



# Payroll & Employee Testing Memo

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|------------------------|--|
| <b>Client</b>          | Meridian Capital Group, LLC  |
| <b>Period</b>          | FY 2025 (January 1 – December 31, 2025)                            |
| <b>Source Document</b> | Payroll Register — FY2025 Export                                   |
| <b>Source File</b>     | meridian_payroll_fy2025.csv  |
| <b>Source Context</b>  | Exported from Meridian ERP (QuickBooks Enterprise) on Jan 15, 2026 |
| <b>Reference</b>       | PRT-2026-0224-434  |
| <b>Prepared</b>        | 24th February 2026   |

## I. Scope

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Source ... Payroll Register – FY2025 Export (meridian\_payroll\_fy2025.csv)  
Period Tested ... FY 2025 (January 1 – December 31, 2025)  
Total Payroll Entries Tested ..... 520  
Tests Applied ..... 11  
Data Quality Score ..... 94%

The automated payroll testing procedures documented in this workpaper were performed on the payroll and employee compensation detail provided by management for the period under examination. These procedures are designed to identify potential data anomalies that may warrant further investigation by the engagement team. The analysis was performed with reference to the FASB Accounting Standards Codification and applicable professional auditing standards.

## Proof Summary

| Metric            | Value |
|-------------------|-------|
| Data Completeness | 94%   |
| Column Confidence | 92%   |
| Tests Executed    | 11    |
| Tests Clear       | 2     |
| Items for Review  | 50    |

## II. Methodology

The following automated tests were applied to the payroll register in accordance with professional auditing standards (ISA 240: Auditor's Responsibilities Relating to Fraud, ISA 500: Audit Evidence, PCAOB AS 2401: Consideration of Fraud):

| Test                    | Tier        | Description  |
|-------------------------|-------------|--|
| Duplicate Employee IDs  | Structural  | Identifies employee IDs associated with multiple different names, indicating possible data integrity issues. |
| Missing Critical Fields | Structural  | Flags payroll entries with blank employee names, zero gross pay, or missing pay dates.                       |
| Round Salary Amounts    | Statistical | Flags round-dollar pay amounts (\$100K, \$50K, \$25K, \$10K multiples) that may indicate estimates.          |
| Pay After Termination   | Structural  | Flags payments made after the employee's recorded termination date.  |
| Check Number Gaps       | Structural  | Detects gaps in sequential payroll check numbering that may indicate voided or missing checks.               |
| Unusual Pay Amounts     | Statistical | Uses z-score analysis to identify statistically unusual pay amounts per department.                          |
| Pay Frequency Anomalies | Statistical | Flags employees with irregular pay spacing compared to the population cadence.                               |

| Test                      | Tier        | Description  |
|---------------------------|-------------|--|
| Benford's Law — Gross Pay | Statistical | Applies Benford's Law first-digit analysis to gross pay amounts.   |
| Ghost Employee Indicators | Advanced    | Flags employees with ghost employee indicators: no department, single entry, boundary-month-only payments. |
| Duplicate Bank Accounts   | Advanced    | Flags employees sharing the same bank account or similar addresses.  |
| Duplicate Tax IDs         | Advanced    | Flags employees sharing the same tax identification number.  |

**Interpretive Context:** The results presented herein reflect automated data analytics and are intended to support, not replace, professional judgment. Identified anomalies may indicate areas requiring additional inquiry but do not, in themselves, constitute evidence of error, fraud, or material misstatement. The engagement team should evaluate each flagged item in the context of the overall engagement risk assessment and perform corroborating procedures as deemed necessary under applicable professional standards.

### III. Results Summary

Composite Risk Score ..... 28.3 / 100  
Risk Tier ..... MODERATE  
Total Entries Flagged ..... 50  
Overall Flag Rate ..... 9.6%  
High Severity Flags ..... 6  
Medium Severity Flags ..... 17  
Low Severity Flags ..... 27

| Test                      | Flagged | Rate | Severity |
|---------------------------|---------|------|----------|
| Round Salary Amounts      | 22      | 4.2% | LOW      |
| Missing Critical Fields   | 8       | 1.5% | MEDIUM   |
| Unusual Pay Amounts       | 6       | 1.2% | MEDIUM   |
| Check Number Gaps         | 5       | 1.0% | LOW      |
| Pay Frequency Anomalies   | 3       | 0.6% | MEDIUM   |
| Pay After Termination     | 2       | 0.4% | HIGH     |
| Duplicate Bank Accounts   | 2       | 0.4% | HIGH     |
| Duplicate Employee IDs    | 1       | 0.2% | HIGH     |
| Ghost Employee Indicators | 1       | 0.2% | HIGH     |
| Benford's Law — Gross Pay | 0       | 0.0% | LOW      |
| Duplicate Tax IDs         | 0       | 0.0% | LOW      |

### IV. Key Findings

1. EMP-4421 (Robert Nguyen) — 2 payments after termination date (Dec 2025)

2. EMP-3187 (Vacant — No Department) — Ghost employee indicators: no department, single entry, boundary month
3. EMP-2901 / EMP-5512 — Shared bank account ending in 7743
4. EMP-1102 (Sarah Blake) — Duplicate employee ID mapped to different name in Q3 vs Q4

## V. Authoritative References

| Body | Reference  | Topic  | Status  |
|------|------------|--|---------|
| FASB | ASC 710-10 | Compensation — General                               | Current |
| FASB | ASC 712-10 | Compensation — Nonretirement Postemployment Benefits | Current |

## VI. Conclusion

Based on the automated payroll testing procedures applied, the payroll register exhibits a MODERATE risk profile. Flagged entries warrant focused review, particularly ghost employee indicators.

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This memo documents automated payroll testing testing procedures per ISA 240 (Fraud), ISA 500 (Audit Evidence), and PCAOB AS 2401. Results represent data anomalies identified through analytics and are not conclusions regarding internal control effectiveness, fraud, or material misstatement risk. The auditor must evaluate each flagged item in the context of the engagement and perform additional procedures as necessary per professional standards. This memo does not constitute audit evidence sufficient to support an opinion without corroborating procedures. Generated by Paciolus — Zero-Storage Audit Intelligence.