***[HOSPITAL NAME]***

**ADMINISTRATIVE POLICY**

CATEGORY: Finance **CODE: B-I-17**

SUBJECT: Payroll Management **EFFECTIVE:**

**COORDINATOR: Business Manager**

Critical to the successful operations of an institution is a proper payroll management system. This system must keep record of the employee salaries, wages, bonuses and deductions and identify how charges are processed. The records kept must include salary and wage histories and all salary and wage deductions. These records must be kept for the period of time stipulated by statute and standard business practices (*to be identified by the Hospital Administration)*. Due to the sensitive and confidential nature of payroll, the system must be administered in a manner which will protect the sensitive and confidential nature of the information.

The following guidelines should be followed for each category of information:

1. **PAYROLL RECORDS**:
	1. For each employee a master payroll record will be maintained.
	2. In accordance with *[Hospital Name]* Policy C-I-12, Personnel Records, the payroll records will be located in the Office of the Business Manager and maintained by the Business Manager.
	3. The contents of the employee payroll record will be as listed in *[Hospital Name]* Policy C-I-12, Personnel Records.
2. **UPDATING THE PAYROLL MASTER FILE**:
	1. The Accounting Department in liaison with the Human Resources Department will update and file all payroll changes. These changes include payroll information on new hires, terminations, changes in employment status or pay rates, changes in discretionary or voluntary deductions, tax rates, other deductions and changes in bank account numbers.
	2. The Human Resource Manager will complete a master salary record amendment form and forward it to the Accounting Department for processing and filing. All changes in employment status or in employee’s deductions will be in writing
	3. The Accounting Department will make all payroll changes in a timely manner and ensure that the changes are properly reflected in the proper pay record.
	4. If the hospital receives salary reimbursement from the government or other agencies any changes to rates, names, or position should be communicated promptly to the respective authority including termination and death of employees.

A method to record employee work hours should be utilized either on paper or electronically. These must be approved by the supervisor at the end of each pay period.

The following information, at a minimum, should be reported on the timesheet:

* + 1. Employee name (First and Last Names)
		2. Employee identification number
		3. Assigned activity during the pay period (A numerical code can be used)
		4. Hours worked each day – time In/Out and any breaks
		5. Paid time off (e.g. vacation or holidays)
		6. Signature of the employee
		7. Signature of the employee’s supervisor
		8. Time period in which the activity was performed

The accountant is responsible for the reconciling at the end of the year of all payroll transactions and for year-end audit.

The date of pay will ordinarily be set by the Administrative Committee and Business Manager.

All employees who are paid through the bank are required to have an account with the *[Name of Bank]*. Details of account must be submitted to the accountant to facilitate direct payment of salary.

APPROVED: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***[HOSPITAL NAME]***

**ADMINISTRATIVE PROCEDURE**

CATEGORY: Finance **CODE: B-I-17.1**

SUBJECT: Payroll Preparation Procedure **EFFECTIVE:**

**COORDINATOR: Business Manager**

The preparation of a regular payroll should follow this procedure in accordance with policy B-I-17.

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| **Initiator of Action** | **Action** |
| Employees and Supervisor | * 1. Submit a timesheet for each pay period using the organization’s standard form at the end of the last day of the pay period
	2. The timesheet must be prepared in ink, signed and dated by the reporting employee and their supervisor.
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| Business Office | PREPARATION OF PAYROLL* 1. Each payroll will be documented on the payroll register, which contains the names of the employees paid during the period, the pay rates, gross pay and net pay.
	2. All payroll deductions are subtracted from the gross pay to obtain the employee’s net pay.
	3. The payroll is summarized for all employees, at which point the payment vouchers are prepared.
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| Business Office | DISTRIBUTION OF PAYROLL* 1. a summary is made to show how payment is to be made (i.e. bank payment, cash or check).
	2. The salary and wage expenses are summarized by cost center or other charge code and recorded on accounting voucher/s for posting into the general ledger. The distribution of salaries and wages expenses to the organization’s various departments and projects as shown on the voucher/s must agree to the distribution of time charges on the employees’ timesheets.
	3. All pay deductions are also summarized for general ledger purposes.
	4. The gross pay for the current pay period should be reconciled to that of the previous pay period.
	5. Check vouchers are prepared to support the payment of salaries and the pay deductions.
	6. Following completion of the payroll, pay summaries and the reconciliation, these are submitted to the Business Manager for approval.
	7. The checks and wire transfer requests, if applicable, together with the pay summaries and gross pay reconciliation are then forwarded to the designated check signatory for signature.
	8. After the checks and the wire transfer request, if applicable, have been signed, they are routed to the designated employee(s) and the payroll is disbursed as follows:
		1. **Employees Paid Through the Bank**: An order is issued to the bank with the pay summaries and the employees’ personal bank account numbers.
		2. **Employees Paid by Check**: Checks are distributed by designated personnel other than the employee’s immediate supervisors to the employees. Employees sign an acknowledgment of receipt of their net pay.
		3. **Payments Made in Settlement of Salary Deductions**: Checks are distributed or wire transfers are performed by the designated employee(s) or payees.
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