ADP Advisor®

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Department of Labor placing new emphasis on wage and hour enforcement

"Make no mistake, the DOL is back in the enforcement business," said U.S. Secretary of Labor Hilda Solis at the June 2009 conference of the American Society of Safety Engineers. In keeping with that commitment, the federal government's proposed budget for 2011 includes $244 million for the Department of Labor's Wage and Hour Division. The DOL is expected to add 350 new investigators and is making wage and hour violations a top priority.

"Of nearly 3,000 class/collective action lawsuits filed in federal or state court through August of 2010, approximately 89% were wage- and hour-related complaints," said Josh Kirkpatrick, an attorney who represents employers in areas of employment and labor law. Speaking on an ADP webcast last May, he noted that the DOL estimates that 70% of employers are out of compliance with the Fair Labor Standards Act.

> "The DOL is expected to add 350 new investigators and is making wage and hour violations a top priority."

What should you watch out for?

"Apply pay policies and rounding rules fairly and consistently," Mr. Kirkpatrick warned. "At least 15 cases alleging improper rounding were filed in federal district courts over the past two and a half years." In particular, the DOL and plaintiff-side employment attorneys look for companies that always round down, but never up.

In addition, make sure your timekeeping system accurately captures hours for remote workers. Mr. Kirkpatrick cited a $15 million settlement by a large retailer for failing to properly pay employees who began their workday at home by checking their computers.

Prohibit off-the-clock work

Citing a $53.3 million dollar settlement by a large supermarket chain, Mr. Kirkpatrick advised employers to prohibit managers from requesting or requiring off-the-clock work, or even suggesting that it is acceptable. Employers should:

- Require employees to accurately record all work hours and submit completed time records that they certify as accurate in a timely manner.
- Require managers to review time records and immediately identify inaccuracies.
- Require managers to report all suspected off-the-clock work so that it can be investigated and corrected.
- Prohibit employees from reporting to stations before start time.
- Discipline employees for not properly clocking in and out.
- In the event of a wage and hour audit, be ready to provide accurate, indisputable records of hours worked.

"Automating your time and attendance can be one of the easiest ways to improve your ability to comply with wage and hour regulations," says Lisa Lane, VP, ADP Time and Labor Management Services. "The software is specifically designed to enforce your policies, flag failures to comply, and manage these complexities."

continued on page 3

Free Offer

Nine Ways to Improve Your Return on Compensation Investments

See page 4

Help the *ADP Advisor* go green!

Did you know that the *ADP Advisor* is available in electronic form? ■

To receive future issues via email, go to www.ADP.com and search "Advisor." Enter your email address in the "subscribe" window.

The email version of the ADP Advisor *arrives as a concise summary with clickable links to each article.*

ADP is helping clients to save significant sums on workers who qualify for the HIRE Act

The HIRE Act eliminates the 6.2% Employer Social Security Tax for eligible new hires, generating immediate savings that can improve your bottom line. You can save significantly on each qualifying employee, whether you hire hundreds of new workers, or just one.

For companies that do not want to be burdened with the administrative and compliance requirements of the HIRE Act, ADP offers an outsourced solution through its Tax Credit Services (TCS) division. This offering includes:

- **Pre-Selection** – ADP screens new hires to identify eligible employees.
- **Report Eligibility** – ADP provides daily reports of employees who are eligible.
- **Employee Affidavits** – ADP offers convenient options for new hires to complete the certification by affidavit process.
- **Compliance Support** – ADP runs regular compliance reports to help ensure eligible new hires have completed the affidavit process.
- **Documentation and Audit Support** – ADP houses and maintains all employee certification documentation and assists you in responding to related audits.
- **Tax Credit Administration** – ADP notifies you of the availability of the $1,000 per qualified employee new-hire income tax credit after the eligible employee completes 52 weeks of employment. ■

For more information, call 888-5-ADP-SAVE (888-523-7728) or visit www.ADP.com/jobtaxcredit. Or check item #42 on your Reader Service Form.

HELPFUL HINTS FOR 401(k) PLAN ADMINISTRATORS

Increasing participation among younger employees

One key to saving successfully for retirement is to start early and let compounding do the work for you. But young worker participation in 401(k) plans tends to be low. Retirement seems ages away to Generation Y employees, who are often preoccupied with making rent, insurance, and student loan payments. If they're saving at all, it's often for a car or home. They may also worry that they'll be unable to take their retirement savings if they switch jobs.

The solution is employee education. Acknowledge the concerns of younger employees and explain how even modest contributions can add up. Explain also that 401(k) savings are portable and can be transferred to your next employer's plan, or to an individual retirement account, and that most plans allow you to borrow money against your retirement savings.

For information on ADP Retirement Services offerings, check item #13 on the Reader Service Form; call 1 800 432-401k, Promo Code 454; or visit www.ADP.com.

Start preparing now for year-end 2010

The end of the 2010 tax year is approaching. Here are some important steps you should take to close out the current year and prepare for the next:

- ❑ Review your current 2010 payroll schedule and note your scheduled final payroll for this year. Your payroll file will be closed within 72 hours of processing this payroll. If you need to add another payroll to 2010, or will not be running your currently scheduled final payroll, contact the ADP Client Service Department immediately.
- ❑ You will receive an ADP 2011 Payroll Schedule and Payroll Calendar. Verify that next year's pay dates, period ending dates, and quarter closing dates are as you intended.
- ❑ Verify that next year's management reports are scheduled for the correct weeks and allow for any bonus or adjustment payrolls.
- ❑ Verify that the month-end dates are accurate on the In Line Monthly Summary schedule.
- ❑ Verify special accumulators and clearings on the Master Control and set up any new accumulators for 2011.
- ❑ Review ADP's Quarterly Tax Verification letter, Client Files Reporting System letter, and Year-End Client Booklets to verify the accuracy of your company's information.
- ❑ Request the Interim Wage and Tax Register and review the employee data, the State/SUI Credit report for employees who have a "quarter" credit condition, and the SIT Credit report for employees who have a "year-end" credit condition.
- ❑ Enter and verify special compensation options, such as group term life, third-party sick pay, long-term disability, taxable fringe benefits, deferred compensation, and qualified pension.
- ❑ Contact ADP to schedule bonus and adjustment payrolls.
- ❑ Make sure you have the necessary supplies to wrap up 2010 and begin 2011, including blank checks, payroll forms, blank W-2s, and employee calendar cards.
- ❑ Contact an ADP Client Support Specialist and request your Preview W-2s. Check them for correct pension coding, missing third-party sick pay postings, and other possible errors. ■

Visit www.complianceconnection.ADP.com for step-by-step guidance on what you should do before your last payroll of the calendar year – and what you should do after your last payroll, but BEFORE the first payroll of the new calendar year.

APA CORNER

FSA coverage for OTC drugs ends January 1, 2011

Also applies to 2½-month grace period for the 2010 FSA year

Effective January 1, 2011, the cost of over-the-counter (OTC) medications will no longer be payable through a Flexible Spending Account (FSA), unless the medication was prescribed by a doctor.

This change affects employees who set aside FSA funds for such OTC medications as Sudafed, Claritin, Prilosec, or Zyrtec. Insulin is exempt, but the change also applies to OTC drugs purchased with leftover funds from a 2010 calendar year FSA during its 2½-month grace period in 2011. There are two work-arounds you can recommend:

1. Advise employees with remaining FSA funds for 2010 to stock up on OTC medicines before January 1, 2011.
2. For purchases after December 31, many doctors will write a prescription for OTC drugs. Although it is an extra step that could require a doctor's visit — a possible additional expense — it may still be worth the time and effort.

Advise employees to keep this change in mind when making their 2011 FSA elections. They can still be reimbursed for OTC drugs, but they'll have to submit documentation of a doctor's prescription. ■

For more on this issue, and a link to the APA's webinar, "Health Care Reform Is Changing the Rules on FSAs: Make Sure Your Cafeteria Plan Is Ready for 2011," visit www.americanpayroll.org/newFSArules.

U.S. Treasury discontinuing paper savings bonds through payroll deductions

Seeking to minimize the administrative cost and environmental impact of paper-based transactions, the U.S. Department of the Treasury is phasing out its issuance of paper savings bonds through employer-sponsored payroll savings plans.

Employees are encouraged to continue their purchases of U.S. Savings Bonds. But they will manage them through TreasuryDirect®, a secure Web-based system that lets investors buy and hold electronic savings bonds.

The paper payroll program ended for federal employees on September 30, 2010 and will end for non-federal employees on January 1, 2011. Only paper bonds issued through payroll savings plans are affected. Paper bonds will remain available through over-the-counter sales at financial institutions.

According to the Treasury, transitioning employees to electronic payroll purchases will save the Treasury and employers nearly $50 million over the first five years. ■

You can find a link to "FAQs About the Elimination of Paper Payroll Savings Bonds" at www.TreasuryDirect.gov.

Just a click away at www.ADP.com

ADP.com enhancements make information easier to find

"We are constantly looking for ways to make it easier to find information," says David Means, Senior Director of Internet Marketing at ADP. To that end, ADP.com enhanced its "Products & Solutions" page this past October:

- A "Timely Topics" grid across the top showcases issues that may be of current concern (e.g., year-end processing in the fall, W-2 forms in December).
- Below that, a "Quick Links" section takes visitors directly to topics that, based on current site usage, they most commonly seek.
- Finally, a scrollable list of products and solutions lets you browse the complete list of ADP's offerings.

Timely topics and frequently visited pages are now easier to spot. A scrollable list lets you browse ADP's complete set of offerings.

Similar enhancements have also been made to ADP.com's frequently visited "Tools & Resources" page. ■

Visit www.ADP.com and click on "Products and Solutions" or "Tools & Resources."

Special offer to ADP clients on solution from recently acquired talent management company

This past August, ADP announced its acquisition of Workscape, Inc., a premier provider of integrated benefits and talent management solutions and services. Workscape's Total Rewards approach has consistently helped organizations to achieve the highest return on one of their largest workforce expenditures: employee compensation.

Tim Clifford, co-founder, President and CEO of Workscape commented, "Since our founding in 1999, Workscape's track record of boosting employee satisfaction, controlling HR costs, and driving higher performance across enterprises has enabled us to achieve strong growth while earning the trust of our valued customers."

Through December 31st, ADP clients with more than 1,000 employees can add Workscape's Compensation Planner application to their ADP HR solution with no start-up cost. ■

This offer expires 12/31/2010. Contact your ADP Representative for more information.

Check #1 on your Reader Service Form for our FREE offer: *Nine Ways to Improve Your Return on Compensation Investments.*

Wage and hour enforcement *continued from page 1*

Protect the exempt status of first-level managers

"A continuing trend is for the DOL and plaintiff-side employment lawyers to challenge the exempt status of first-level managers and assistant managers," Mr. Kirkpatrick warned. "This often happens in retail environments as well as small departments where it may be unclear if a manager supervises two or more full-time employees." If these workers perform tasks such as unloading, sorting, cleaning, customer service, or stocking shelves, they often take the position that they should have been classified as hourly workers who are not exempt from FLSA's overtime requirements. Mr. Kirkpatrick advised employers to:

- Limit nonexempt work by exempt managers where possible.
- Ensure that exempt managers supervise two or more full-time employees.
- Give exempt managers discretion to hire and discipline employees. ■

Your ADP Representative can assess your current time and labor management practices and recommend an appropriate automated solution. Check item #45 on your Reader Service Form, or to view an archived version of the webinar, visit www.ADP.com/wageandhours.

ADP Advisor® READER SERVICE FORM

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Name	Title	Company	
Email Address	Phone		
Street Address	City	State	Zip
ADP Client Code	No. of employees at this location	No. of employees in your company	

FREE from ADP!

1 ☐ *Nine Ways to Improve Your Return on Compensation Investments* — how to maximize the return on your greatest business expenses.

To receive more information, simply check your area(s) of interest below:

Human Resources

2 ☐ ADP Workforce Now™ Comprehensive HR — robust HR, payroll, and benefits solutions, plus guidance and support from professionals in each specialty
3 ☐ ADP's Pre-Employment Services — quick, cost-effective background checks
4 ☐ HR/Profile® — a cost-effective solution for basic HR recordkeeping
5 ☐ HR Perspective® — full-featured HR information system that integrates with ADP PC/Payroll
6 ☐ Enterprise HR® — combines HR and payroll data with powerful Web-based functionality to enable employee and manager self-service in large corporations
7 ☐ ADP Connection® — integrates ERP HR management systems with ADP solutions

Benefits Administration Services

8 ☐ Benefits Services — a full range of outsourced benefits administration solutions
9 ☐ COBRA Services — ADP provides administrative services in connection with continued health coverage for terminated employees
10 ☐ ADP's Flexible Spending Account (FSA) Services — employees use pretax dollars to pay for certain health and daycare expenses
11 ☐ Premium Only Plan — fights rising group insurance costs by letting employees pay their share of premiums on a pretax basis
12 ☐ Section 125 Compliance — ADP handles the reporting for your pretax plan
13 ☐ ADP Payroll®-integrated 401(k) Plans — we make it easy to offer this popular benefit
14 ☐ Executive Deferred Compensation Services — ADP administers your non-qualified executive retirement program

Payroll Management

15 ☐ ADP Workforce Now™ — ADP's Internet payroll service lets you access payroll processing from anywhere, anytime, for companies with 50–999 employees
16 ☐ ADP's PayForce® — a flexible, Internet-based payroll software solution for corporations with 1,000 or more employees
17 ☐ ADP PC/Payroll — prepare payroll data on your own PC
18 ☐ iPayStatements — employees can update their own W-4 information, view and print their own copies of pay statements and W-2 forms
19 ☐ ADP Incentive Compensation Management — lets sales reps and finance professionals view sales performance data, forecast commission-based pay, and view details of commissionable events
20 ☐ Automatic check insertion into window envelopes
21 ☐ Automatic laser check signing
22 ☐ Customized management reports — ADP generates reports based on your payroll data

Business Process Outsourcing

23 ☐ TotalSource — outsource employment administration to a Professional Employer Organization (PEO)
24 ☐ ADP Resource® — outsource HR administration without the co-employment relationship of a PEO
25 ☐ Comprehensive Outsourcing Services — our BPO solution for larger employers
26 ☐ GlobalView® — provides payroll, HR management, and self-service solutions for multinational organizations

Payroll Payment Solutions

27 ☐ Full Service Direct Deposit (FSDD) — payroll wages electronically deposited into employees' bank accounts
28 ☐ TotalPay® Card — this paperless solution electronically loads payroll funds onto employees' debit cards, which can be used at virtually any location that accepts Visa® debit cards
29 ☐ ADPCheck™ — a secure payroll document for employees who prefer traditional paychecks; you reconcile just one debit per payroll
30 ☐ Direct debit of fees — eliminates the need for manual payment of ADP's fees

Reporting Options

31 ☐ iReports — secure online access and searching of your payroll and tax reports
32 ☐ CheckView — review individual checks or entire pay histories online
33 ☐ DocuMax® — payroll reports, W-2s, earnings records, and wage and tax register delivered on CD-ROM
34 ☐ ReportSmith® for ADP PC/Payroll — custom design reports based on your payroll information
35 ☐ Data Access — custom reports from Masterfile, year-to-date, and payroll data

Print Services

36 ☐ Forms W-2 and 1099 — let ADP print these payroll statements for you
37 ☐ Laser Print Back — ADP processes your payroll, you print checks and statements at your convenience

Tax and Compliance Services

38 ☐ Payroll Tax Filing — helps ensure accurate payroll tax filing and deposits for all federal, state, and local jurisdictions
39 ☐ Unemployment Compensation Management Services — manages your claims process and helps lower State Unemployment Insurance (SUI) costs
40 ☐ Sales and Use Tax Solution — businesses in the United States and around the globe can simplify their tax calculation and compliance with ADP solutions for sales, use, value-added, and other consumption taxes
41 ☐ Pay-by-Pay® Program for Workers' Compensation — improves your cash flow by using actual (not estimated) payroll data to calculate Workers' Compensation insurance premiums
42 ☐ ADP's Tax Credit Services — helps reduce corporate tax liability through tax credits based on employee demographics, geographic location, investment practices, and other incentives
43 ☐ Wage Garnishment Service — ADP calculates, deducts, and disburses court-ordered garnishments and tracks changing legislation that can affect compliance
44 ☐ New Hire Reporting Service — helps ensure prompt, accurate filing of all new hire reporting information

Accounts Payable

45 ☐ Automated Accounts Payable Solution — reduces the cost of invoice and check processing, helps increase working capital and improve SOX compliance

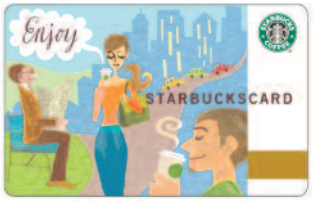
Time and Labor Management

46 ☐ ezLaborManager® — ADP-hosted time and labor management solution for companies with fewer than 1,000 employees
47 ☐ Enterprise eTIME® — integrated time and attendance, scheduling, and absence management for mid-size to large companies, available as a premise-based or ADP-hosted solution
48 ☐ TimeSaver® — ADP-hosted time and labor management for companies with 1,000 or more employees, as well as for hospitality industry companies of any size

Expense Management

49 ☐ ADP's Travel and Expense Management Solution — automates your travel and expense reimbursement process

NOTE: The products and services described in this publication may not be available to all ADP clients in all geographic areas.



Enjoy a Starbucks Card, loaded with $5, as our gift! Do you know another company that could benefit from the time savings and accuracy of ADP's services? Refer them to us and we'll send you a Starbucks Card loaded with $5! Enjoy a refreshing break with our compliments at any participating Starbucks retail location in the United States or Canada.

☐ **Yes**, I think the company below could benefit from ADP services. **Please mail my Starbucks Card to the address I have listed *above*.**

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Please help us keep your accountant up-to-date on payroll tax regulations.
With more than 500 statutory payroll changes each year, we like to keep our clients' accountants well informed. Please help us make sure your accountant is on our mailing list:

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Your Accountant's Firm	
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ASK THE *ADP ADVISOR*

Are wages paid to family members exempt from FICA tax withholding?

Q: My wife and son work part-time in my firm. Is it true that their wages may be exempt from employment tax withholding?

A: Federal income tax withholding is no different for relatives of the employer than it is for other employees. The requirements for *Social Security and Medicare taxes*, however, depend on the age and type of work performed by the particular family member:

- **Spouse** – Social Security and Medicare tax withholding applies, unless the spouse's services are *not* performed in the course of the employer's trade or business, or are for domestic service in your home. In either of these situations, the wages paid would be exempt. (This exemption does not apply to wages paid to the spouse by a corporation, partnership, or an estate.)
- **Son or daughter under age 18** – Wages paid by the parent are exempt from Social Security and Medicare tax withholding. If the child is 18 years or older but under age 21, wages paid by the parent are exempt only if the services are not in the course of the employer's trade or business. As with the spouse, this exemption does not apply if the services are performed for a corporation, partnership (unless each partner is a parent of the child), or an estate.
- **Parent** – Wages paid to the employer's parent are subject to Social Security or Medicare taxes, unless the services being compensated are not in the course of the employer's trade or business. This exemption also applies to most types of domestic service performed in the employer's home.

Unless the employer is a corporation, partnership, or estate, the wages paid to a spouse, parent, or child under 21 are exempt from Federal unemployment tax (FUTA), as well. ■

For details, visit IRS.gov and search for "Publication 15." To submit questions for possible inclusion in future columns, visit www.ADP.com/advisor. Click on "Feedback to the Editor."

See ADP solutions in action!

The best way to learn about ADP's comprehensive solutions is to see and hear about them in person from ADP experts. ■

For the most current trade show information, click on http://www.ADP.com/events.

Case Study

Hosted workforce management solution helps nonprofit improve efficiency, save money

"Our people called HR when they had any kind of question about pay, time off, benefits, and so forth," says Lorraine McCormick, Vice President of Human Resources & Team Building at Illinois-based Aspire, a leading provider of personalized services for individuals with developmental disabilities. "The process was time-intensive and inefficient," she adds. "We realized we needed a new system."

Aspire chose ADP's Workforce Now™, an integrated, hosted set of modular solutions for HR, payroll, time and attendance, and benefits administration. "With our server getting full and the legacy system frequently requiring 'patches,' ADP Workforce Now gave us a fresh way to manage HR," McCormick states.

ADP Workforce Now includes a self-service component that lets Aspire's employees access and manage their own benefits information. The organization has replaced its old time clocks with biometric time clocks at larger worksites. Employees at group homes can now "punch in" via a password-protected computer connection. "With ADP, you get a strong feeling that you are well taken care of if a question or problem comes up," Ms. McCormick says. "When we 'owned' our own system, I could never relax. You would always be waiting for the next system-related issue to come around the corner."

Return on investment

Thanks to Workforce Now, Aspire's HR department is no longer a call center. "We are paying less overtime, because ADP's time and attendance solution helps us schedule employees knowing who is approaching their overtime threshold," Ms. McCormick concludes. "Our employees access information online and can download and print forms as they need them. Now we can apply our professional knowledge to bigger issues that require the special expertise of our staff." ■

For more information on ADP Workforce Now, check item #2 on your Reader Service Form, or visit www.ADP.com/workforcenow.

FREE TO READERS OF THE *ADP ADVISOR*

If compensation is a primary tool to increase motivation and productivity, how can organizations succeed with budgets lower than they've been in three decades? By optimizing their compensation spend and having processes and tools to allocate scarce resources more wisely.

Find out how in the FREE ADP reference: *Nine Ways to Improve Your Return on Compensation Investments*. This concise guide outlines nine ways to drive greater value by spending compensation resources more effectively and improving communication around total rewards. Implementing just one of these measures could substantially increase the return on your greatest business expense.

The guide is available FREE to readers of the *ADP ADVISOR*. Simply check item #1 on your Reader Service Form.

ADP Advisor®

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YOUR SUGGESTED TOPICS FOR THE *ADP ADVISOR* ARE WELCOME

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