

Payroll Fraud Schemes Every Dental Practice Should Know

According to the Association of Certified Fraud Examiners, nearly 30 percent of businesses are victims of payroll malfeasance, with small businesses twice as likely to be affected as large businesses. Here are three scary payroll fraud schemes you need to know:

- **Ghost employees.** A ghost employee does not exist anywhere except in your payroll system. Typically, someone with access to your payroll creates a fake employee and assigns direct deposit information to a dummy account so they can secretly transfer the money into their own bank account.
- **Time thieves.** Time stealing happens when employees add more time to their timecard than they actually worked. Sometimes multiple employees will team up to clock each other in earlier than when they arrive or later than when they depart for the day.
- **External swindlers.** A popular scam, known as phishing, starts with a fraudster impersonating a dental practice owner or vendor through email or over the phone asking an employee with access to payroll data to wire money or provide sensitive information. These imposters can make the correspondence look very real by using company logos, signatures and email addresses.

Tips to combat payroll fraud

Being aware of the threats is a start, but you also need to know how to stop them. Here are some tips to reduce your dental practice's payroll fraud risk:

- **Better internal controls.** While most employees are trustworthy, giving too much control over your payroll to one person is not a good idea. Separating payroll duties and formalizing an approval process protects both your practice and your employees.
- **Review payroll records.** Designate someone outside of the payroll-processing department to periodically review the payroll records. Have them review names, pay rates and verify that the total payroll matches what was withdrawn from the practice bank account.
- **Perform random internal audits.** During an internal audit is when you can really get into the details to look for potential payroll fraud. You can do an in-depth review of the whole payroll system or select a random sample of dates and employees. Keep the timing of the audit under wraps to prevent giving someone the chance to cover up their misdeeds.

Managing your dental practice payroll is a daunting task by itself, and actively protecting against fraud adds additional complexity. Please call for help with your practice payroll needs.