

Payroll Fraud Checklist



MP's **payroll management** experts developed a detailed checklist to help employers prevent and address all 7 types of payroll fraud. Review the below items and reach out to MP's payroll team for extended support.

Yes No

Implement cloud-based, digital payroll systems.

Complicated systems—especially paper—are easily manipulated. Cloud-based **payroll software** ensures payroll data is secure, organized, and easy to audit.

Utilize time and attendance software.

Organizations (especially those at risk of buddy-punching) benefit from **time and attendance software**. Digital or biometric systems are challenging to falsify. Software also offers effortless review of time and attendance data, so employers can check for red flags.

Reconcile and audit payroll quarterly (or more frequently).

Audit payroll records at least quarterly. Auditors should be different than the typical payroll employee(s). Payroll software makes audits faster and easier with customized reporting. Just knowing about regular audits helps deter would-be payroll fraud perpetrators.

Separate or outsource payroll duties.

Ensure employees who process payroll don't enter changes or update payroll records. Delegate duties to different employees or use **software with self-service options**.

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Yes No

Look for common red flags.

Encroaching on employee free time adds to burnout.

An employee living a suspiciously extravagant lifestyle.

Employees making substantial new purchases, fancy travel, etc. This isn't always an indicator, but it's in conjunction with other red flags.

Gaps or mistakes in payroll records.

Look into missing payroll records or glaring errors immediately.

Employees who never take PTO.

Employees concerned about payroll fraud schemes being discovered usually worry about taking PTO or sharing work duties.

Canceled checks and blank checks.

Never sign a blank company check. Always ensure canceled checks are indeed canceled.

Report payroll fraud immediately.

Report ASAP to minimize damage. Report fraud to the state attorney general's office or the FBI. Employees who discover payroll fraud should immediately report to a trusted manager.

Carefully evaluate your payroll provider.

Ensure outside payroll providers are trustworthy with sensitive information and vigilant about cyber security. Ask these questions:

Do you have clients in multiple states?

Do you have a certificate of liability insurance?

Can you share some recent references?

Do you adhere to SEC regulations?

Have you won any awards? If so, can you share them?

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