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protect you and your data.

Lisa Galletti • Apr. 24, 2017



No matter the size of the company or how employees are paid, internal controls are a necessity. Here are my suggestions for payroll-related internal controls that can protect you and your data.

Separation of duties. With payroll, a separation of duties is a necessity both to lessen the likelihood of potential fraud and to catch unintended errors. For example, HR may be responsible for setting up new employee information, assigning the wage rate and creating the work schedule. Payroll staff will be responsible for inputting the payroll data and the processing of paychecks. In smaller companies where there might be a smaller staff, a business owner or trusted manager should oversee the payroll process from start to finish.

Change authorizations. Any changes in an employee’s status (address, withholding

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then pockets the check.

Internal payroll audits. Businesses should make a standard practice of routinely performing periodic internal payroll audits. This may deter a dishonest employee from creating a system to defraud their employer. It might also assist in uncovering unintentional errors that, if allowed to continue unchecked, could result in substantial penalties from regulatory entities such as the IRS, the Department of Labor and state employment departments.

Lisa Galletti is the Payroll Ace/owner of [LMG Payroll Services](#). She lives with her husband and son in rural northern California. After two decades as a payroll specialist, she still loves “all things payroll” and feels it’s the most important part of accounting!

Payroll

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