STANDARD OPERATING PROCEDURE

Payroll Processing SOP

Document no.	SOP-ACC-003
Revision	1.0
Owner	Payroll Manager
Effective date	September 15, 2026
Review cycle	Every 12 months

1. Purpose

To pay employees the correct amount on schedule, keep payroll data confidential, and give management the approval and reconciliation checks needed to catch errors before funds go out.

2. Scope

Applies to processing a regular payroll run for employees, including timesheets, pay changes, calculation, approval and disbursement. Specific tax withholding rates and filing deadlines follow guidance from payroll tax authorities and the company's compliance team.

Definitions

Gross-to-net	The calculation from an employee's gross pay down to their net pay after deductions and withholdings.
Payroll register	The detailed report listing every employee's pay, deductions and net pay for a payroll run.
Preprocessing report	A draft payroll report reviewed for errors before the payroll run is finalized and funded.

3. Responsibilities

Payroll Specialist	Collects timesheets, processes pay changes, and prepares and runs payroll.
Payroll Manager	Reviews the preprocessing report, resolves exceptions and submits payroll for funding.
HR Representative	Submits new hire, termination and pay change information to payroll.
Controller	Approves payroll funding and reviews the payroll to general ledger reconciliation.

RACI matrix

Activity	Payroll Specialist	Payroll Manager	HR Representative	Controller
Collect and approve timesheets	R	A	-	-
Process new hires and pay changes	R	A	R	-
Review preprocessing report	R	R/A	-	-
Approve payroll funding	I	R	-	A

Activity	Payroll Specialist	Payroll Manager	HR Representative	Controller
Reconcile payroll to general ledger	R	A	-	I

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Materials and PPE

Materials, tools and systems

- Payroll system or payroll module
- Timekeeping system
- Employee pay change forms
- Preprocessing and payroll register reports
- Direct deposit and banking file
- Payroll to general ledger mapping

5. Procedure

Step	Task	Owner	Done
5.1	**Collect and review timesheets** The payroll specialist pulls timesheet data from the timekeeping system for the pay period and reviews it for missing entries, unapproved overtime or unusual patterns.	Payroll Specialist	☐
5.2	**Approve timesheet exceptions** The payroll manager reviews flagged timesheet exceptions, such as missing punches or unapproved overtime, with the employee's manager and confirms the correct hours before processing.	Payroll Manager	☐
5.3	**Process new hires, terminations and pay changes** The payroll specialist enters new hire, termination and pay rate changes submitted by HR into the payroll system, checking each change against the HR-approved documentation. **Checkpoint:** Every pay rate change or new hire entry matches signed documentation from HR before it is processed.	Payroll Specialist	☐
5.4	**Calculate gross-to-net pay** The payroll specialist runs the gross-to-net calculation in the payroll system, applying hours, pay rates, benefits deductions and withholdings for each employee.	Payroll Specialist	☐
5.5	**Review the preprocessing report** The payroll manager reviews the preprocessing report for unusual pay amounts, duplicate entries or missing employees, comparing total pay to the prior period for a reasonableness check. **Checkpoint:** Any pay amount that varies significantly from the prior period is investigated and explained before the run is finalized.	Payroll Manager	☐
5.6	**Correct and finalize the payroll run** The payroll specialist corrects any error identified in the preprocessing review and reruns the calculation before submitting the final payroll register for approval.	Payroll Specialist	☐
5.7	**Approve payroll for funding** The controller reviews the final payroll register total and approves the funding amount before it is submitted to the bank for disbursement.	Controller	☐

Step	Task	Owner	Done
5.8	**Submit payroll for disbursement** The payroll manager submits the approved payroll file to the bank for direct deposit and processes any live checks by the required lead time before pay day. **Warning:** Confirm the funding file was accepted by the bank, since a rejected file can delay pay day if not caught early.	Payroll Manager	☐
5.9	**Distribute pay stubs** The payroll specialist makes pay stubs available to employees through the payroll system's self-service portal or distributes them directly where self-service is not used.	Payroll Specialist	☐
5.10	**Remit payroll withholdings** The payroll manager submits payroll tax withholdings and benefit deductions to the appropriate agencies and providers, following the schedule set by the company's compliance team and applicable payroll tax rules.	Payroll Manager	☐
5.11	**Reconcile payroll to the general ledger** The payroll specialist reconciles the total payroll expense and liability accounts to the payroll register each pay period and reports any unexplained difference to the controller. **Checkpoint:** Payroll expense and liability accounts in the general ledger agree with the payroll register each period.	Payroll Specialist	☐
5.12	**Respond to payroll inquiries confidentially** The payroll specialist responds to employee pay inquiries directly and confidentially, never discussing one employee's pay details with another employee or manager without authorization. **Warning:** Payroll data is confidential. Share individual pay details only with the employee and those authorized to see it.	Payroll Specialist	☐

6. Quality checks

- Every pay rate change or new hire entry matches signed HR documentation.
- Preprocessing report variances from the prior period are investigated before funding.
- Payroll funding is approved by the controller before submission to the bank.
- Payroll expense and liability accounts reconcile to the payroll register every period.

7. Records

- Approved timesheets and exception approvals
- HR-approved new hire, termination and pay change forms
- Preprocessing and final payroll registers
- Payroll to general ledger reconciliation

8. KPIs

- Percentage of payroll runs processed without a correction after preprocessing
- Number of off-cycle or manual check corrections per period
- Payroll processing time from timesheet close to disbursement
- Number of confidentiality incidents related to pay information

9. Common mistakes

- Processing a pay change without documentation approved by HR.
- Skipping the preprocessing report review when the period feels routine.
- Discussing an employee's pay details with someone not authorized to see them.
- Missing the bank's funding file cutoff time and delaying pay day.

10. Revision history

Revision	Date	Description	Reviewed by
1.0	September 15, 2026	Initial release	Ilia Pirozhenko

Approval

Prepared by	Approved by	Date

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