4 RISKS TO AVOID WHEN MANAGING ESPP PAYROLL FILES

Employee stock purchase plans are a great benefit to offer. One of the best aspects is that you can offer the same plan to employees in countries all over the world. But this benefit also comes with challenges, challenges that are fraught with risks.

The single biggest challenge for an ESPP has to be managing the payroll contributions. Many companies have to collect files from multiple payroll providers and in multiple formats. Files have to be consolidated, re-formatted, checked and then double-checked for accuracy. Missing information has to be located and filled in. And that's the easy stuff. There's also managing contribution changes, terminations, refunds, foreign currency conversions... Companies have a lot at stake to getting the process right. Getting things wrong can cause multiple problems and create unnecessary and unacceptable risks.

How good is your own process? Do you have the proper controls in place? Checks and re-checks? If you don't have a proper process in place for managing ESPP payroll files, you are opening up your company to some serious risks, including these big four.

1. Non-Compliance

ESPPs are financial instruments governed by tax regulations. Delays or mistakes from manually processing global payroll files can put your plan out of compliance, which can cost you not only money, but harm to your company's reputation. Non-compliance can also be an indicator to local governments that you may be out of compliance in other areas of the business, and may lead to deeper unwanted scrutiny.

2. Employee Morale

Studies have shown that employee participation in an ESPP can actually improve morale, with such employees working longer hours, taking fewer vacations, and expressing greater job satisfaction. And all that can be lost in an instant when the plan doesn't work as it should. If you payroll files take too long to process, that delays the purchase, which delays the allocation of shares, and ultimately makes the ESPP less valuable to participants. This can lead to vocal complaints among employees and people dropping out of the plan, all of which can affect morale in the exact opposite way an ESPP should.

3. Anxiety

Manual processes always increase the risk for errors. Errors that then have to be rectified, taking time, causing no end of grief for everyone involved, and creating anxiety for the next purchase cycle. That anxiety can only compound the risk for errors going forward. It can also suck in more and more people into the process to try and fix the problems and relieve the anxiety. All of which can lead to more anxiety as other areas get less needed focus.

4. Financial Reporting Mistakes

Errors in the processing of payroll files can cause errors in financial reporting. The more significant the errors, the more likely they are to have material consequences to the company's financial statements, which can be expensive and have long-term ramifications. Having to scrutinize these reports and re-run them multiple times is a time-suck you do not need.

So what to do? You certainly can try to improve internal processes and controls to try to mitigate and eliminate these risks. Or you can consider looking into automated technology solutions. But both options involve a lot of time and effort to set up and test properly. And then there's staff training to get everyone up to speed. Possibly a better solution is to pull this painful task out by the root and hand it off to an outside expert with the experience to build out a process that is quick, efficient and minimal on risk. Let a third-party take on this task, and with it all the associated risks. You might just rest easier knowing one less problem is likely to occur.

Need help managing the payroll files for your ESPP? Computershare's Professional Services Group will work with you to take the entire process out of your hands and into the hands of our experts.

Find out how we can save you time and money while minimizing risk. Learn more at www.computershare.com/psg