

**HRS Road Map
Policy Revision Suggestions
Paper Check Reduction
DRAFT Background/Charter Document – as of 9/23/2013**



Topic	Reduce Paper Check Printing
Problem and Effect	<p>Approximately 2,200 UW-System employees without ACH payment data in HRS required the printing of approximately 17,200 paper paychecks for regular payrolls in fiscal year 2013. An additional 5,500 paper paychecks were printed as part of off-cycle payroll processing.</p> <p>Paper check printing is significantly more costly than ACH payment, including printing hardware, printing supplies, and manual handling and distribution. This administrative burden results in further effort and cost to the Service Center.</p>
Road Map Proposed Solution	<p>Phase out printing approximately 22,700 manual payroll checks per year and accelerate the migration to automated clearinghouse (ACH) electronic payments.</p> <p>Reduce the number of manual paper paychecks printed by the Service Center by implementing a policy that increases employee participation in ACH payment, and/or implement an alternative payment method to supplement or replace paper checks.</p>
Project Team Members	<p>Jason Beier, <i>UWSA</i> Diane Lund, <i>UWSA</i> Tim Danielson, <i>UW-Oshkosh</i> Colleen Kerl, <i>UW Service Center Payroll</i> Carla Raatz, <i>UW-Madison representative</i> Kevin Sippl, <i>Huron</i> TBD, <i>UW Institution Payroll Representative</i></p>
Executive Sponsor	Al Crist
Current State	
<p><u>Paper Check Printing and ACH Usage</u></p> <p>In fiscal year 2013 the Service Center printed a total of 22,775 paper paychecks. Of that total, 17,253 paper paychecks were printed as part of the regular on-cycle payrolls, and the remaining 5,522 paper paychecks were manually created and printed as part of off-cycle processing.</p> <p>A detailed breakdown of paper checks and direct deposits by institution for the 2013 fiscal year can be found below.</p>	

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On- and Off-Cycle Check Breakdown by Institution - Fiscal Year 2013

BUSINESS UNIT	ON-CYCLE PAPER CHECKS	ON-CYCLE DIRECT DEPOSITS	TOTAL ON-CYCLES	PERCENT OF ON-CYCLES PAPER	OFF-CYCLE PAPER CHECKS	OFF- TO ON-CYCLE RATIO
UWMSN	8,962	541,688	550,650	1.628%	2,741	0.498%
UWMIL	2,282	148,691	150,973	1.512%	842	0.558%
UWSTP	1,486	57,261	58,747	2.529%	137	0.233%
UWEAU	667	62,325	62,992	1.059%	113	0.179%
UWSTO	650	51,499	52,149	1.246%	325	0.623%
UWWTW	552	53,333	53,885	1.024%	184	0.341%
UWSUP	530	16,212	16,742	3.166%	138	0.824%
UWCOL	470	31,526	31,996	1.469%	161	0.503%
UWEXT	347	24,069	24,416	1.421%	78	0.319%
UWRVF	332	29,565	29,897	1.110%	132	0.442%
UWOSH	290	53,847	54,137	0.536%	207	0.382%
UWLAC	266	43,340	43,606	0.610%	147	0.337%
UWGBY	152	26,307	26,459	0.574%	86	0.325%
UWPLT	134	44,890	45,024	0.298%	102	0.227%
UWPKS	132	16,437	16,569	0.797%	124	0.748%
UWADM	1	1,989	1,990	0.050%	2	0.101%
UWSYS	0	2,332	2,332	0.000%	3	0.129%
Total	17,253	1,205,311	1,222,564	1.411%	5,522	0.452%

A key contributor to the large number of paper checks is the number of employees not utilizing direct deposit. As of April 2013, approximately 2,200 employees (2.87%) did not have ACH data in HRS. This relatively small number has a much larger impact when taking into consideration that each regularly-paid classified employee requires a minimum of 26 paper checks per year.

Another contributor is that the current off-cycle paycheck processing cannot utilize ACH payment, and instead requires a paper check to be printed. This is due to off-cycle checks being processed and confirmed at different points in a given month, but being attached to the next coming payroll. The ACH transmission process for that next on-cycle payroll does not have the ability to distinguish between payments already transmitted (earlier in the month off-cycles) and those yet to be transmitted (newly confirmed on-cycles).

One option to enable off-cycle ACH usage would be modifying the in a way that allows the process to recognize transactions that have already been transmitted, and prevent them from being sent again in future process runs. Another option is to configure additional off-cycle pay calendars that off-cycle checks can then be attached to, separating them from the next on-cycle payroll and allowing separate ACH transmission.

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Current ACH and Paper Check Policy

There currently is a UW System policy that addresses ACH usage by employees: Financial Administration Policy (G32) – *Payment Methods and Timing for Payroll*. This policy states that “The University directs that all employees participate in an electronic direct deposit program (ACH) for their payroll payments” (see link for full policy → [Link](#)). This policy applies to all employees that began employment with UW System since April 21st, 2004. Employees hired prior to that date would be exempt from the policy.

Additionally, the following bargaining units would also be exempt from the ACH requirement outlined in G32: WSEU Administrative Support (02), WSEU Blue Collar and Non-Build (03), Security and Public Safety (05), and WSEU Technical (06). A detailed breakdown of these bargaining units and the applicability of G32 can be found below.

Bargaining Unit and G32 Policy Applicability Breakdown for Current Non-ACH Employees

BARGAINING UNIT	G32 EXEMPT	SUBJECT TO G32	TOTAL
02 - WSEU Administrative Support	10	22	32
03 - WSEU Blue Collar and Non-Build	33	107	140
05 - Security and Public Safety	0	1	1
06 - WSEU Technical	7	36	43
SUBTOTAL	50	166	216
04 - Building Trades Crafts	6	7	13
07 - WPEC Fiscal and Staff Services	1	8	9
12 - Social Services	0	2	2
14 - Engineering	1	0	1
15 - Science	2	0	2
16 - Supervisory Non-Professional	0	2	2
18 - Executive & Management (Staff)	1	0	1
97 - Confidential (Not-Prof)	0	1	1
99 - Conf (Prof) & LTE	6	19	25
FA - Faculty	11	8	19
MTA - MSN-MKE Graduate Assts Assocs	0	61	61
None	361	1,491	1,852
TOTAL	439	1,765	2,204

Between the G32 policy date and bargaining unit exceptions, the number of employees not utilizing ACH and not in compliance with G32 goes from about 2,200 to about 1,600. If these two exceptions cannot be eliminated, it is the population of about 1,600 employees for which UW System would look to find an alternative method of payment.

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The Service Center currently has criteria in place for requesting off-cycle checks for missed regular earnings/hours (see link for further details → [Link](#)). The minimum thresholds for various employee types are as follows: 10% of regular gross for unclassified employees, 8 hours for classified and unclassified hourly employees, and 5 hours for student hourly employees.

Current Costs and Alternate Payment Methods

The National ACH Association estimates that paper checks cost approximately \$2.00 to cut and process, compared to approximately \$0.35 per direct deposit transaction.¹ These figures align with the Federal Reserve's estimate that an ACH transaction results in an approximate savings of \$1.62 compared to a paper check.² If a savings of \$1.65 is applied to the 22,775 paper checks processed in the 2013 fiscal year, the UW would realize an approximate annual savings of \$35,578.75.

An alternative payment method – Pay cards – is currently in use at other Big Ten universities/systems including Northwestern, Indiana, and Ohio State. There is also the possibility that the State of Wisconsin will be implementing a pay card program (see link to article → [Link](#))

The Consumer Financial Protection Bureau recently issued the following bulletin (see link → [Link](#)) reiterating the requirement of employers to provide payment options to employees per applicable state law, and that "an employer may not require that its employees receive their wages by electronic transfer to a payroll card account at a particular institution."³

¹Many Small Businesses Still Use Paper Checks for Pay

<http://www.shrm.org/hrdisciplines/compensation/articles/pages/directdeposit.aspx>

²Why Direct Deposit? <http://www.vbsfcu.org/why-direct-deposit>

³CFPB Bulletin 2013-10, Payroll Card Accounts (Regulation E)

Project Team Proposed Solution

Identification of key issue(s) being addressed:

Phase I

- Increasing employee compliance with payment methods policy (G32)
- Eliminating paper checks for regular on-cycle payroll payments
- Providing payment alternative to paper check and ACH payment

Phase II

- Eliminating paper checks for off-cycle payroll payments

Discussion of proposed state:

Phase I

- Update current payment methods policy to strengthen the requirement of employees providing ACH data
- Encourage and empower institutions to enforce updated payment methods policy
- Implement pay card program, to eliminate paper checks for on-cycle payroll payments
- Review existing off-cycle check printing policy and update thresholds/requirements if deemed necessary

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Phase II

- Implement off-cycle pay calendars or develop a modified ACH file creation program, to eliminate paper checks for off-cycle payroll payments
- Review existing ACH-requirement policy and update if deemed necessary

Business justification for recommended proposed decision:

- Cost savings:

Phase 1

- \$28,467.45 savings per year (please see Cost Analysis section below for details)
 - Less pay card implementation/maintenance costs, which remain TBD and dependent on reaching out to a possible vendor

Phase 2

- \$9,111.30 savings per year
 - Less any HRS configuration or development work to allow for off-cycle ACH payment, which remains TBD and dependent on reaching out to a possible vendor
- Timeline to realize cost savings:
 - TBD, as timeline will be dependent on cost of possible pay card vendor
- Other benefits: *[List any intangible benefits]*
 - Avoidance of lost or misplaced paper checks, and easier process for voiding or canceling payment³
 - Increase the security and reliability of distributing wages to employees and avoid costs for reissuing lost and stolen checks³
 - Fees related to alternate payment methods could possibly be lower than existing fees encountered for check-cashing services
 - Pay cards could provide employees the ability to make purchases or pay bills by phone, online, or mail wherever Visa debit cards (e.g., the payroll debit cards) are accepted³

Implementation challenges of the proposed decision:

- There could be push-back from institutions and employees on increasing the off-cycle check dollar thresholds
- Certain employee groups may not be receptive to alternate payment methods such as paycards
- Institutions may not be receptive to their employees possibly incurring significant fees in order to access their earnings
- The Service Center and institutions would need to come to an agreement on who is responsible for the cost of implementing and maintaining the pay card program
- The two identified HRS system changes that could enable ACH to be used for off-cycle checks both have significant disadvantages/costs:
 - Modifying the Direct Deposit Create File Process would require design effort and a significant amount of testing, as it is a core delivered PeopleSoft process
 - Configuring new off-cycle pay calendars for off-cycle ACH processing directly conflicts with the Reducing Pay Calendars Roadmap policy that is also being evaluated at this time; additionally, the frequency and number of off-cycle pay runs between the on-cycle payrolls would need to be re-evaluated

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If approved, when will the decision be implemented and how many staff will be affected:

- The policy and pay card program could be implemented as soon as the required approval is received from the governance committees
- The policy and business process would affect all HR staff with responsibilities relating to new hire orientation, all new hires, and all current employees without ACH data in HRS

If the decision is not approved, the ramifications are:

- The Service Center will continue to print paper checks and utilize payroll resources that could be devoted to other operational and customer support tasks

³Debunking Myths About Payroll Debit Cards <http://www.littler.com/publication-press/publication/debunking-myths-about-payroll-debit-cards>

Cost Analysis of the Proposed Solution

High-Level Effort Savings Estimates

Phase I

- Proposed solution would move on-cycle employee payments from paper checks (approximate cost of \$2.00 per transaction) to ACH (approximate cost of \$0.35 per transaction) or pay cards. Applying this to the paper checks processed in fiscal year 2013 would result in:
 - On-cycle: $(\$2.00 - \$0.35) \times 17,253 \text{ checks} = \mathbf{\$28,467.45}$ savings per year

Phase II

- Proposed solution would move off-cycle employee payments from paper checks (approximate cost of \$2.00 per transaction) to ACH (approximate cost of \$0.35 per transaction) or pay cards. Applying this to the paper checks processed in fiscal year 2013 would result in:
 - Off-cycle: $(\$2.00 - \$0.35) \times 5,522 \text{ checks} = \mathbf{\$9,111.30}$ savings per year

High-Level Effort Costs for Implementation

Phase I

- Updates to the current G32 policy or Service Center off-cycle check criteria should not result in any implementation costs outside of the time spent to edit the policies and have them approved.
- If pay cards are implemented as an alternative to paper checks, the administrative costs are yet to be determined, as they would be dependent on vendor choice and possible proposed State of Wisconsin pay card program.

Phase II

- In order to eliminate the 5,522 off-cycle paper checks per year, the SC will have to implement significant changes in terms of configuration and/or system modifications. If this is deemed necessary, the cost of implementing these changes in HRS will have to be determined during the implementation of Phase II of the project.

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Impact of the Proposed Solution

Business impacts from proposed solution:

Operations:

- HR staff must review earnings payment options with new employees and complete necessary paperwork during the orientation process
- Service Center staff print paper paychecks only for extenuating circumstances if policy or thresholds are updated
- A movement to ACH usage for off-cycle checks would most likely require an evaluation and possible updates to the current frequency and number of off-cycle pay runs performed between on-cycle payrolls

Organization (internal):

- Paper checks will no longer be printed and mailed to institutions and employees
- The Service Center must communicate and impose any updates to the current off-cycle check thresholds, and in turn, institutions must communicate them to employees

Organization (external):

- Stakeholders must select an alternate payment method and create/maintain a business relationship with the payment-administering company

HRS/SFS/Other system functionality:

HRS

- In general terms a reduction in paper check printing would not have a technical impact
- A new file or transfer process may need to be created, or a current one updated to accommodate alternate payment methods
- Modifications to the Direct Deposit Create File Process (DDP001) or new off-cycle pay calendar configuration are options to address off-cycle paper checks

SFS

- Updates to vendor configuration would be necessary if a selected alternate payment vendor was not a current UW vendor, along with any necessary account code updates

Readiness Assessment

Business readiness assessment:

- Both the Service Center and UWSA have agreed to review each of their outstanding paper check and ACH-related policies and to formulate possible updates to reduce paper check printing
- Both the Service Center and UWSA are willing to examine alternate payment options to determine whether one may be feasible from both an implementation and change management perspective

Technical readiness assessment:

- Technical representatives from the Service Center should be consulted or included in vetting the decision/recommendation for Phase II ACH file modifications, as the technical implications of this option has not been fully explored

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Proposed Solution Implementation Strategies

1. Project Implementation Approach and Timeline:

In outline format, explain step-by-step approach to implement the project including high level project plan and time-line]

Discovery: Phase I

- a. Complete Detailed Paper Check Analysis **(July – August 2013)**
Huron – Kevin Sippl
- b. Draft Project Charter Document **(August 2013)**
Huron – Kevin Sippl
- c. Evaluate Detailed Paper Check Analysis **(August 2013)**
UWSA – Jason Beier, Diane Lund; UW-Oshkosh – Tim Danielson; UWSC – Colleen Kerl; Huron – Kevin Sippl
- d. Identify Paper Check Alternatives **(August – September 2013)**
UWSA – Jason Beier, Diane Lund; UW-Oshkosh – Tim Danielson; UWSC – Colleen Kerl; Huron – Kevin Sippl
- e. Complete Evaluation and Make Solution Proposal **(September 2013)**
UWSA – Jason Beier, Diane Lund; UW-Oshkosh – Tim Danielson; UWSC – Colleen Kerl; Huron – Kevin Sippl
- f. Present Proposal to HR Directors **(October 2013)**
UWSA – Jason Beier; UW-Oshkosh – Tim Danielson
- g. Present Proposal to Service Center Steering Committee **(October 2013)**
UWSA – Jason Beier
- h. Present Proposal to Service Center Executive Committee **(October 2013)**
UWSA – Jason Beier

Implementation: Phase I

- i. Update Paper Check and ACH Policies to Reduce Paper Checks **(2-3 months)**
- j. Engage Third Party Solution to Reduce Paper Checks (if necessary) **(TBD)**
- k. Change Management **(2-3 months)**
- l. Support **(1-2 months)**

Discovery: Phase II

- m. HRS Calendar Configuration or ACH File Development to Eliminate Off-Cycle Paper Checks (if necessary) **(TBD)**

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Implementation: Phase II

- n. HRS Calendar Configuration or ACH File Development to Eliminate Off-Cycle Paper Check (if necessary) **(TBD)**

2. Communication Strategies:

- a. Gather policy suggestions and input from institutional payroll SMEs via institutional HR Directors
- b. Present draft policy proposal to UWSC Steering and Executive Committees for buy-in and approval
- c. Present policy and paper check alternative to institutional payroll staff via UWSA/UWSC Wisline
- d. Request HR Directors to review policy and paper check alternative with their staff and communicate any identified gaps or questions back to the Service Center and UWSA

3. Training Strategies:

- a. Present policy and paper check alternative to institutional payroll staff via HR Directors meeting, and possibly via UWSA/UWSC Wisline if necessary
- b. Hold UW System-wide training or web conference outlining the policy changes and expectations for enforcing it
- c. Develop a knowledge base (KB) document or job aid outlining the process for employees to select their earnings payment method
- d. Educate employees on earnings payment alternatives as part of orientation process

4. Outstanding Issues:

- a. Off-cycle paychecks continue to require to be paper unless further HRS development is performed or configuration added
- b. Certain employee groups may not be receptive to alternate payment methods such as pay cards

Measuring Success

- 1. Existing paper check and ACH-related policies are updated and better enforced at both the Service Center and the institutions
- 2. An alternate method for payment of earnings is utilized by a majority of non-bankable employees
- 3. Paper check printing is reduced to the point of near-eliminated

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Appendix: Additional Breakdowns of ACH Usage

Non-ACH Employee Analysis by Institution and G32 Policy Applicability as of April 1st, 2013

INSTITUTION	G32 EXEMPT	SUBJECT TO G32	TOTAL
UWCOL	11	74	85
UWEAU	3	69	72
UWEXT	4	37	41
UWGBY	0	21	21
UWLAC	3	20	23
UWMIL	14	204	218
UWMSN	376	960	1,336
UWOSH	0	71	71
UWPKS	1	31	32
UWPLT	4	26	30
UWRVF	3	31	34
UWSTO	4	72	76
UWSTP	11	95	106
UWSUP	3	26	29
UWWTW	2	28	30
TOTAL	439	1,765	2,204

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Non-ACH Employee Analysis by Institution and Bargaining Unit as of April 1st, 2013

INSTITUTION	02 - WSEU Administrative Support	03 - WSEU Blue Collar and Non-Build	05 - Security and Public Safety	06 - WSEU Technical	TOTAL
UWCOL	2	1	0	2	5
UWEAU	0	5	0	0	5
UWEXT	6	5	0	1	12
UWGBY	0	0	0	0	0
UWLAC	0	2	0	0	2
UWMIL	3	21	1	7	32
UWMSN	17	84	0	26	127
UWOSH	0	0	0	0	0
UWPKS	1	5	0	1	7
UWPLT	0	0	0	0	0
UWRVF	0	1	0	1	2
UWSTO	1	2	0	2	5
UWSTP	1	6	0	3	10
UWSUP	1	7	0	0	8
UWWTW	0	1	0	0	1
TOTAL	32	140	1	43	216

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Employee ACH Breakdown by Institution as of April 1st, 2013

BUSINESS UNIT	CURRENT NON-ACH EMPLOYEES	CURRENT TOTAL EMPLOYEES	CURRENT PERCENT NON-ACH
UWMSN	1,336	35,073	3.81%
UWMIL	218	9,019	2.42%
UWSTP	106	3,494	3.03%
UWCOL	86	2,378	3.62%
UWSTO	76	3,209	2.37%
UWEAU	71	3,719	1.91%
UWOSH	70	3,626	1.93%
UWEXT	41	1,567	2.62%
UWWTW	34	3,128	1.09%
UWRVF	33	1,954	1.69%
UWPKS	31	1,111	2.79%
UWPLT	30	2,852	1.05%
UWSUP	29	979	2.96%
UWLAC	23	2,945	0.78%
UWGBY	21	1,594	1.32%
UWSYS	0	106	0.00%
UWADM	0	110	0.00%
Total	2,205	76,864	2.87%

Employee ACH Breakdown by Pay Basis as of April 1st, 2013

PAY BASIS	CURRENT NON-ACH EMPLOYEES	CURRENT TOTAL EMPLOYEES	CURRENT PERCENT NON-ACH
No Pay Basis	5,548	6,202	89.46%
Lump	1,077	5,331	20.20%
Hourly	920	40,173	2.29%
Academic	110	14,329	0.77%
Annual	98	17,031	0.58%
Summer Session	0	0	-
Summer Service	0	0	-
Total *No Pay Basis not included	2,205	76,864	2.87%

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Employee ACH Breakdown by Employee Class as of April 1st, 2013

EMPLOYEE CLASS	CURRENT NON-ACH EMPLOYEES	CURRENT TOTAL EMPLOYEES	CURRENT PERCENT NON-ACH
Student Help (SH)	774	28,786	2.69%
Zero Dollar Conc/Teach Supv (OT2)	657	949	69.23%
Academic Staff (AS)	291	15,693	1.85%
Classified Permanent (CP)	138	9,632	1.43%
Classified LTE (CL)	126	3,087	4.08%
Ad Hoc Prg Spec/Corr Tutor (OT1)	90	565	15.93%
PA/Grad Asst (SA5)	42	1,902	2.21%
Teaching Assistant (SA3)	22	2,848	0.77%
Faculty (FA)	19	6,299	0.30%
Research Assoc (ET1)	15	762	1.97%
Fellow,Scholar,Trainee,AOF (SA1)	12	1,195	1.00%
Research Assistant (SA2)	8	2,671	0.30%
Classified Project (CJ)	8	636	1.26%
Limited (LI)	3	1,302	0.23%
Misc With Withholding (ET3)	0	319	0.00%
Misc No Withholding (ET2)	0	155	0.00%
Housefellow/Res Asst (SA7)	0	21	0.00%
Undergrad Asst (SA4)	0	17	0.00%
Grad Intern/Trainee (ET4)	0	17	0.00%
OT Pensions (OT3)	0	8	0.00%
Honorary Assoc/Fellow (OT4)	0	0	-
Pre-College Intern (OT6)	0	0	-
Undergraduate Intern (SA6)	0	0	-
Total	2,205	76,864	2.87%