

Payroll audit checklist

Send the second group to the client or provider as one request. Run the tests on the sample, then record each exception with its fix and owner.

Client or engagement

Scope

- ☐ Audit period, entities, states and pay groups written down
- ☐ Preparer and reviewer named
- ☐ Sample chosen from the register
All hires and terminations, plus a random set.

Request from the client or payroll provider

- ☐ Payroll registers for every pay date
Exported from the provider for the full period.
- ☐ Employee master file and change log
Rates, bank accounts, addresses, status changes.
- ☐ Forms 941, Form 940 and state returns for the period
- ☐ Forms W-2 and W-3 for the year audited
- ☐ EFTPS deposit confirmations and tax notices
- ☐ Timesheets for sampled hourly employees
- ☐ Pay statements for the sampled checks
- ☐ Payroll bank account statements
Every month in the period.

Employee file tests, per sampled employee

- ☐ Signed Form W-4 on file
- ☐ Form I-9 completed and kept for the required period
- ☐ Social Security number matches the W-4, the payroll record and the W-2
- ☐ Exempt roles: salary basis and duties documented
- ☐ Signed rate letter matches the register rate
- ☐ Direct deposit form matches the account paid

Payroll tests

- ☐ Roster test: no one paid after termination
- ☐ Duplicate test: bank accounts, addresses, SSNs
- ☐ Hours test: paid hours equal timesheet hours
- ☐ Overtime recomputed by workweek
- ☐ Withholding consistent with each W-4
- ☐ Social security stopped at the wage base
- ☐ Minimum wage: regular pay divided by hours meets the highest applicable rate
- ☐ Voluntary deductions remitted
 - Retirement plan deferrals, garnishments and benefit premiums match the register.*
- ☐ Each deposit made by its due date

Tie-outs and exceptions

- ☐ Each Form 941 equals the quarter's registers
- ☐ Form W-3 agrees with the four Forms 941
 - Any difference reconciled and documented.*
- ☐ Form 940 FUTA wages compared with state unemployment wages
- ☐ Payroll expense and liabilities in the books equal the registers
- ☐ Exceptions logged with dollar effect, fix and owner
 - Form W-2c or Form 941-X where a filing changes.*