

# Ask The Expert

## Purloining Via Padded Payrolls

Mary handled all aspects of payroll for her organization, including transmission of pay information to the outside payroll vendor. Weekly, she downloaded the payroll, updated her system and received reports provided on cds. Her process was the most efficient system one could implement and paperless.

One evening, the organization became suspicious of Mary. They printed a payroll register from one of the file cds and learned Mary was embezzling from the organization – through her own payroll. Her responsibilities included setting up deduction codes for items like wage garnishments and 401K loan repayments. Using these codes for her own payroll, and reversing the fields so that deducted amounts from her gross pay were added to her net pay, she doubled her net pay. Undetected for four years, Mary embezzled over \$400,000!

Using an outside payroll service like ADP, Paychex, or Ceridian *does not* replace the need for sound internal controls and procedures within your business or organization. **At a minimum**, someone independent of payroll processing, an owner or a primary check signer, should review every payroll register and report for reasonableness to ensure nothing fictitious or suspicious occurs through payroll.

As with all financial areas of your business, trust but verify, and remain vigilant!

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