

4 BIG PAYROLL MISSES TO KEEP AN EYE OUT FOR

When we say payroll is complex, it's an understatement. Without compliance and automation, there are so many places where payroll can go wrong.

Here are the 4 most common payroll misses you won't want to ignore.

MISCLASSIFYING EMPLOYEES

Misclassifying employees can be a significant payroll red flag. The Fair Labor Standards Act (FLSA) provides legal protections and benefits, such as overtime pay and minimum wage, to nonexempt employees, while exempt employees are not entitled to these protections. In addition, independent contractors do not receive the same protections as employees.

Organizations that mistakenly misclassify employees as independent contractors or exempt employees may be denying their employees important protections to which they are entitled. Moreover, this misclassification can result in the government losing out on valuable tax dollars. If not addressed, these errors can lead to costly payroll mistakes. That is why it's essential to ensure that your employees are correctly classified to avoid potential legal and financial consequences.



MISCALCULATING PAY

Miscalculating pay can be a significant payroll red flag, as payroll administrators must keep track of various components such as overtime, commissions, deductions, PTO, and more. Calculating overtime wages can be particularly challenging. Federal law requires overtime pay equal to 1.5 times the regular rate for any time worked beyond 40 hours in a workweek. However, different states may have varying overtime regulations, and organizations must comply with the law that is most beneficial to the employee.

Additionally, poor time tracking capabilities can contribute to miscalculated pay, resulting in underpayments or overpayments. Without reliable tracking methods for employee hours or paid time off, the chances of making a payroll error significantly increase. These errors can result in legal and financial consequences, including penalties and employee dissatisfaction, so it's crucial to ensure that payroll calculations are accurate.

MISSING PAYROLL DEADLINES

Missing payroll deadlines can be a significant payroll red flag. The payroll process involves multiple steps, and missing a crucial deadline can easily occur. Employees rely on organizations to deliver payment consistently and on time, and failure to meet these expectations can damage their trust and opinion of the company. On top of that, many states have pay frequency requirements that must be adhered to.

In addition to employee payments, missing payroll tax deadlines can result in significant consequences, such as late deposits, penalties, and legal issues. It is vital to know the timeline for both internal paydays and external tax deadlines to ensure a smooth payroll process.



MISSING RECORDS

Failing to keep complete records can be a significant payroll red flag since these records are necessary to protect your company in the event of an audit and demonstrate compliance with state and federal laws. The FLSA mandates that employers maintain three years' worth of pay records, including information on hours worked, payment rates, payroll dates, and other relevant data. Some states even require organizations to keep records dating back further than three years.

Without up-to-date records, organizations risk making payroll errors, such as miscalculating pay or misclassifying employees. It can also be challenging to resolve employee complaints or disputes, which may lead to legal and financial repercussions. To keep your company in compliance with legal requirements and run payroll efficiently, maintaining complete and accurate payroll records is essential.

Department of Labor (DOL) - Misclassification of Employees

Department of Labor (DOL) - State Payday Requirements

Department of Labor (DOL) - Recordkeeping Requirements for Individuals, Families, or Households Who Employ Domestic Service Workers Under the Fair Labor Standards Act (FLSA)

Department of Labor (DOL) - Overtime Pay

FindLaw - Payday Laws and Your Right to a Timely Paycheck

Department of Labor (DOL) - Recordkeeping Requirements under the Fair Labor Standards Act (FLSA)

Department of Labor (DOL) - Overview of the Regular Rate of Pay Under the Fair Labor Standards Act (FLSA)