



# Payroll & Employee Testing Memo

<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

<b>Body</b>	<b>Reference</b>	<b>Topic</b>	<b>Status</b>
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.