Payroll Audit Checklist

Free Payroll Audit Checklist with AI customization. Industry-specific guidance for payroll audit checklist. Build your checklist now.

Payroll System Setup

- ☐ Payroll system configured correctly
- ☐ Company information accurate
- ☐ Tax IDs verified
- ☐ Bank accounts confirmed
- ☐ Pay schedules established
- ☐ Earnings codes defined
- ☐ Deduction codes set up
- ☐ Tax tables current
- ☐ GL mapping correct
- ☐ Security roles defined
- ☐ Audit trails enabled
- ☐ Backup procedures active

Employee Master Data

- ☐ Employee records complete
- ☐ Personal information accurate
- ☐ Tax withholding forms current
- ☐ Direct deposit information verified
- ☐ Pay rates authorized
- ☐ Deductions documented
- ☐ Benefits enrollment accurate
- ☐ Time tracking assignments correct
- ☐ Department codes accurate
- ☐ Job titles current
- ☐ Status changes processed
- ☐ Termination dates recorded

Time & Attendance

- ☐ Time tracking system functioning
- ☐ Time cards/sheets approved
- ☐ Overtime calculated correctly
- ☐ Shift differentials applied
- ☐ Holiday pay accurate
- ☐ PTO tracked properly
- ☐ Leave balances correct
- ☐ Absence reporting complete

- [ ] Time adjustments documented
- [ ] Approval workflow followed
- [ ] Exception reports reviewed
- [ ] Documentation maintained

Payroll Processing

- [ ] Processing schedule followed
- [ ] Time data imported correctly
- [ ] Calculations accurate
- [ ] Gross pay verified
- [ ] Deductions calculated properly
- [ ] Net pay correct
- [ ] Tax withholdings accurate
- [ ] Garnishments processed
- [ ] Manual checks documented
- [ ] Void checks controlled
- [ ] Adjustments approved
- [ ] Reports reviewed

Tax Compliance

- [ ] Federal taxes calculated correctly
- [ ] State taxes accurate
- [ ] Local taxes applied
- [ ] FICA withholdings correct
- [ ] Medicare calculations accurate
- [ ] Tax deposits timely
- [ ] Quarterly returns filed
- [ ] Year-end forms prepared
- [ ] W-2s issued timely
- [ ] 1099s processed
- [ ] Tax notices addressed
- [ ] Compliance maintained

Benefits & Deductions

- [ ] Benefits deductions accurate
- [ ] 401(k) contributions correct
- [ ] Employer matches calculated
- [ ] Insurance premiums current
- [ ] Garnishment calculations correct
- [ ] Union dues processed
- [ ] Voluntary deductions authorized
- [ ] Pre/post tax classifications correct
- [ ] Benefit changes processed timely
- [ ] Reconciliations performed
- [ ] Vendor payments accurate

- [ ] Documentation complete

Payroll Distribution

- [ ] Direct deposits processed
- [ ] Pay cards loaded
- [ ] Physical checks secured
- [ ] Check stock controlled
- [ ] Signature authority proper
- [ ] Distribution documented
- [ ] Unclaimed wages handled
- [ ] Stop payments processed
- [ ] Reissued checks tracked
- [ ] Escheatment compliant
- [ ] Documentation maintained
- [ ] Security preserved

Reconciliation & Reporting

- [ ] Payroll register reviewed
- [ ] GL reconciliation performed
- [ ] Bank reconciliation completed
- [ ] Tax liability reconciled
- [ ] Benefits reconciled
- [ ] Quarter-end reconciliations done
- [ ] Year-end reconciliations complete
- [ ] Variance analysis performed
- [ ] Exception reports reviewed
- [ ] Management reports prepared
- [ ] Audit reports available
- [ ] Documentation filed

Compliance & Controls

- [ ] Segregation of duties enforced
- [ ] Authorization controls active
- [ ] System access restricted
- [ ] Change controls followed
- [ ] Documentation requirements met
- [ ] Retention policies followed
- [ ] Privacy protected
- [ ] Audit trails reviewed
- [ ] Internal controls tested
- [ ] Compliance verified
- [ ] Policies followed
- [ ] Procedures current

Special Payments

- [ ] Bonuses calculated correctly
- [ ] Commissions accurate
- [ ] Severance payments proper
- [ ] Final paychecks compliant
- [ ] Expense reimbursements processed
- [ ] Relocation payments handled
- [ ] Stock compensation tracked
- [ ] Imputed income calculated
- [ ] Grossed-up payments correct
- [ ] International payments compliant
- [ ] Documentation complete
- [ ] Approvals obtained

Audit Trail & Documentation

- [ ] System audit trails active
- [ ] Changes documented
- [ ] Approvals retained
- [ ] Supporting documentation filed
- [ ] Reconciliations documented
- [ ] Error corrections tracked
- [ ] Adjustments explained
- [ ] Reports archived
- [ ] Retention schedule followed
- [ ] Access logs reviewed
- [ ] Security incidents documented
- [ ] Compliance documented

Post-Audit Actions

- [ ] Findings documented
- [ ] Root causes identified
- [ ] Corrective actions planned
- [ ] Process improvements identified
- [ ] Training needs assessed
- [ ] System enhancements considered
- [ ] Controls strengthened
- [ ] Procedures updated
- [ ] Follow-up scheduled
- [ ] Management informed
- [ ] Remediation tracked
- [ ] Success measured