

# PAYROLL *briefs*

DELIVERING BUSINESS INSIGHTS

## Safeguarding Your Company from Payroll Fraud

In any kind of business that issues payroll to employees, the possibility of payroll fraud exists. According to the [Association of Certified Fraud Examiners](#) most recent [Report to the Nations](#), payroll fraud can be financially devastating since it takes place over an extended period of time, and on average, goes undetected for 30 months. Like most frauds, the perpetrators are often some of the company's most trusted, loyal and reliable employees, managers and even business owners.

### Common Payroll Fraud Schemes

There are several ways in which employees can commit payroll fraud. Common types of payroll schemes include:

- **Ghosting employees** – A payroll employee enters a fake employee into the payroll system or continues to issue checks to an employee who no longer works for the company and alters the payment record so the direct deposit payment or paycheck is made out to them for personal use.
- **Unauthorized hours** – Likely the most common type of payroll fraud is employees padding their time with additional hours not worked. A fraudster may ask a coworker to “punch the clock” for them in their absence or assist in covering up tardiness or leaving early. Usually this is done in small increments to escape being caught by a supervisor.
- **Improper deductions** – Employees with access to the payroll system can alter their checks to avoid paying mandated deductions, such as federal and state withholding taxes and Social Security, ultimately leaving the employer left with the bill to pay them.
- **Rate adjustment** – Employees who are friends with a payroll clerk might plot with them to increase the amount of their hourly pay in the payroll system for a period of time, later returning it to its correct pay rate.
- **Fraudulent expenses** – If employees are responsible for covering their own expenses, such as travel, they may be inclined to claim more expenses than they actually incurred for work purposes.

ISSUE 6 | 2019

### Service Offerings

- Payroll Processing
- Payroll Tax Filing & Compliance
- Time and Attendance Solutions
- Direct Deposit of Pay
- Employee Self Service (🍏 / 🤖)
- Wage Garnishment Compliance
- Report Writer (Payroll Control™)
- 401(k) 360 Data Interchange
- ACA / W-2 Compliance
- Applicant Tracking
- Onboarding
- Human Capital Management
- Benefit Administration Solutions
- General Ledger EDI
- Workers' Comp Audit Report
- Time Off Accruals

### Don't Forget...

Daily payroll cut-off  
time is 3:00pm EST



(248) 244-3293  
Customer Service  
8:30am-5:00pm EST M-F



(248) 244-3271



cs3293@dmpayroll.com

*Continued on back*

Continued from front

Simple • Secure • Accurate

- **Commission fraud** – Often perpetrated by sales employees, this type of fraud occurs when an employee inflates sales numbers in reporting systems to receive higher-than-earned commissions.
- **Unpaid advances** – An employee requests an advance on their pay, but never makes an effort to pay it back. Often this goes unnoticed due to inappropriate monitoring by accounting staff to collect on the repayment.

### Prevention Steps to Take

Having strong internal controls in place is the best way to overcome payroll fraud. Consider implementing some of these best practices to minimize its risk to your business:

- Create a separate payroll account to pay regular payroll and bonuses separate from your general business accounts.
- Separate payroll set-up, approval and processing functions with a proper checks and balance system in place.
- Review payroll reports after payroll has been approved and processed to verify payee names, rates of pay, hours and deductions are appropriate.
- Require managers to approve timesheets and overtime requests.
- Have a monthly procedure in place to review advances and monitor repayment efforts.
- Cross train and rotate job duties of employees in payroll and human resources.
- Conduct an independent internal audit to double check your company's finances and operations, including payroll.
- Establish a zero-tolerance policy for fraud and prosecute violators to set an example.

DM Payroll Services does its part to help clients ensure proper measures are taken to safeguard their payroll from fraud. However, if you suspect payroll fraud within your organization, [contact us immediately](#). Not only can we help mitigate any further theft, but working with our affiliate CPA firm [Doeren Mayhew](#), we have a team of Certified Fraud Examiners that can help uncover the hidden evidence.

### Health Savings Account Limits for 2020

Health savings account (HSA) contribution limits for 2020 are going up. [The Internal Revenue Service \(IRS\)](#) recently confirmed a \$50 increase for self-only coverage and a \$100 increase for family coverage due to annual inflation adjustments.

For 2020, the annual limit on HSA contributions will be \$3,550 for individuals with self-only coverage and \$7,100 for family coverage. Catch-up contributions for those over the age of 55 will remain the same at \$1,000.

Along with solidifying the HSA contribution limits, the IRS also confirmed minimum deductible and maximum out-of-pocket expense adjustments for high-deductible health plans paired with HSA plans via [Revenue Procedure 2019-25](#). For these plans, the minimum deductible for 2020 is not less than \$1,400 for self-only coverage or \$2,800 for family coverage, and the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) cannot exceed \$6,900 for self-only coverage or \$13,800 for family coverage.