



## Evaluation of the Implementation of the Payroll Accounting System at KJPP SISCO

Fitri Dwi Jayanti<sup>\*1</sup>, Sri Trisnaningsih<sup>2</sup>

<sup>1,2</sup> Universitas Pembangunan Nasional “Veteran” Jawa Timur, Indonesia

Address: Jl. Rungkut Madya No.1, Gn. Anyar, Kec. Gn. Anyar, Surabaya, Jawa Timur 60294

Email : [21013010213@student.upnjatim.ac.id](mailto:21013010213@student.upnjatim.ac.id)<sup>1</sup> [trisahendrawan@yahoo.com](mailto:trisahendrawan@yahoo.com)<sup>2</sup>

**Abstract.** *The era of globalization that has penetrated into all aspects is enough to affect the sustainability of the company, especially in determining operational costs to be more effective and efficient. Company operations include the amount of salary given to employees. Salary is a financial consideration that must be paid to employees for their contribution to the organization, so it is necessary to ensure that salary payments are structured to achieve operational efficiency. To achieve this, management must set up a payroll system. SISCO Public Appraisal Services Office evaluates the implementation of the payroll system for the better and to ensure that payroll is processed effectively and efficiently. However, there is still a problem that there are uncollected receivables from clients that hamper the receipt of employee salaries. The purpose of this paper is to evaluate the application of the payroll accounting system at the SISCO Public Appraisal Services Office. The data collection methods in this paper are observation, interview, and documentation. The results obtained are in the form of increased skills in accounting, especially regarding the payroll accounting system and its application in the agency. The payroll accounting system must be designed in such a way that it does not hamper the company's operations.*

**Keywords :** *Payroll Accounting System; Payroll Evaluation; Payroll Efficiency*

### 1. INTRODUCTION

In the modern business world, the payroll accounting system plays a crucial role in maintaining stability and internal trust within a company. This system not only ensures that employees receive their salaries accurately and on time but also plays a vital role in the company's compliance with regulatory and tax policies. According to Horngren, Sundem, and Elliott (2002), "An effective accounting system is the backbone of operations, ensuring that the company can perform its critical functions efficiently and in accordance with regulations."

The Public Appraisal Services Office (KJPP) SISCO is a business entity that relies heavily on the accuracy and reliability of its payroll accounting system. According to Dr. John Smith from Harvard University, companies providing property appraisal and consulting services, such as KJPP SISCO, need a payroll system that can accommodate the various complexities of organizational structure and the types of services offered. Therefore, evaluating the payroll accounting system at KJPP SISCO is crucial to ensure operational efficiency and compliance with applicable accounting standards.

Furthermore, a poorly managed payroll accounting system can lead to a range of problems, from payment errors to potential misuse of funds. This aligns with

Romney and Steinbart's (2018) view that "a good accounting system should be able to detect and prevent errors and discrepancies that could harm the company." Hence, conducting regular evaluations of the payroll system is not only important for enhancing efficiency but also for identifying and addressing potential weaknesses.

To understand and improve the payroll accounting system at KJPP SISCO, this article will use a comprehensive approach. According to Anthony and Hawkins in *Accounting: Text and Cases*, this analysis will cover the processes of recording, data processing, and payroll reporting. This evaluation aims to provide a clear picture of the effectiveness of the existing payroll system and offer constructive recommendations for future improvements.

## **2. LITERATURE REVIEW**

### **System**

According to Romney (2015), a system is a series of two or more components that are interrelated and interact to achieve a specific goal. Mulyadi (2016) defines a system as a group of elements that are closely related to each other, functioning together to achieve a particular objective. Based on these definitions, it can be concluded that a system is an entity or group of elements that are interconnected and interact to achieve a specific goal. A system can be seen as a structure or organization consisting of parts that support and collaborate with each other to accomplish a common objective.

### **Accounting System**

An accounting system can be defined as a collection of subsystems that are interconnected and work together harmoniously to process financial data into the financial information needed by decision-makers during the decision-making process (Azhar Susanto, 2011:124). It is a method and procedure for collecting, classifying, summarizing, and reporting financial and operational information of a company (James, 2009:223). Based on these definitions, an accounting system can be concluded to be a structure consisting of various interconnected subsystems that interact harmoniously.

### **Salary**

According to Mardi in Sinambela (2016:237), "Salary is a form of payment for a right granted by the organization to employees." Salary is payment to employees who are assigned administrative and managerial tasks, with the amount typically set on a monthly or annual basis (George, 1983:221). Based on these two viewpoints, it can be

concluded that salary is compensation provided to employees as a reward for the work they perform in the context of administrative or managerial duties.

### **Payroll Accounting System**

According to Surwajeni (2015:127), the payroll accounting system is the system used by companies to provide wages and salaries to employees for the services they render. Mulyadi (2013) describes the payroll accounting system as a part of the functions, documents, records, and internal control systems used for cost accounting and providing information for labor cost supervision. Meanwhile, Prianthara (2013) defines the payroll accounting system as an accounting system within construction service companies that involves employee functions, financial functions, and accounting functions.

Based on the discussion above, we can conclude that the payroll system is a series of steps involved in paying salaries and calculating the total earnings of employees. Proper salary administration and accurate calculations enable the company to boost the motivation of less productive employees, reward high-performing employees, and enhance the company's performance to continue generating profits.

### **Functions Related to the Payroll Accounting System**

Mulyadi (2014:382) defines the functions related to the payroll accounting system as:

1. Personnel Function.
2. Timekeeping Function.
3. Payroll Preparation Function.
4. Accounting Function.
5. Finance Function.

### **Documents Used in the Payroll Accounting System**

Mulyadi (2014:374) defines the documents used in the payroll accounting system as follows:

1. Supporting documents for salary and wage changes
2. Timecards
3. Payroll and wage lists
4. Payroll and wage summaries
5. Salary and wage statements
6. Salary and wage envelopes
7. Cash disbursement vouchers

### **Accounting Records Used in the Payroll Accounting System**

Mulyadi (2014:382) defines the accounting records used in payroll accounting as follows:

1. General Journal
2. Cost of Goods Sold Card
3. Expense Card
4. Employee Earnings Card

### **Procedures in the Payroll Accounting System**

Mulyadi (2014:385) defines the procedures in the payroll accounting system as follows:

1. Procedure for recording attendance time.
2. Procedure for recording working hours.
3. Procedure for preparing payroll and wage lists.
4. Procedure for distributing payroll and wage costs.
5. Procedure for payroll and wage payments.

## **3. METHODS**

### **Pengumpulan Data**

In this study, the author employs a data collection method through field study. The field study is conducted by directly reviewing to gather the necessary information for the preparation of the final report on the internship. The research focuses on all activities of the internship object, which includes:

- a. Observation Method (Direct Observation): This method involves directly engaging in the field to observe, monitor, and collect the required data at the research location. Thus, we conducted direct observations to examine various activities taking place at the SISCO Public Appraisal Services Office.
- b. Documentation Method: This method involves accessing relevant documents and analyzing company documents.

## **4. RESULTS AND DISCUSSION**

### **Results**

The payroll system at the SISCO Public Appraisal Services Office is divided into several functions according to their respective tasks. These functions cover various important aspects of the payroll process. Firstly, the Personnel Function is responsible for recruiting employees through online platforms. They create job vacancies based on the

needs of the department, specify the requirements for applicants, and conduct tests to assess their abilities. The results of this process influence hiring decisions, with salaries provided in accordance with government regulations on minimum wage.

The second function is the Timekeeping Function, which is responsible for recording employees' attendance based on fingerprint data. This function ensures accuracy in recording working hours, which is crucial for payroll calculations. Next, the Payroll Preparation Function is tasked with calculating employees' salaries, including base pay, allowances, and any deductions if applicable, for a given period, typically one month.

The Finance Function at KJPP SISCO manages office expenditures for employee salary payments, evidenced by cash disbursements. They also prepare checks for salary payments, which are transferred to employees' accounts. The Accounting Function is responsible for recording salary payment transactions in the general journal and ensuring that all aspects related to employee salary payments are accurately documented.

KJPP SISCO uses several documents in its payroll system, including attendance records that track employees' clock-in and clock-out times, payroll and wage lists that detail salaries, allowances, and salary deductions, and payroll summaries prepared by the personnel function based on attendance recorded via fingerprint. Cash disbursement vouchers are used to record the total expenditure for salary payments each period.

The payroll system at KJPP SISCO uses accounting records such as daily cash reports to record cash outflows for salary payments, a general journal to record salary expenses, and a ledger that contains a collection of accounts recorded in the general journal. The procedures in the payroll system include recording employee attendance, preparing payroll lists, paying employee salaries, and recording cash disbursement transactions. The implemented payroll accounting system is effective because it relies on a computerized fingerprint machine, which minimizes errors.

## **Discussion**

The payroll system at the SISCO Public Appraisal Services Office (KJPP SISCO) is structured into several key functions, each with its own responsibilities. According to the definitions of a system by Romney (2015) and Mulyadi (2016), a system is a set of interrelated components designed to achieve specific goals. At KJPP SISCO, the personnel function is responsible for employee recruitment, creating job vacancies, and assessing applicant abilities through tests. The salaries provided are regulated in

accordance with government regulations on minimum wage, aligning with Mardi's definition of salary in Sinambela (2016) as compensation for the work performed by employees.

The timekeeping function is responsible for recording employee attendance using fingerprint technology, ensuring the accuracy of work hours data. This aligns with Azhar Susanto's (2011) definition of an accounting system as a collection of subsystems that process financial data into useful information. The payroll preparation function then calculates the total salary, including base pay, allowances, and deductions. This ensures that all elements of payroll are accurately recorded, as outlined in the payroll accounting system by Surwajeni (2015) and Mulyadi (2013), which encompasses various functions and documents.

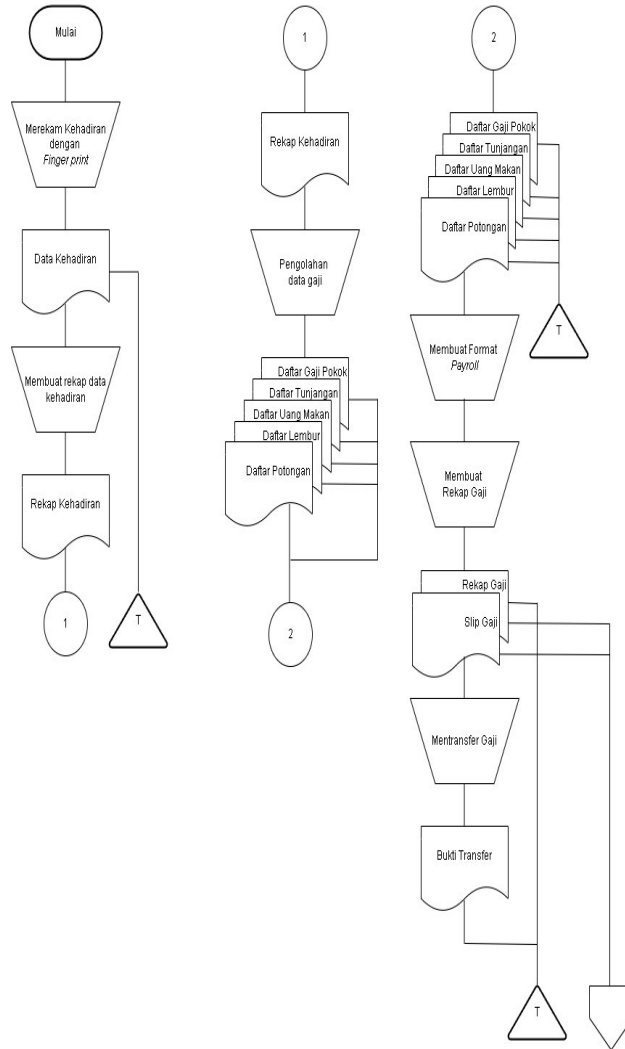
The finance function manages expenditures for salary payments, as evidenced by cash disbursement vouchers and checks prepared for salary transfers to employees' accounts. The accounting function records all payment transactions in the general journal and ledger, in line with James's (2009) definition of an accounting system as a method for reporting a company's financial information. Documents used include attendance records, payroll and wage lists, and payroll summaries that reflect expenditures for each period.

The documents used in the payroll system at KJPP SISCO include attendance records, payroll and wage lists, and cash disbursement vouchers. This aligns with Mulyadi's (2014) definition of documents in an accounting system, which includes supporting documents for salary changes, attendance cards, and payroll summaries. Accounting records such as the general journal and ledger are used to record and control salary expenditures, which are a crucial part of the payroll accounting system procedures.

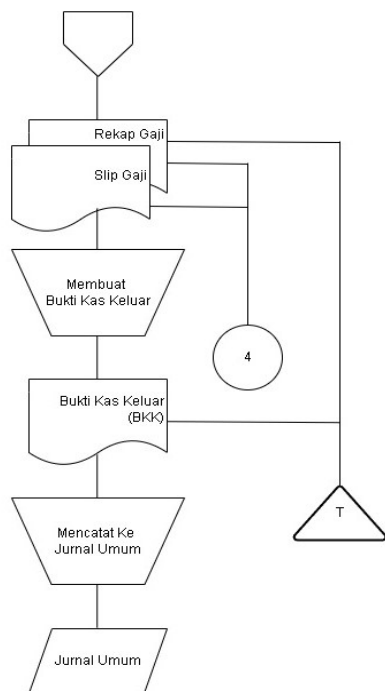
The procedures implemented in the payroll system at KJPP SISCO include recording attendance time, preparing payroll, processing salary payments, and documenting cash disbursement transactions. These procedures follow Mulyadi's (2014) definition of procedures in a payroll accounting system, which includes recording attendance time, preparing payroll lists, and distributing costs. The use of computerized fingerprint machines helps minimize errors and ensure accuracy in calculations, in line with the principles of an effective accounting system.

**Analysis of the Systems Operating in the Payroll Accounting Information System at Satria Setiawan and Partners Public Appraisal Office.**

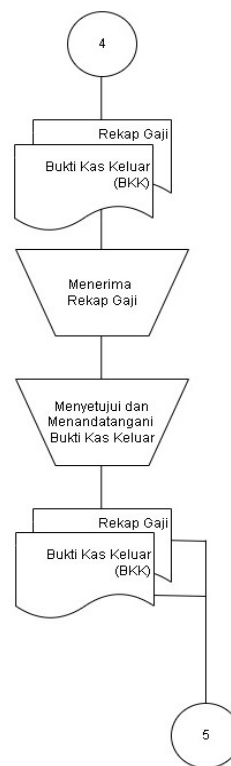
**Administration**



**Finance**



**Leadership**



Based on the analysis of the flowchart presented, several significant errors in task segregation have been identified that require correction. The first error is the incomplete implementation of task separation. In the current system, the creation of payroll, salary slips, and salary transfers, which should be the responsibility of the finance department, are still carried out by the administration or HR department. This indicates a misallocation of tasks that could potentially affect the efficiency and accuracy of the payroll system.

The second error is the failure of KJPP SISCO to implement appropriate accounting processes. The finance department, which should handle these accounting processes, has not been performing them optimally, despite the relatively limited number of transactions within the company. Utilizing accounting software could address this issue by simplifying the recording and reporting of accounting data, thus enhancing accuracy and efficiency in financial data management.

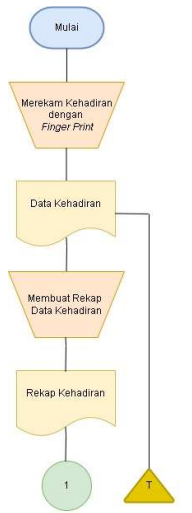
To address the identified errors, a redesign of the payroll accounting system will be undertaken at Satria Setiawan and Partners Public Appraisal Office in Surabaya. This redesign will focus on improving task segregation to meet the proper standards and



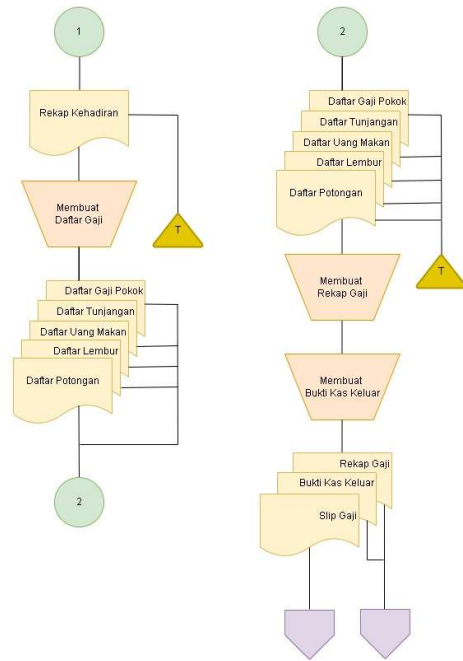
implementing accounting software to support a more effective and efficient accounting process. Through these corrective measures, it is anticipated that the payroll accounting system will operate more effectively, support higher compliance, and enhance the overall performance of the company.

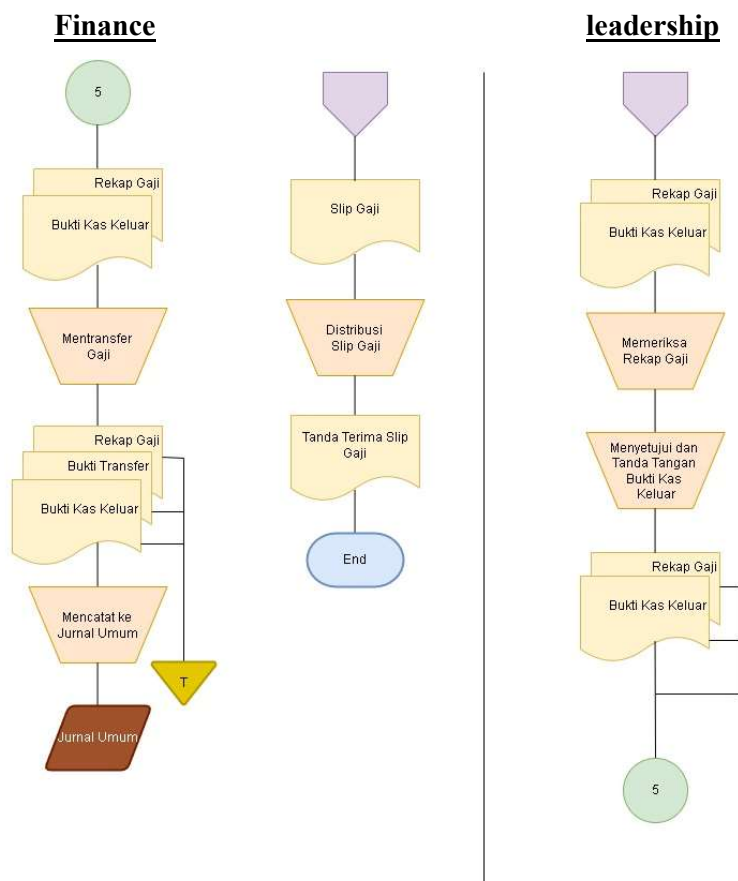
**Redesign of the Payroll Accounting System at Satria Setiawan and Partners Public Appraisal Office, Surabaya.**

**Administration**



**Finance**





The design of the payroll procedure at Satria Setiawan and Partners Public Appraisal Office involves several key steps aimed at ensuring efficiency and accuracy. The Administration Department is responsible for recording employee attendance using fingerprint tools and then processing this data to create an Attendance Report that includes daily absenteeism information. This Attendance Report is submitted to the Finance Department, where the data is used to prepare the Employee Payroll, which includes components such as base salary, meal allowances, and overtime. After preparing the Payroll, the Finance Department also generates a Total Salary Summary and a Cash Disbursement Voucher for Branch Manager approval.

After receiving approval from the Branch Manager, the Finance Department proceeds with transferring salaries to employees' bank accounts, using an online banking system to ensure accuracy and timely payment. Transfer receipts are stored as official documentation. Subsequently, the Finance Department records the transactions in the general ledger and distributes salary slips to employees, detailing earnings and

deductions. This process is designed to ensure transparency, accuracy, and proper documentation within the company's payroll system.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

The payroll accounting system at SISCO Public Appraisal Office (KJPP SISCO) reveals discrepancies with the ideal payroll accounting system theory, particularly regarding task segregation. Responsibilities for payroll creation, salary slips, and salary transfers should fall under the Finance Department. However, these tasks are currently performed by the Administration (HR) Department, which can introduce potential risks and inefficiencies. Additionally, adequate accounting processes have not been implemented at KJPP SISCO. Given the relatively small number of transactions, the Finance Department should be able to manage these accounting tasks with the aid of software to enhance efficiency and accuracy.

Despite this, the payroll system at KJPP SISCO already has a clear structure with defined functions, including personnel, timekeeping, payroll preparation, finance, and accounting. The use of technology, such as fingerprint systems, has helped minimize errors and data manipulation, contributing to the system's efficiency and reliability. To improve effectiveness, adjustments should be made to task segregation and the implementation of more formal accounting processes, ensuring the overall system functions optimally and aligns with best payroll accounting standards.

### **Recommendations**

Although the payroll system at SISCO Public Appraisal Office is effective, it would be beneficial to continuously update and enhance the technology used. This includes implementing the latest payroll software that can integrate with the fingerprint system and online recruitment platforms. Additionally, regular training for employees in each function on payroll procedures and the technology used will help maintain the quality and efficiency of the payroll process.

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