

Mercy Hands for Humanitarian Aid

PAYROLL POLICY AND PROCEDURES

1. Responsibility

- 1.1 The Director of Finance and Director of Human Resources are responsible and shall work together to implement these Payroll Policies and Procedures.
- 1.2 Preparing and managing payroll is the responsibility of the Human Resources Department.
- 1.3 Payroll Policies and Procedures may be revised by the Executive Director, subject to Board approval.

2. General Guidelines

- 2.1 Pay Period is every month. All salaries will be distributed within five working days from the last working day of the pay period.
- 2.2 Salaries are paid in cash, checks, wire transfer, or e-transfer (e.g. AsiaHawala). Whenever possible, Mercy Hands shall deposit the salary electronically.
- 2.3 The Payroll is prepared and managed by the HR Department and submitted to the Finance and Accounting Department for payment. The Payroll Manager prepares the payroll. S/he works under the direct supervision of the HR Director
- 2.4 The HR Director archives all employee specific documents (contracts, Employment Executive Order, Status Change Executive Orders, etc.) in the employee personnel file.
- 2.5 No advances on salaries or loans to employees will be made, unless under extenuating circumstances, in which case the advance must be approved and recorded by the employee's direct supervisor and the Director of Finance. If the advance is greater than 80% of their salary, the Executive Director must approve.

- 2.6** Payment to all employees will be based on the approved attendance sheet. Attendance is reviewed by HR for concerns and discrepancies. Employees who are not included in the attendance sheet may not receive payment.
- 2.7** Employee's salary will not be given to anyone except the employee, unless a written consent has been sent to the Director of Finance in advance of the payroll. The Director of Finance cannot accept verbal permission to give an employee's salary to another party.
- 2.8** All payroll will be done on a computerized system. Currently, Mercy Hands' payroll is done using Excel.
- 2.9** Payroll deductions will be made for Income Taxes, Social Security, health benefits and any other amounts required by local or Federal law.
- 2.10** Payroll duties are clearly segregated. Payroll preparation is completed by HR, personnel approvals and changes are done by the Executive Director, payment is processed by Finance, record-keeping is done by both Finance and HR, and bank reconciliations are handled by Accounting.

3. Procedures

- 3.1** When a new staff member is hired, their supervisor communicates with the General Administrator regarding the details (i.e. salary, title, contract dates, employment type, location, etc.) and sends the agreement/budget the salary falls under. The General Administrator issues an Employment Executive Order to confirm the employment of the new staff. The order must be signed by the General Administrator, then Director of Finance, and finally the Executive Director. After getting the approval of the Executive Director, the General Administrator will send the original order to the HR Director and a copy of it to the Director of Finance. The Employment Executive Order must be issued before the official starting date. Once the HR Director receives the Employment Executive Order, he will create an employee personnel file for the new employee and sends the Application Form to the new employee. Based on the information included in the Employment Executive Order and the Application Form, the HR Director will issue the Employment Contract. The Employment Contract along with the Employment Executive Order are shared with the Payroll Manager who, in turn, enters the new employee in the personnel database for processing payroll.
- 3.2** When a staff member has a change to their status (i.e. salary, title, department, working status, bonus, deduction, etc.), then the requester must fill out submit the Status Change Form, have it signed by the employee, the requester, and all direct line supervisors, then submit the form to the General Administrator. The General Administrator will issue a Status Change Executive Order, sign it, and submit it to the Executive Director for approval. After getting the approval of the Executive Director, the General Administrator will send the original order to the HR Director and a copy of it to the Director of Finance. If the status change requires changing the employment contract then the HR Director will create a new employee contract for the employee and then share the new Employment Contract along with the Status Change Executive Order with the Payroll Manager who, in turn, makes the necessary changes in the personnel database for processing payroll. This process must be completed before enacting the proposed status change.

3.3 Any discrepancy between the Employment Contract and the Status Change Executive Order or the Employment Executive Order must be raised to and addressed by the HR Director.

3.4 Any monetary disciplinary actions suggested by managers must be submitted to the HR Director who will in turn forward them to the Payroll Manager in order to include them in the payroll as salary deductions and submit them along with the payroll to the Executive Director for review and approval. If the salary deductions are approved by the Executive Director then the Payroll Manager will inform the General Administrator and HR Director of the approval. The General Administrator will issue the Executive Orders of the salary deductions and submit to the Executive Director for approval. Once signed by the Executive Director, the General Administrator will forward the Executive Orders to the HR Director for archiving in the employee personnel files. The General Administrator will send a copy of the Executive Orders to the referred employees.

3.5 Once updates are confirmed, Payroll Manager reviews staff salaries and creates the payroll sheet before the end of the month. The Payroll Manager will:

- Calculate insurance and tax withholdings and ensure they comply with regulations;
- Check with responsible party(s) regarding any change in salary or position, bonuses or deductions;
- Review salaries against budget lines in grant agreements. Any amount that is not directly linked or is above the project budget amount needs to have written approval from the Executive Director to use funds directly contributed by Mercy Hands;
- Answer questions from employees about compensation, benefits, taxes and insurance deductions

3.6 Once the payroll draft is ready, with any changes and additions highlighted, the HR Director will review and sign, and then send to the Director of Finance for review and signature. The Director of Finance will review and sign, and then send to the Executive Director for approval and signature. Finally, HR Director and Director of Finance will print and file the monthly payroll sheet in their respective records.

3.7 Once the payroll sheet is signed by the Executive Director it will be submitted to Finance to process payments. Salaries will be distributed within five working days after the last working day of the pay period.

3.8 Payments are made in the following way:

- Cash payments: The General Administrator, Finance Director, and Finance Officer must each sign the salary slip. One copy is provided to the employee, and one copy is filed by the Payroll Manager.
- Check: The Accounting Department prepares paychecks. Two out of three staff members authorized to handle money transfers must sign the checks to be valid. Accounting keeps a copy of the signed paycheck in their records.
- E-transfer: First, funds must be transferred from Mercy Hands account to AsiaHawala. There are four staff members authorized to handle such transfers (a Project Manager, Logistics & Security Manager, Director of Finance, and Emergency Response Director). Three are authorized for USD and three are authorized for IQD. All three authorized staff members must sign the fund transfer slip. The Finance Department receives AsiaHawala reports for MH record-keeping.
- Wire transfer: All three authorized staff members must authorize wire transfers. The Accounting Department is responsible for printing and filing these records.