

12.9 Review Questions and Exercises

Review Questions

1. Name four other systems that often interface with payroll within a company.
2. Name three commonly used system edits in payroll systems.
3. Who are the payroll department's customers?
4. List three major reasons why payroll, human resources, and benefits would benefit from an integrated system.
5. When selecting a new system, who should be included on the project team?
6. What are the objectives of an automated payroll system?
7. What is the main disadvantage of using a service provider?
8. List the advantages of using an in-house payroll system.
9. As part of a "needs and wants analysis" in choosing a new payroll system, a Current Situation Analysis is essential. What does this entail?
10. What should be included in a request for proposal (RFP)?
11. What are three common mistakes made during system selection which could seriously damage the project at a later phase?
12. What are four environmental concerns (i.e., physical plant issues) commonly addressed in protecting system hardware?

True or False Questions

- ____ 1. A service provider is an independent company that processes its clients' payrolls for a fee.
- ____ 2. Before you can select a new system, you must document in detail what your current system can and cannot do.
- ____ 3. A program that allows two systems to share data is called an interface.
- ____ 4. Business Process Outsourcing is the outsourcing of end-to-end business processes and functions.
- ____ 5. Documentation of the payroll system and its procedures is not a very important part of a company's overall control mechanisms.
- ____ 6. A disadvantage of using a service provider is that it may not have the programming personnel needed to timely meet a user's changing individual needs.
- ____ 7. An automated time and attendance system can remind managers to review and submit time sheets for their employees.

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- _____ 8. An automated time and attendance system cannot reduce the errors inherent in a manual timekeeping system.
- _____ 9. An in-house computer system is only as good as the software that is run on it.
- _____ 10. An automated time and attendance system should not integrate with an employer's human resources, payroll, and cost accounting systems.
- _____ 11. The initial step in selecting a new payroll system is to prepare a request for proposal.
- _____ 12. If a vendor balks at answering some of the questions about a proposal, that may be a good indication that its products are not right for the job.
- _____ 13. The final test before going live with a new system is called project testing.
- _____ 14. An RFP can be used to design an in-house payroll system.
- _____ 15. A system edit is a warning or alert built into the system that checks for errors.

Multiple Choice Questions

- _____ 1. What is the main objective of any payroll system?
 - a. Prepare internal reports
 - b. Provide for compliance with federal, state, and local withholding, depositing, and reporting requirements
 - c. Accurately paying employees in a restricted time frame on payday
 - d. Maintain adequate records of all data and transactions
- _____ 2. All of the following features are disadvantages of using a service provider for processing your payroll except:
 - a. Lack of control over security
 - b. Low fixed costs
 - c. No control over breakdowns
 - d. Responsibility for filing errors
- _____ 3. What is the final test before going "live" with a new system?
 - a. Parallel test
 - b. Spot test
 - c. Stress test
 - d. Conversion test
- _____ 4. What is a warning or alert called that is built into the system that checks for errors and either corrects the error or notifies the operator that something may be wrong?
 - a. Monitor edit
 - b. System edit
 - c. Control edit
 - d. Procedure edit

Section 12: Payroll Systems and Technology

- _____ 5. What system is designed to eliminate the time taken to punch in and out and to write and sign information on time cards, as well as the errors that such procedures can cause?
- Software system
 - Automated time and attendance system
 - In-house system
 - Time-sharing system
- _____ 6. Which of the following systems is least likely to interface with payroll?
- Human Resources
 - Marketing
 - Benefits
 - Accounting
- _____ 7. All of the following features are advantages of an in-house payroll system except:
- Convenient access
 - Low fixed costs
 - Scheduling flexibility
 - System security
- _____ 8. All of the following features are disadvantages of an in-house computer system except:
- High fixed costs
 - Additional staffing
 - Sufficient secure space needed
 - Scheduling flexibility
- _____ 9. All of the following items are needed for web-enablement except:
- PCs with extensive memory
 - Sufficient Internet infrastructure
 - Web-enabling tools
 - HRMS application expertise
- _____ 10. All of the following features are advantages of an automated time and attendance system except:
- Less time spent on processing
 - Fewer errors introduced during processing
 - More time spent on administrative tasks
 - Decreased costs
- _____ 11. All of the following behaviors are common mistakes to avoid when selecting a new system except:
- Making decisions without sufficient input
 - Failing to consider all the costs associated
 - Not considering future company needs regarding expansion and downsizing
 - Including personnel from all related departments on the project team

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- _____ 12. After the new system has been selected and approved, what is the next step in the selection process?
- a. Specify scope
 - b. Implementation
 - c. Review
 - d. Define requirements
- _____ 13. Auditors are often concerned with whether RFPs for new computer systems are well formulated. Which of the following items should typically be included in a request for proposal?
- a. The hardware configuration
 - b. An emphasis on software rather than hardware
 - c. Detailed specifications of the current workload
 - d. An emphasis on the tasks to be performed rather than specific hardware capabilities
- _____ 14. An employer has decided to change from an old to a new payroll system. In implementing the new system, both the old and the new system are maintained during the testing period. What is this changeover technique called?
- a. Debugging
 - b. Pilot testing
 - c. Parallel testing
 - d. Back-up system conversion
- _____ 15. What method of internal control requires employees to show identification to get paid, thus discouraging the creation of phantom employees?
- a. Physical payouts
 - b. Segregation of duties
 - c. Job rotation
 - d. System edits