## **Payroll Internal Controls Checklist**

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| ✔ | **TASK** |
|  | **Step 1: To keep your books in order, it’s advisable to open a separate bank account for nothing but payroll transactions**.   * Open a separate payroll bank account |
|  | **Step 2:** **Limit access to payroll records to prevent fraud and abuse.**   * Prevent managers verifying time records from seeing employee pay stubs * Prevent employees entering hours into payroll from changing employee pay rates * Limit bookkeepers to having only viewing access to payroll data instead of editing access |
|  | **Step 3:** **Separate payroll duties to ensure no single employee holds all the keys and has all the information.**   * Have managers verify time records for their teams and approve them before sending to payroll * Assign one payroll employee to enter the logged hours into the payroll system * Assign another payroll employee to verify the hours and process payroll * Have the payroll manager review and oversee the entire process for accuracy |
|  | **Step 4: Conduct regular audits to make sure your payroll records are in order and to prevent fraud.**   * Perform quarterly internal payroll audit * Have an external audit done by an accounting firm or payroll provider |
|  | **Step 5:** **Establish a change authorization process to make sure any payroll changes get at least two sets of eyes on them. Because there’s manual input here, it’s ripe for errors and a review process will help catch any missteps.**   * Establish a change authorization process |
|  | **Step 6: Use software for timesheet and payroll verification to reduce manual input errors. This will ensure your payroll process is as fraud-free as possible.**   * Use timesheet software * Use payroll verification software |
|  | **Step 7:** **Do a final payroll review before submitting for payment. It’s a good idea to have different people do a review to make sure the data is accurate.**   * Conduct final payroll review |
|  | **Step 8:** **Regularly review payroll trends to spot any outliers. This can help you spot signs of errors or fraud.**   * Review payroll trends at least quarterly |