

# THE DEFINITIVE GUIDE TO SOFTWARE BASED TIME CLOCKS



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# PART ONE: INTRODUCTION TO SOFTWARE BASED TIME CLOCKS



## CHAPTER ONE:

# WHAT ARE SOFTWARE BASED TIME CLOCKS AND WHY ARE THEY NEEDED?



## CHAPTER ONE: What are Software Based Time Clocks and why are they needed?

# SOFTWARE BASED TIME CLOCKS DEFINED.

Software based time clocks, or automated time clock systems record the precise time an employee starts and stops work, eliminating manual time sheets and time cards, reducing over-payment and ensuring regulatory compliance.

With increasing labor costs, demand for labor law compliance, and the prevalence of employee time theft, time and attendance systems have become vital to helping you manage employee time, increase productivity, achieve regulatory compliance, and ultimately reduce labor costs.

Using the time clock systems and applications in this guide, your company is able to maintain accurate time records, administer payroll data and harmonize the workforce. Time and Attendance systems are beneficial for virtually any size workforce and any size or type of workplace environment. In all cases, employers are required to comply with the *United States Department of Labor Wage and Hour Division Recordkeeping Requirements* under the *Fair Labor Standards Act (FLSA)*.

Time and Attendance systems and applications discussed in this guide include:

- Time & Attendance Software
- Swipe Card Time Clock Systems
- Proximity Time Clock Systems
- Biometric Time Clock Systems
- Cloud Based Time Clock Systems
- Department of Labor Regulations
- Employee Time Theft
- Automated Calculations
- Payroll Provider Interface



Payroll gobbles up as much as 50% of a business's total budget!



## CHAPTER ONE: What are Software Based Time Clocks and why are they needed?

# WHY SOFTWARE BASED TIME CLOCKS ARE NEEDED.

When employee time is recorded using an automated software based time clock system, employees are accountable and punctual, time records are 100% accurate and payroll administration time is reduced.

If employees are filling out time sheets, there is room for error and fraud. Inaccurate or fraudulent employee time documentation can cost your company thousands of dollars each year. You don't want employees showing up late on the job, leaving early, or worst of all, having co-workers clock in for them. Automated time clock systems help your company save on payroll and achieve optimum productivity and efficiency.

Time clock systems encourage your employees to spend more time working and less time wasting time by providing a formalized time recording system with a highly visible and accurate time source. Overpaying an employee for even five minutes per day can add up to thousands of dollars annually. Automated software-based time clock systems save on payroll processing by automatically totaling regular and overtime hours for weekly, bi-weekly, monthly or semi-monthly pay periods.

If you can increase facility productivity and decrease labor costs, you are ultimately helping the bottom line.



## CHAPTER ONE: What are software based time clocks and why are they needed?

# AUTOMATED TIME CLOCKS HELP THE BOTTOM LINE

A Time Clock System can save thousands of dollars per employee each year.

Imagine saving your company over \$2K per employee every year just by using a time and attendance system? It's not a far fetched concept. Time clock systems eliminate payment for long breaks, late arrivals and early departures, keep employees accountable and productivity on track.

If an employee takes an extra 5 minutes at lunch before heading back to work, you might think it's no big deal. But if 100 employees waste 5 minutes per day, it can cost a company thousands of dollars per year in labor and lost productivity.

Besides eliminating overpayment, some time clock models provide additional payroll savings (see Savings Per Employee chart below). If your company can save on labor costs and improve facility productivity and efficiency, it helps the bottom line.

## SAVINGS FACTORS

Factor	Description	Minutes Saved Per Day <sup>1</sup>	Annual Savings Per Employee <sup>2</sup>
Overpayment	Payment for employees who take long breaks & arrive late	6	\$796.12
Human Error	Inaccurate time card calculations due to human error	2	\$265.37
Audit Time	Time Card Audit Time	5	\$663.43
Payroll Automation	Manual payroll management	3	\$398.05
Time Theft	Buddy Punching		1% Payroll
Time Clock Punch Method	Swipe Card	.5	\$ 66.34
	Biometric	.5	\$ 66.34
	Proximity Badge	1	\$132.69
Additional Terminal <sup>3</sup>	Additional terminals to accommodate larger workforces	+	--

<sup>1</sup> Based on American Payroll Association studies. Punch method & additional terminal savings calculated by Pyramid Time Systems.

<sup>2</sup> Based on minutes saved per year @ US Dept. of Labor 2012 Average Hourly Wage including benefits (\$30.62).

<sup>3</sup> Savings dependent upon number of employees processed per terminal.





## CHAPTER ONE: What are Software Based Time Clocks and why are they needed?

# TIME CLOCK SYSTEMS HELP TO COMPLY WITH U.S. DEPARTMENT OF LABOR REGULATIONS

Time Clock Systems prove compliance with wage and hour legislation.

FLSA Lawsuits are on the Rise. Prior to 2000, the average number of *Federal Fair Labor Standards Act* lawsuits hovered near 1,500 cases per year. Since that time, there has been a dramatic increase to over 7,000 lawsuits in 2012 alone. Time records are one of five key areas investigators focus on when auditing for violations.

The *Fair Labor Standards Act (FLSA)* sets recordkeeping regulations (29, CFR Part 516) for employment subject to its provisions. The *United States Department of Labor Wage and Hour Division* mandates every employer to keep specific time records for each non-exempt worker. These records must be complete and accurate and are required to include data about the hours worked by each employee.

Pay close attention to the following list of records to reduce FLSA compliance liability associated with grievances and fines:

### FLSA WAGE & HOUR DIVISION REGULATIONS (29,CFR PART 516):

- Time and day of week when employee's workweek begins
- Hours worked each day
- Total hours worked each workweek

Time clock systems have consistent rules, maintain accurate documentation, manage data and in some cases, provide reports to prove your compliance.



**Tip:** Automatic meal period deductions are the single largest reason for litigation. If you require employees to punch out/in rather than auto deduct, you have proof of meal periods.





## CHAPTER ONE: What are Software Based Time Clocks and why are they needed?

# TIME CLOCK SYSTEMS MITIGATE ERRORS AND EMPLOYEE TIME THEFT

Time and attendance systems prevent costly time theft by accurately recording when employees arrive, take breaks, lunches, and depart each work day.

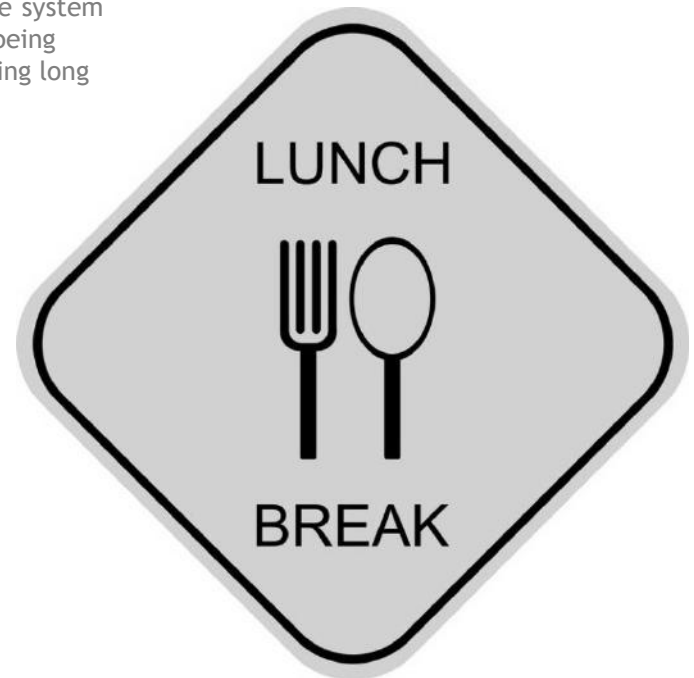
Federal labor laws provide that employees take breaks during their shift, however break abuse is the most common form of time theft costing employers thousands of dollars each year.

When an employee arrives late, takes longer or more frequent breaks, takes extended lunch breaks, or leaves early, it all adds up to a bunch of money. According to the *American Payroll Association*, the average employee steals 4 hours and 5 minutes every week or 6 weeks annually. For a worker making \$10 an hour, that equates to \$2,340 a year of lost time and company money!

Using a time and attendance system can help watchdog check-in/check-out times with greater accuracy, and eliminate costly overpayments.

Implementing a time and attendance system lets employees know that they are being monitored and curbs them from taking long breaks and leaving early.

The savings from accurate time tracking not only prevents revenue leaks, but also encourages accountability and increased productivity.



## CHAPTER ONE: What are Software Based Time Clocks and why are they needed?

# TIME CLOCK SYSTEMS ELIMINATE TIMESHEET FRAUD

Time clocks accurately record hours worked each work day.

If you are using timesheets to record employee hours, you may be subjecting your company to significant payroll fraud. Time sheets are like a blank check - inviting employees to fudge their time by filling out extra hours they didn't actually work or round up their minutes to increase their compensation.

And if you think supervisor signatures will protect you, think again. Almost all payroll fraud occurs after the supervisor has approved the time sheets. That's because employees use the blank lines on time sheets to manipulate payroll information after approval by a supervisor.

If you are a small business, your risk factor for this type of fraud is even greater. According to a study conducted by the *Association of Certified Fraud Examiners*, payroll larceny schemes occur twice as often in small businesses of less than 100 employees, as in larger businesses.

Automated time and attendance systems are your first line of defense against time sheet fraud.

- Time Clock Systems accurately record start and stop times an employee works down to the exact minute.
- Automated Time and Attendance Systems automatically calculate total worked hours per pay period

Time clock systems provide an official record of the hours an employee works to calculate the actual pay owed to an employee.



WEEKLY TIMESHEET			
	Mon	Tu	Wed
Start Time	9 AM	9 AM	
End Time	5 PM	6 PM	
Reg Time	8 -	8 -	
Over Time		1 -	

## CHAPTER ONE: What are Software Based Time Clocks and why are they needed?

# BIOMETRIC TIME CLOCK SYSTEMS ERADICATE BUDDY PUNCHING

Biometric time clock systems positively identify employees using unique attributes.

A common type of time theft amongst hourly workers is “buddy punching” or “buddy clocking”. This deceitful practice occurs when an employee asks a co-worker to sign in or “punch” the time clock for them if they are late to work or absent.

According to a recent *Nucleus Research* study, three out of four companies experience loss from buddy punching. In fact, 19% of employees admit to buddy punching for a co-worker!

In total, buddy punching accounts for approximately 2.2% of gross payrolls. If a business' payroll is \$500,000, that is a loss of \$11,000 per year!

Biometric time clocks are a great option for preventing buddy punching. These advanced time and attendance devices allow employees to clock in without time cards or badges and virtually eliminate “buddy punching”. Biometric time clocks require the employee to check in or out of work with the scan of a finger for undisputable, positive identification.

Biometric time clocks are relatively inexpensive as compared to the payroll losses resulting from buddy punching.



## CHAPTER ONE: What are Software Time Clock Systems and why are they needed?

# TIME CLOCK SYSTEMS ELIMINATE CALCULATION ERRORS

Software-based or automated time clock systems accurately calculate worked hours.

The method of manually totaling payroll hours is time consuming and prone to errors. This labor-intensive process depends on the accuracy of individual employees who manually total hours and transcribe data from time sheets or cards to a spreadsheet. Payroll errors are “hidden” costs which often fly under the radar.

It is easy to miscalculate hours, round up or down incorrectly, or displace a decimal point. According to an *American Payroll Association (APA)* study, errors resulting from manual time and attendance processing can account for up to 7% of payroll costs. For a company with a \$500,000 payroll, that adds up to \$35,000!



Did you know that reviewing a single timesheet can take as long as 7 minutes! Multiply that by the number of employees in an organization, and again by the number of timesheets submitted per month. Time spent adding up time can add up fast!

Automated time clock systems reduce payroll processing time and payroll errors.

Software based time clocks apply universal rounding rules and tally up each employee's hours per pay period. They also have expanded capabilities to help manage payroll. These software-based systems apply overtime, lunch rules and special pay, allow payroll editing, run timely reports and integrate data with host payroll systems.

Software-based time clock systems will help you reclaim lost revenue due to payroll processing time and payroll errors.



## CHAPTER ONE: What are Software Time Clock Systems and why are they needed?

# TIME CLOCK SYSTEMS ARE EARTH-FRIENDLY

Software-based or automated time clock systems are considered “green” time and attendance solutions, eliminating paper waste.

Companies continuously search for ways to protect the planet and reduce waste. Traditional employee time tracking methods inherently consume paper by using time sheets or time cards.

Using time sheets for 10 employees consumes 500 sheets or one ream of paper each year! A 50-employee workforce burns through 2,500 time cards in one year! Both of these options are limited resources that require reordering.

Automated time clock systems eliminate waste by reducing the amount of paper you are using per employee. Since software-based time clocks don't use time sheets or time cards, they are considered to be a “green” time and attendance solution.

Software-based time clock systems use alternative punch methods to register employee arrival times, breaks, lunches and departure times. These methods include employee pin number entry, swipe cards, RFID proximity badges or biometric technology.

Software-based time clock systems are Earth-friendly time and attendance tools.





# CHAPTER ONE: What are Software Time Clock Systems and why are they needed?

## SOFTWARE BASED TIME CLOCKS DEFINED

Time clock systems, automated time and attendance systems or software-based time and attendance record employee hours and prepare data for payroll.

*Software-based time and attendance systems* use time clock terminals to collect, record and send punches to your desktop PC or the internet, for unlimited access to payroll data. These automated systems create transparency and eliminate overpayments for late arrivals, long breaks or early departures.

To check in and out of work, employees either enter a personal pin number, swipe a magnetic stripe card or wave a proximity badge at a time clock terminal. Biometric time clock terminals verify employee identity using unique attributes, such as a finger scan or facial recognition.

Employee punch data is digitally transcribed and downloaded to your computer or uploaded to the internet where you can edit timecards, apply overtime, time off, meal breaks, and rounding rules, run reports and export data to payroll applications such as QuickBooks, ADP, or Paychex.

### TIME CLOCK SYSTEMS

- Calculate worked hours
- Minimize employee time theft
- Integrate with payroll providers



# CHAPTER ONE: What are Software Time Clock Systems and why are they needed?

## SOFTWARE BASED TIME CLOCKS DEFINED

Time clock systems capture employee punch data and enable payroll management.

Automated time clock systems interface with Time and Attendance software to capture and manage payroll data for weekly, bi-weekly, semi-monthly or monthly pay periods.

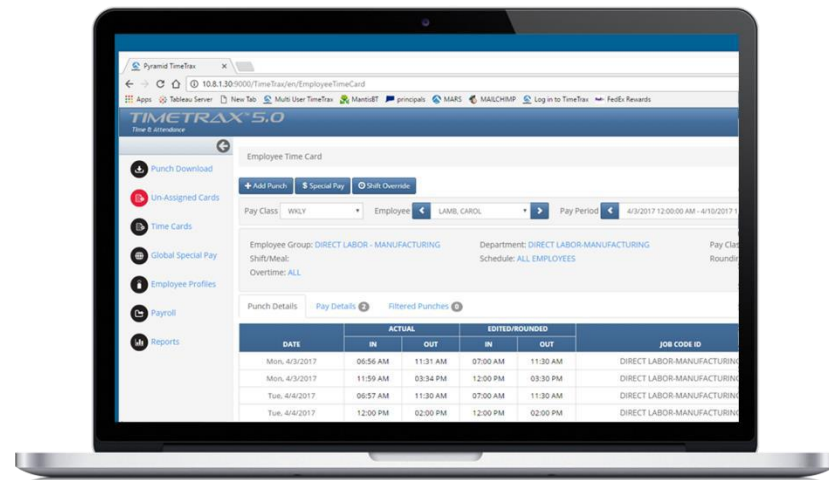
Employee punch data is periodically downloaded to your computer or uploaded to the internet where you can edit time cards, apply overtime, time off, meal breaks and rounding rules, and run payroll reports using time and attendance software.

The software may include pay codes, calculate overtime, including time and a half, double time, special Saturday, or 7<sup>th</sup> day overtime rules or apply Holiday and bonus hours for global or select employee groups.

Software packages are expandable to accommodate additional employees

### TIME CLOCK SYSTEMS

- Calculate worked hours
- Minimize employee time theft
- Integrate with payroll providers





## CHAPTER TWO:

# WHAT TYPES OF SOFTWARE BASED TIME CLOCKS ARE AVAILABLE?



## CHAPTER TWO: What types of Software Based Time Clocks are available and how do they record employee punches?

# THE EVOLUTION OF TIME CLOCKS

Time clocks are light years ahead of weekly time sheets and time stamps from yesteryear. The emergence of software and cloud-based time and attendance provide flexible new methods of recording and managing employee time.

In the age of internet-based software, or SAAS (software as a service), payroll administrators are now able to access and manage employee time from anywhere, anytime. Web-based systems provide accurate, real-time reports and seamlessly integrate data with payroll providers such as ADP, QuickBooks or Paychex.

PC software-based time clock systems perform auto calculations and allow editing, reporting and exporting activities.

All of the time and attendance products discussed in this section handle employee time tracking on some level to help manage day to day payroll tasks.



Time clocks have come a long way since the first mechanical time recorder was invented on November 20, 1888 by Willard Le Grand Bundy.



### Swipe Card Time Clock Systems

Read a magnetic stripe (magstripe) card to quickly register employee punches.



### Proximity Time Clock Systems

Have a sensor which reads a RFID card to quickly employee punches.



### Biometric Time Clock Systems

Quickly scan employee fingertips to positively identify and then register employee punches.



The introduction of cloud based time and attendance systems allows you to access payroll data from anywhere you have access to the internet.

## CHAPTER TWO: What types of software based time clocks are there?

# SOFTWARE BASED TIME CLOCKS DEFINED

Swipe card time clocks instantly record employee punches using magnetic swipe card.

*Swipe Card Time Clock Systems use magnetic stripe swipe cards to instantly register and record employee arrival time, breaks, lunches, overtime and departure time.*

Much like a debit card transaction, an employee simply swipes In and Out of work. Each employee is assigned a card and an employee number. The time clock terminal will display the card number on the screen.

Employee punches generated from the swipe cards are stored within the terminal and then downloaded to a PC.

### SWIPE CARD TIME CLOCK SYSTEMS

- Swipe and go
- Record employee arrivals, breaks & departures
- Download punch data to PC



## CHAPTER TWO: What types of software based time clocks are there?

# SOFTWARE BASED TIME CLOCKS DEFINED

Proximity time clocks instantly record employee punches using RFID badge.

*Proximity Time Clock Systems use RFID (Radio Frequency Identification) badges for key fobs to instantly register and record employee arrival time, breaks, lunches, overtime and departure time.*

Proximity time clocks have a sensor which reads an proximity badge. The time clock terminal will display the badge number on the screen.

Employee punches generated from the proximity badges are stored within the terminal and then downloaded to a PC.

### PROXIMITY TIME CLOCK SYSTEMS

- Wave and go
- Record employee arrivals, breaks & departures
- Download punch data to PC



*hold prox card within 2" of sensor*

## CHAPTER TWO: What types of software based time clocks are there?

# SOFTWARE BASED TIME CLOCKS DEFINED

Biometric time clocks instantly record employee punches using finger scan.

*Biometric time clocks instantly identify employees based on unique traits such as face, fingerprints, hand geometry, handwriting, iris, retinal, and voice. A common biometric punch method is the fingerprint scanner. This process uses detailed measurements and topography of a finger scan as a means of verifying the identity of the employee clocking into work.*

Employees simply place their finger on a biometric scanner. The time clock takes an image and compares it with a data base of previously stored employee finger scans. The time clock determines whether the topography in the scan matches the pattern in the pre-scanned images in the data base. Only then will the clock register the punch.

Because only certain characteristics are filtered and saved as an encrypted binary code, there is no concern for employee privacy. No images of fingerprints are ever saved.

### BIOMETRIC TIME CLOCK SYSTEMS

- Touch and go
- Record employee arrivals, breaks & departures
- Prevents “Buddy Punching”
- Download punch data to PC



## CONCLUSION

# TIME TO PUT YOUR KNOWLEDGE TO GOOD USE.

We understand that choosing a time and attendance system can be a daunting task-that's why we've taken the guess work out of your work. Just use the information here to help you select the perfect Time Clock for your workplace and payroll requirements.

Need more info?

Contact our Time Clock Info Center at [888.479.7264](tel:888.479.7264)  
or visit [pyramidtimesystems.com](http://pyramidtimesystems.com).



## Glossary of terms.

**Buddy Punching** - when an employee clocks in ("punches in") their co-worker when their co-worker is late or absent from work.

**Biometric Time Clock Systems** - use unique attributes, such as a finger scan or facial recognition, to positively identify employee and record start and stop times

**Cloud Based Time Clock Systems** - use pin #, swipe card, proximity badge or biometric time clock terminals to collect start and stop times which are then uploaded to the internet for payroll management.

**Employee Time Theft** - occurs when an employee accepts pay from their employer for work that they have not actually done.

**Proximity Time Clock Systems** - use Radio Frequency Identification (RFID) badges to record employee start and stop times.

**Software as a Service (SAAS)** - a software distribution model in which applications are hosted by a vendor or service provider and made available to customers over a network, typically the Internet.

**Swipe Card Time Clock Systems** - use a magnetic stripe card to record employee start and stop times.

**Time and Attendance** - The process of recording when employees start and stop work.

**Time & Attendance System** - automated software-based time and attendance system using time clock terminals to record and send punches to a desktop PC or the internet.



## ABOUT THIS GUIDE

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**About Pyramid Time Systems.**  
Pyramid Time Systems empowers organizations worldwide with easy-to-use and intuitive synchronized clock systems, time clocks, documents stamps and time clock systems designed to optimize productivity, reliability and efficiency. Our products help manage the workforce, streamline processes, and minimize operating costs.

Headquartered in Meriden, Connecticut, Pyramid Time Systems provides timekeeping products to thousands of enterprises and small companies across a wide array of industries. For more information, visit [pyramidthimesystems.com](http://pyramidthimesystems.com).

