

Having a system of checks and balances is an important theft deterrent, said Mason Wilder, certified fraud examiner and a research specialist at the Association of Certified Fraud Examiners (ACFE) in Austin, Texas. Prior to ACFE, he worked in corporate security intelligence and investigations for seven years.





"It's just a great organizational practice to have a separation of duties, especially when it comes to the departments that handle money and authorized payment. You might not want the person with access to blank checks to also be the authorized payer. You want to split up those functions as much as you can," Wilder said.

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It's easier for ghost employees to exist when a business supports a workforce in remote locations, according to Scott Bales, vice president of solution engineering and delivery at Replicon—an information technology and services firm in Redwood, Calif.

"The remote nature [adds] a layer of cover to these types of ghost employees" involving a third party, Bales said.

He recalled a Fortune 500 company that used a vendor to administer payroll in different countries. At one location, the vendor wrote and delivered a check to a ghost employee every month for years, with the vendor keeping a portion of the proceeds.

Red Flags

It's difficult to put a number on how widespread ghost employees are, ACFE's Wilder said, because many companies do not report to authorities fraud that occurs within the organization. However, based on ACFE's *Report to the Nations*, which is a compilation of survey responses from its members, payroll fraud is more common in the U.S. than in other regions.

Tips are the most common way employers learn of fraud (https://www.acfe.com/uploadedFiles/ACFE_Website/Content/rtnn/2018/RTTN-Asia-Pacific-Edition.pdf), according to the ACFE. Slightly more than half of those tips come from employees. Telephone and e-mail hotlines and a web-based tip form are the more popular reporting mechanisms that employers provide.

The ACFE suggests that employers, to protect themselves, pay attention to five categories of red flags:

- Employee information anomalies. An employee's Social Security number (SSN) is not listed, or multiple employees have the same SSN; an employee doesn't have any deductions—for taxes or benefits—coming out of the paycheck; or there are multiple address changes within a year or so.
- Payroll-register anomalies for direct deposits. The same bank account number is used for multiple employees, potentially indicating a ghost employee's paycheck is being deposited into the same account another employee uses. Multiple bank accounts for one employee's paycheck could potentially indicate that a ghost employee's paycheck is being split between co-conspirators, Wilder said.
"There is potential for overlap between the two, but they are also distinct red flags," he noted.
- Payroll-check anomalies. Multiple checks are issued to an employee within one pay period, or an image of the payroll check shows it was endorsed by someone with a name different from the payee's.
- Bonus or pay-increase anomalies. An employee receives a bonus at a time different from the company's typical bonus distribution, or an employee receives multiple pay increases within one year.
- Employee time-off trends. An employee hasn't taken any paid time off or sick leave for an entire year, or the person processing payroll never takes vacation. Forced vacations or rotation of duties are an effective control, Wilder said.

But tread quietly while investigating, Files cautioned.

"When [fraud is] discovered, one must keep very quiet and follow the money to find the criminal. Outside help is a must, so the person stealing the money does not know you are looking for them," he said.

Preventive Actions

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Being a little more diligent. Don't be absent. Check user profiles. Files suggested the following preventive actions to help keep your workplace free of mischievous spirits:



- F** 1. **Implement hiring protocols** that include checking the candidate's SSN and driver's license.
2. **Periodically run all employees' SSNs** through the Social Security Administration website (<https://www.ssa.gov/employer/ssnv.htm>)—especially of those working in sensitive positions—and follow that up with a background check. Other websites for checking employee identification include E-verify (<https://www.e-verify.gov/>) or the IRS website (<https://www.irs.gov/government-entities/federal-state-local-governments/taxpayer-identification-matching-tin-tools>).
3. **Have a checks-and-balances system** for hiring and payment.
- "For fraud or error to occur you have to have a single point of control," Files said.
4. **Use a payment system that requires employees to identify themselves.** If this involves using an electronic swipe system, scrutinize whether the same two people consistently swipe their cards at about the same time. This could indicate that someone is swiping a second person's badge without the second person reporting to work.
5. **Scrutinize how consistent employees' hours are.** If the hours never vary, it could be a red flag signaling a ghost employee because the fraudster wants "to make sure no one looks at this person," Files said.
6. **Be suspicious if someone requests paper checks** in lieu of automatic bank deposits and if a personnel folder contains scant information on a so-called employee.

Wilder suggests employers conduct regular audits—such as comparing payroll files against the master employee file—even if there are no red flags.

"Stay out in front of things," Wilder said, "instead of reacting."

Have You Been Ghosted?

Although the thought of ghost employees roaming your hallways might just send chills up your spine, it is not the only way HR professionals and hiring managers are being haunted. Sometimes, new hires just don't show up at all, or dependable employees just vanish without a trace (www.shrm.org/hr-today/news/hr-news/pages/ghosting-behavior-baffles-hr-pros,-hiring-managers.aspx?_ga=2.27943870.380125090.1535980725-1920899540.1532521964).

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