

## **SEO DETAILS:**

Page Title: Reduce the Potential for Payroll Fraud | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] provides internal controls that companies can implement to reduce the occurrences of payroll fraud.

Headline: Reduce the Potential for Payroll Fraud

## **BODY COPY:**

Your payroll clerk must be one of your most trusted employees. After all, they are the one with the most responsibility for all of your company's bank accounts. Your payroll clerk also has access to your employees' personal information, such as bank account specifics, Social Security numbers and compensation. Unfortunately, these "trusted" employees are usually the ones who are involved in an embezzlement.

Payroll frauds last an average of 30 months, which is one of the longest lasting fraud schemes.<sup>1</sup> The most common payroll fraud schemes involve ghost employees, falsified wages and commission schemes.<sup>2</sup>

The following are simple internal controls that all companies can implement to reduce the likelihood of payroll fraud occurring:

1. If payroll checks are used, they should be printed and distributed by someone other than the payroll clerk.
2. Payroll ledgers and payroll disbursements should be reconciled on a monthly basis by someone other than the payroll clerk. This task includes reconciling the payroll bank statements with the payroll ledgers.
3. Payroll checks or ACH transfers should be issued by a payroll processing company. All taxes should be impounded and paid by the payroll processing company.
4. If you do not use a payroll processing company, a separate bank account should be used to process only payroll checks.
5. The payroll account should be recorded in the general ledger even if the account always maintains a zero balance.
6. Payroll ledgers should be reviewed monthly for ghost employees (e.g., fictitious employees or employees no longer employed at the company).
7. The payroll system should produce exception reports that are reviewed monthly by the controller. Exception reports should include such items as changes in pay rate, excessive hours worked, overtime hours worked, excessive amounts paid, any system overrides, and personnel data changes (such as address changes).
8. All accounting personnel, including the payroll clerk, should be required to take mandatory time off. Employees should be cross-trained so that payroll can still be processed in the absence of the payroll clerk.
9. Payroll bank statements should be opened, reviewed and reconciled by an accounting employee independent of the payroll function.

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<sup>1</sup> Associate of Certified Examiners "2018 Report to the Nation."

<sup>2</sup> IBID

10. An accounting employee independent of the payroll function should verify online (EFTPS.gov) that payroll tax deposits have been remitted properly and in a timely fashion to the IRS by the company or the payroll processing company.

Remember: Most employee theft requires a motive or pressure, rationalization and opportunity.

- Motive/Pressure = financial needs (e.g., medical bills, gambling habit, divorce, peer pressure).
- Rationalization = “I will pay it back” or “I don’t get paid enough”
- Opportunity = weak internal controls

Do what you can now to remove opportunity from the equation so you’re not paying as a result of payroll fraud later.

**CLOSE:**

Do you have questions about payroll fraud and how you can deter employee theft at your company? Please contact [NAME] in our [DEPARTMENT] at [NUMBER/EMAIL].

**SUGGESTED IMAGERY:**



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