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## **Payroll Fraud**

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Let's face it no matter how good you think your internal controls are there is always room for improvement. No matter how big or small your company may be, below are some quick and easy steps to put in place better controls over the payroll process in your company:

### **Payroll Change Report**

If you outsource your payroll to one of the many service organizations (ADP, Paychex, etc.) your company can have included a change report in the payroll packet it receives. The usefulness in this report is that it makes review for a CFO/Controller easy. The report lists all changes in pay rates, titles, etc. As long as someone separate from the individual entering payroll opens the mail and reviews the report first, you have a solid control over payroll system changes.

### **Control Access**

With any control environment and especially one as sensitive as payroll, the fewer people involved while still maintaining a proper segregation of duties is essential.

### **Direct Deposit Requirement**

Direct deposit has gained popularity and is common at most places, however there are still some employees that request paper checks. The request not only costs the company money in processing fees, etc. but opens up the potential for fraud. Close this potential risk by making direct deposit a requirement.

### **Payroll Specific Bank Account**

The exact amount of net pay should be transferred to the payroll bank account. This procedure allows for a timely, effective reconciliation of the payroll bank account. Further, the control limits exposure to unauthorized disbursements from the payroll bank account.

Stay one step ahead of fraud by annually reviewing your internal control processes, especially in areas deemed to be the most vulnerable. Please contact a GBQ representative at 614.221.1120 if you have questions about this topic.

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