



# Effective Employee Recordkeeping

## Bridging the Gap With Your Timekeeping System

### Executive Summary

According to the Fair Labor Standards Act (FLSA), employers must maintain accurate records for covered, non-exempt employees that include personal, time and pay-related information. Many organizations with HR, payroll and timekeeping systems already in place, capture this information from these three systems, duplicating information. However, updating employee information or compiling reports on employee data can be challenging when using three discrete systems. Integrating HR and payroll with a timekeeping system offers a better way to bridge the gap.



## FLSA Recordkeeping

The Fair Labor Standards Act (FLSA) contains provisions for minimum wage, overtime pay, recordkeeping and child labor standards for workers employed in the private sector or by federal, state or local governments.<sup>i</sup> Under FLSA recordkeeping standards, employers are required to keep updated personal information on file for FLSA-covered, non-exempt workers, specifically:

- Name
- Social Security number
- Address with zip code
- Birthdate (if under the age of 19)
- Sex and occupation
- Time and day the employee's workweek begins
- Hours worked each day
- Total hours worked per workweek
- How the employee's wages are paid (per hour, week, project, etc.)
- Regular hourly pay rate
- Total daily/weekly straight-time earnings
- Total overtime earnings per workweek
- All additions to or deductions from the employee's wages
- Total wages paid per pay period
- Date of wage payment and pay period covered<sup>ii</sup>

Although FLSA does not stipulate when employee data must be updated, it does dictate that records must be "accurate" in order for an employer to be considered compliant.<sup>iii</sup>

## Getting Personal: Employee Information

Clearly, much of the information FLSA requires is sensitive data that employers must not only maintain and update but also safeguard.

Because FLSA does not demand employers keep this data in a particular form or system,<sup>iv</sup> many employers use their HR, payroll and timekeeping systems to store information relevant for each employee, causing data overlap.

For instance, a typical HR system will be populated with the employee's name, Social Security number (SSN), address, birthdate, sex and occupation. The payroll system will house name, address, SSN, pay period, pay rate, earnings and wage additions/deduction. A timekeeping system will include name, SSN, rate, and more detailed information on an employee's workweek, daily/weekly work hours and overtime hours.



Using these three systems to capture employee data, some employers sit back and consider themselves compliant.

## The Challenge

Problems arise when employers do one of two things:

- Update employee information, or
- Report on FLSA-related information in the instance of a lawsuit or FLSA audit.

Although many employers hope to avoid the latter, FLSA provisions will not allow them to ignore the former. Let's look at each activity separately.

## Maintaining Accurate Records

“Accurate” recordkeeping may mean an employer updates employee information annually, semi-annually, quarterly, or as necessary, to remain FLSA-compliant. However, updating this information when it is separated—and duplicated—among three different systems can be a headache.

If an employee legally changes his or her name, the change needs to be made in all three systems. A change of address will affect two of the three. Job, department or title change, and work schedule changes are also common information that may require regular updating—in three discrete databases.

## FLSA-Related Reporting

If, in the event of a lawsuit or compliance audit, an employer needs to provide employee data records detailing all the information FLSA requires, employers will find it a hefty task.

In most cases, an employer will need to run three different reports from three different systems, potentially compiling the information by hand and running the risk of introducing human error into the equation.

What's the better solution?

## The Secret of System Integration

The best way to manage and report employee records accurately is by integrating HR, payroll and timekeeping systems.

Chances are, one system already “talks” to another. Typically, timekeeping and payroll systems are designed to work together. And in some cases, an HR system may be linked to payroll. But integrating all three is less common—even if it means more manageable recordkeeping and reporting in the long run.

The secret to bringing all three systems together? Timekeeping.



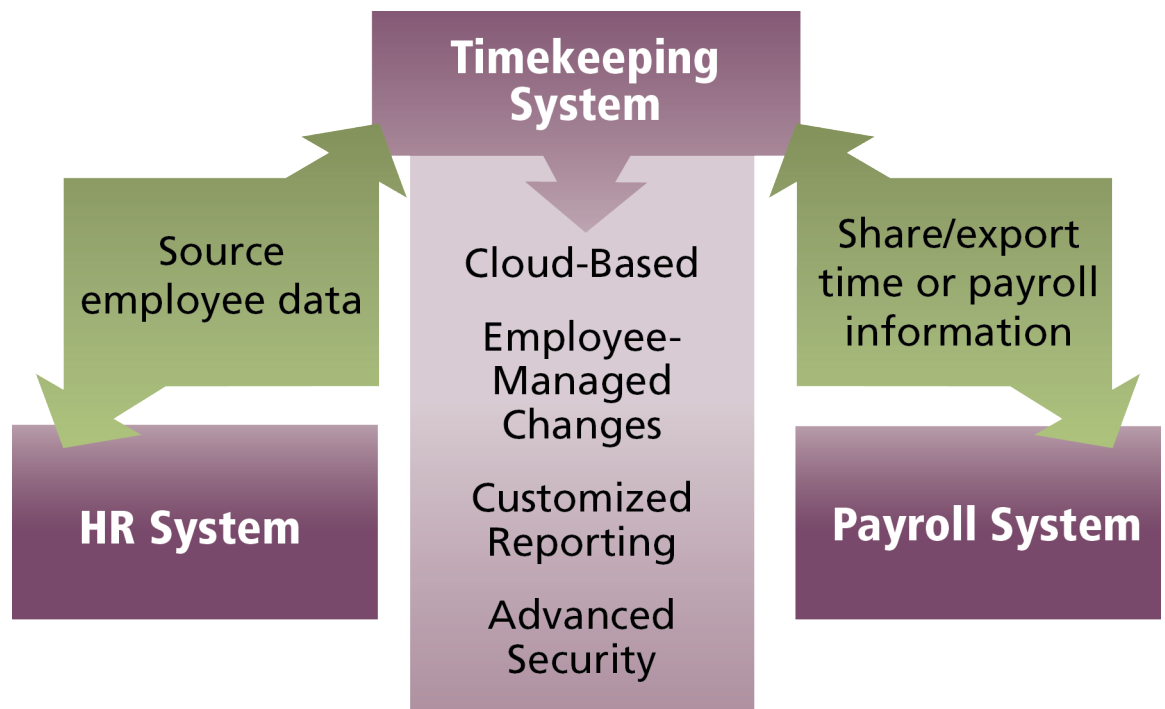
A timekeeping system that integrates with existing HR and payroll systems helps to bridge the gap so that updated employee information can be shared.

### HR Integration

A timekeeping system that integrates with the HR system will source employee information directly from or to the HR database. By sourcing data from the HR system, the timekeeping system is automatically populated with the most up-to-date HR information such as new hires, vacation and sick time balances, and pay rates.

### Payroll Integration

If an organization's payroll and timekeeping systems don't already function hand-in-hand, the organization is missing an opportunity for increased productivity. The right timekeeping system will either provide a data export file or offer Web Services integration so that time and attendance information is shared securely among systems.



## Finding the Right Fit: Choosing a Timekeeping System

A timekeeping system can be a major component in integrating administrative systems and managing employee data accurately and securely. If an organization is looking for a timekeeping system to bridge the gap between HR and payroll, what characteristics should they look for?

**Cloud-Based.** A Web- or Cloud-based timekeeping system offers significant advantages. First, multiple departments or mobile employees are not tied to a local network in order to access or share information from the system. This is helpful if departments or workers are located in different geographic locations. Second, no IT support or maintenance is required, placing no additional responsibilities on an organization's IT staff. Third, security upgrades, data protection and regular backups safeguard data better than many in-house systems.

**Employee-Managed Changes.** Ideally, the right timekeeping system will give employees a personalized account accessible by Internet browser, stand-alone kiosk, or even a mobile device. This way, employees can make changes directly within the system, and access both time and benefit information, such as work schedule, hours worked and paid time-off balances.

**Customized Reporting.** Reporting is a crucial feature, but some packaged report templates don't provide the information needed. Customized reporting allows supervisors and managers to group report information in a useful way, make the report available to other users, refresh a report with up-to-date information and limit access to private or highly secure information.

**Advanced Security.** When dealing with personal data, security is critically important. A timekeeping system must have advanced security features such as highly secure hosting environments, advanced firewall technology, continuous data backups and the latest security safeguards and data encryption.

## Bridging the Gap with Your Timekeeping System

Because of the specific records FLSA requires employers to maintain, it comes as no surprise that many organizations rely on their HR, payroll and timekeeping systems to keep them compliant. However, if the systems cannot "talk" to each other, updating and reporting information can be challenging.

Using a timekeeping system can be a simple way to bridge the gap between HR and payroll. The right timekeeping system allows an organization to share up-to-date data among administrative systems. A Cloud-based solution that offers increased flexibility, allows employees to initiate changes to their own information, offers customized reporting and features advanced security helps ensure an organization is staying compliant with FLSA rules.



This document simplifies a complex Act as it is understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about FLSA compliance, please contact the U.S. Department of Labor at [www.dol.gov](http://www.dol.gov) or 1-866-4-USWAGE

- i U.S. Department of Labor: Wage and Hour Division. “The Fair Labor Standards Act (FLSA).” Accessed 19 Aug 2011. <<http://www.dol.gov/compliance/laws/comp-flsa.htm>>.
- ii Ibid.
- iii U.S. Department of Labor: Wage and Hour Division. “Fact Sheet #21: Recordkeeping Requirements under the Fair Labor Standards Act (FLSA).” Accessed 19 Aug 2011. <<http://www.dol.gov/whd/regs/compliance/whdfs21.htm>>.
- iv Ibid.

### About Attendance on Demand, Inc.

Attendance on Demand employee time and attendance service supports the labor management needs of thousands of companies and a quarter of a million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company’s risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating record keeping for labor law compliance. With over 99.9962% uptime and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

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