Payroll Business Continuity Planning

A City of Calgary Case Study: The Flood
Presented by:

Gilles Champagne, FCPA
Mosaic Advisory Group, Corp.

Brenda Davies, CPM
The City of Calgary
For the next 75 minutes...

• I will introduce you to the concept of Business Continuity Planning

• I will share with you the kinds of gut-wrenching scenarios that need to be considered

• Brenda will then walk us through how The City of Calgary managed to not miss a pay in the midst of the worst flooding in their history

• You can then ask questions
Background

• Canadian organizations are faced with a variety of unexpected business interruptions from “natural” sources:
  – Ice storms
  – SARS in Ontario
  – Devastating fires in Alberta and British Columbia
  – Both droughts and floods in the Prairies
    • Including flooding in and around Calgary in 2013
  – hurricanes in Atlantic Canada
  – possibility of epidemics and pandemics anywhere
Background

• ... and “man-made” sources:
  – major power grid failures in Central Canada
  – terrorist attacks
  – criminal activity
  – aging infrastructure
  – cyber attacks

• Imagine how many organizations had their payrolls impacted by the fires up in Fort McMurray just 6 weeks ago – would you have been able to pay your employees if you had to evacuate in a hurry?
What is our role?

• We run our pays
• We transmit our pays
• We’re done, right?
• Wrong!
• Our role ends when the appropriate funds get into the employee’s hands
• Whether your pay is outsourced or produced internally, it is your responsibility to ensure your organization’s employees get paid!
What is a Business Continuity Planning?

Business Continuity Planning (BCP) is the process which defines alternative operating strategies, tactics and procedures used to ensure the timely and orderly continuation of critical business functions with minimal or no interruption to time-sensitive business operations in the event of a disruption.
Six steps for building the BCP

1) Risk Management
2) Business Impact Analysis
3) Strategy Development
4) Plan Development
5) Plan Testing
   - Because you can’t predict everything
6) Plan Maintenance
Why a Payroll BCP?

• There is arguably no more critical function within an organization than getting its employees paid

• Protecting that repetitive event is critical to the very survival of an organization because not protecting it would be organizational suicide

• The HR, Benefits, Accounting, Finance functions, although important, do not have the urgency and time sensitivity that Payroll does in a crisis
External Issues/Risks

- Loss of public infrastructure
- Travel restrictions
- Social disruptions
- Health and safety
Internal Issues/Risks

• Dependence on technology
• Security
• Absenteeism
• Loss of corporate infrastructure – i.e. facilities
• Reduced levels of service
• Ability/inability to work from home
• Communication breakdown
Payroll Best Practices
Payroll Continuity Guidelines

In 2007, the Canadian Payroll Association recognized how critical it was to ensure there was continuity planning and execution in Payroll. A Task Force was mandated to develop a series of guidelines that would assist all Payroll Professionals in their quest to build a solid, personalized Payroll Business Continuity Plan.
The Task Force’s Approach

- Executed an environmental scan which indicated many organizations were planning for a possible pandemic but few had a Payroll Business Continuity Plan.
- Requested payroll continuity plans from 30 organizations, ultimately reviewed 6 plans.
- Our objective: manage payroll effectively in a crisis.
- Identified common elements of 6 Payroll BCP’s as best practice.
- Developed common elements into 11 guidelines.
Authorization and Support of Senior Management and Key Stakeholders

• If initiated by senior management
  – explicitly authorized when finalized

• If initiated by Payroll
  – both plan development and final plan need explicit authorization from senior management

• Support of key stakeholders
  – IT, Finance, HR, Labour Unions, etc.
Benefits of a Payroll Business Continuity Plan

• Ensures organizational stability
• Protects the organization
• Minimizes disruptions to operations where possible
• Builds cross functional knowledge
• Plans for service continuance
• Enables prompt and relevant decision making
• Defines the recovery process
Documentation

• Fully document entire payroll and benefit processes, inputs and outputs
• Documentation must be maintained and revised when any thing changes
  – at least quarterly
  – both: paper and electronic
Documentation

• Appropriate writing style
  – bullets, charts, and tables easier to follow
  – checklists provide clear directions

• Location and access to Payroll Business Continuity Plan provided to all stakeholders
What do I document?

- The payroll “cycle”
- Time collection and management processes
- Job data collection and approvals
- Remittance schedules and processes
- As many appropriate “scenarios” as feasible
- Typical actions to take, typical tasks to suspend
- Assume the audience knows little about Payroll
What do I document?

- Time Capture process, if needed
- Direct Deposit (and Cheque?) Processes
- Relevant Reports
- General Ledger activities
- Third party payments
  - What do you remit, what do you hold back
  - When and how do you remit
How do I document?

• Create work flow charts
• List all of your processes end to end
• Gather a list of critical contacts
  – Both internal and external – both are stakeholders
• Utilize any current documentation
  – internal or external audit reports are a great start
How do I document?

• Include screen shots for clarity
• Keep your documentation consistent in structure and language
• Keep your end user in mind
  – Don’t assume they know the intricacies of your Payroll processes
Scope & Objectives

• Plan must respond to your remuneration policies in a timely prioritized manner
  – Although those policies may be altered in a crisis

• Objective defined, such as
  – “Close approximation of net pay or FTE hours”

• Consider full or partial business interruptions of all processes for varied time periods
  – Plan for minimum of 4 days, 2 weeks, 2 months
Scope & Objectives

• Payroll professionals should embrace implementing a continuity plan for career enhancement
• Understand and state the “hand off points” to other areas of the organization
• Loss of information, facilities, even people
  – Work through all of the scenarios
• Keep it simple but relevant
• Keep it compliant
  – A crisis is not the time to abandon everything you work for
Roles and Responsibilities

- Ensure senior management has authorized implementation based on defined triggers
- Roles and responsibilities must clearly define who does what, in which order, where and how
- Payroll staff defined as “critical” employees and part of Emergency Response Team
- Identify who your “Benevolent Dictator” will be
  - Because 1 person must have overall control
  - And everyone needs to know it!!
Non-Payroll Roles

- IT Support staff
- Business Analysts support
- Operational staff such as Human Resources
- Vendors
- Third party dependencies
- Facilities support
Service Performance Assessment

• Document internal and external service relationships
• Identify all information required to generate payroll
• Clearly define payroll dependencies and interdependencies
• Have an emergency tool kit available outside workplace
Your “Emergency Toolkit”

- Contact Tree – always close by!
- Keep hard and soft copy of the plan at your home
- Document and store all system access codes and passwords
- Document special security and confidentiality procedures
- Keep a “living” list of contacts at your payroll vendors and their contact information
Define Service Priorities

• Define and document priority levels for all payroll and benefits services in advance
  ① Business Critical
  ② Business Necessary
  ③ Business Desirable
  Θ Unnecessary

• Let’s talk about how this unfolds, because it’s typically difficult
Define Service Priorities

• Have your service priorities approved by the appropriate levels of management

• Communicate your crisis service priority list to all key stakeholders as part of your regular plan maintenance

• Craft your communication messages on your “crisis” service level and release as soon as crisis is declared
Establish a Communications Plan

• Inform Payroll staff what they must do
• Inform employees what they can expect
• Activate “call tree” for communicating the plan’s status to key stakeholders
• Ensure an up-to-date contact list is in place
  – This is crucial because communication in a time of crisis is one of the most important Payroll activities; employees and stakeholders must know what to expect, and it will prevent Payroll from being flooded with inquiries
Test and Continuously Improve

• Perform a “tabletop test” of your plan and its assumptions semi-annually
• Test all partial and complete business interruption scenarios annually
• Test using sample data
• Test from remote site (if that is part of your plan)
• Test with back-up personnel
• Test with key personnel missing
• Review and update documentation at least monthly
Develop Backup Resources and Delegation Process

- Train back-up staff in other departments or cross-train payroll staff (as applicable)
- Identify back-up and delegation processes
- Negotiate increased service levels from external providers
  - payroll service provider (PSP), external accountant
  - If available and permitted(*), plan to use previous payroll as base, whether you’re in-house or not
- Implement internal services agreements as required
- Verify and test integrity of the back-up resources, data management and overall processes
Organize Plan Resources

• Determine flexibility of pay deposit file
• Confirm ability to produce pay from a remote location
• Test external payroll service providers’ ability to use data from CDs/laptops/flash drives/FTP sites
• Identify remote offsite location(s) – at least one
• Ensure access to systems, security levels, passwords, de-encryption of data under various scenarios
Organize Plan Resources

• Establish secure offsite facility to store tools for remote processing
  – But don’t let them get “stale”

• Establish protocols for delivery of pay statement to home if staff not able to commute
  – If push comes to shove, forget about the pay statement

• Ensure back-ups are done, at least on a pay period basis, to assure integrity
Planning Your Recovery

• Important but often overlooked or underestimated
• When the crisis is declared over, you need...
• Strategies for returning to “normal” operations
  – If you ran a pay from a backup system, you can’t just turn your old production system back on; you have to pay careful attention to re-integrating what happened in the backup system, because its results are now historical fact
• Debrief all stakeholders
• Update your plan
• Reconstitute your Emergency Kit
Implementing Payroll Continuity
Best Practice Guidelines

• Payroll Professionals need to use the guidelines as a template to develop their organization’s Payroll Continuity Plan
  – Every plan is going to be different, it’s the nature of the beast

• Payroll Continuity Payroll Best Practices Guideline is:
  – available to download to Members under the Compliance Resources section of www.payroll.ca
How did this help The City of Calgary?

• Let’s find out exactly what transpired
• How it impacted the region as a whole
• Facing the reality that Pay Services actually had to use their Payroll BCP
• What worked for them
• What they learned from the whole experience
• Please welcome Brenda Davies, CPM
Questions
PAYROLL BEST PRACTICES™ GUIDELINES

- Setting up a New Payroll In Canada - New
- Mergers and Acquisitions
- Death of an Employee
- Employee or Self-Employed
- Statutory Holidays
- Salary Overpayments
- Social Insurance Number
- New Hire
- Termination
- Canada Pension Plan Changes
- Province of Employment
- Pay Statement
- Payroll Continuity
Thank You for Participating

✓ Please remember to complete your evaluations.