,599,292 |
| | | |
| Annual Costs | | |
| GA Monitoring and Support Personnel Costs | 1.0 | \$112,000 |
| Campus Personnel Costs (current FTE count reduced) | 13.0 | \$690,000 |
| Outsourcer Costs | | \$684,000 |
| | | |
| Total Annual Cost | | \$1,486,000 |
| | | |
| ASSUMPTIONS | | |
| 1. Campus Personnel Costs use an historical blended rate of \$25.53/hour based on a 2,080 hour year | | |
| 2. Outsourcer costs assumes semi-monthly payroll for SPA non-exempt | | |

8.4 Potential Payroll Efficiencies

To quantify the potential payroll efficiencies that can be gained, comparisons were made between current processing levels to industry benchmarks and to the five UNC campuses currently processing their own payroll. A number of sources, including NACUBO, CUPAHR, American Payroll Association and HR consulting firms, were contacted to find specific metrics for colleges and universities. These were not readily available from any of the sources. As such we used cross industry benchmarks commonly used in business process analysis in the public and private sectors. The benchmarks we used were provided by the American Productivity & Quality Center (APQC).

Founded in 1977, APQC is a member-based non-profit organization serving organizations worldwide spanning most industries, including higher education, governmental, and other public sector and not for profit organizations. APQC works with organizations across all industries to find practical, cost-effective solutions to drive quality and process improvement. APQC benchmarks are built around the Process Classification FrameworkSM, an enterprise process taxonomy that facilitates cross-industry benchmarking. The APQC performance benchmarking program uses widely accepted metrics to establish reliable and objective performance benchmarks. The APQC database contains hundreds of measures and thousands of data points from over 7,000 organizations. APQC is continually renewing and expanding the depth of the benchmarking database. APQC collects metric data on the payroll process of organizations in a variety of industries to establish a process measurement framework that supports analytical assessment of business performance. All metrics are validated, normalized, and aggregated to ensure the data is relevant and accurate.

Cross-industry Payroll Benchmarks:

| Metric Name | Top Performing Process | Median Process | Bottom Performing Process |
|---|------------------------|----------------|---------------------------|
| Number of FTEs for the payroll process per 1,000 employees paid | 0.35 | 1.00 | 2.05 |
| Average disbursements processed by 1 FTE | 2,857 | 1,000 | 488 |

UNC Payroll Processing Metrics

| Average disbursements processed by 1 FTE | Top of UNC Range | Average UNC Range | Bottom of UNC Range |
|--|------------------|-------------------|---------------------|
| 5 Non-central Payroll Campuses | 1,975 | 1,414 | 714 |
| 9 Central Payroll Campuses | 1,149 | 560 | 280 |

Differences between campus processing metrics are driven by many factors, such as levels of competencies (currently being addressed by UNC-GA), redundant data entry at some campuses, and different uses of HR/Payroll systems.

We noted that there were significant differences in the workload performed at the various campuses between the HR and payroll functions at each campus. Also, some campuses indicated that certain basic tasks within payroll are currently being performed by campus administrative staff. However, these were not easy to quantify by the campuses and are not included in the FTE headcount noted above.

It is important to note that there is double keying of payroll data by all university campuses due to state requirements for HR reporting data. This may contribute somewhat to the differences between UNC and APQC metrics.

Taking all these factors into consideration, a comparison of the benchmarking metrics of the 9 Central Payroll campuses to the 5 Non-Central Payroll campuses shows significant potential benefit from improving the Central Payroll campus processing model. Comparisons to APQC cross-industry benchmarks further support the improvement potential.

8.5 Interfaces Needed

List of electronic transmissions includes, but is not limited to:

- ▶ Banner Human Resources and Financial
- ▶ Teachers' State Employees' Retirement System (TSERS) (including Law Enforcement), Optional Retirement Program (AIG, Fidelity, Lincoln and TIAA-CREF)
- ▶ State's 401(k) and 457(b) plans (Prudential)
- ▶ UNC 403(b) (Fidelity and TIAA-CREF)
- ▶ NC Flex including health care spending accounts and flexible spending plans
- ▶ State Health Plan, COBRA (health plans)
- ▶ Federal and State Tax Regulatory Agencies (tax withholdings)
- ▶ Hyatt Legal Plans Inc. (legal plans)
- ▶ Supplemental disability plans (Liberty Mutual and The Standard)
- ▶ Other campus-based after-tax benefit plans
- ▶ WindStar
- ▶ Appworx
- ▶ Prescribed statewide reporting system (to replace PMIS reporting)
- ▶ People Admin