**Introduction**

The IT department completed a preliminary investigation of the payroll system on October 8.This investigation was the result of a systems request submitted by Michael Jeremy. vice president. finance, on September 17.

**Systems Request Summary**

Two problems were mentioned in the request: incorrect deductions from employee paychecks. and excessive payroll department overtime to perform manual processing tasks and make corrections.

**Preliminary Investigation Findings**

1. The human resources department sends a summary of employee stock purchase deductions to the payroll department. It is likely that data errors occur during this process. Although the errors are corrected, we believe that incorrect payroll information adversely affects employee morale.
2. The payroll processing arrangement with Business Information Systems (BIS) requires considerable manual effort BIS does not provide summary reports that SWL needs to venfy and apply credit union and stock purchase deductions. Currently. the payroll department handles these tasks manually at the end of each pay period.
3. Payroll department overtime averages about eight hours per week plus an additional eight hours at the end of the month, when stock purchase deductions are applied.Total annual overtime is about 512 hours.The average hourly base rate for payroll staff is $16.00. with an overtime rate of $24.00 per hour.The additional expense is about $12.288 per year.
4. SWL. developed its current payroll procedures 10 years ago. when the company had only 75 employees. At that time, the only payroll deductions were legally required tax items.Today, the payroll system handles over 450 people and many deduction options that must be verified and applied manually.

**Recommendations**

The current problems will intensify as SWL continues to grow. At this point, it is unclear whether the current system can be modified to handle tasks that are being done manually. Accordingly, the IT department recommends a full analysis of the current system and possible solutions.The project should focus on two main areas: manual processing at SWL and computer - based payroll processing at BIS.

**Time and Cost Estimates**

We can perform a study during a two - week period. In addition to the time spent by IT staff, we will conduct about 20 hours of interviews with people outside the IT department The following is a rough estimate of costs through the systems analysis phase:

**Systems analyst** 2.0 weeks @ $1,400 per week $2,800

**Other SWL staff** 0.5 weeks @ $1000 per week (average) 500

Total: $3,300

If the project conunues beyond the systems analysis phase, total cost will depend on what development strategy is followed. If the current system can be modified. we estimate a total project effort of $20,000 to $30.000 over a four - month period. If modificauon is not feasible, a revised cost estimate will be submitted.

**Expected Benefits**

A sharp reduction in overtime costs and processing errors will avoid unnecessary expense and improve employee morale. During the systems analysis phase, the IT department will investigate various strategies and solutions to address current problems and strengthen SWL's ability to handle payroll - related IT issues in the future.