

# Payroll Fraud Red Flag Checklist

Spot the signs before they cost you big.

Instructions: Review this checklist monthly. If you check “Yes” for any item, investigate further to confirm whether it’s a legitimate anomaly or a potential fraud indicator.

## 1. Employee & Bank Account Red Flags

- Paychecks to employees you don’t recognize.
- Multiple employees sharing the same bank account.
- Former employees still receiving paychecks.

## 2. Pay Rate & Hours Anomalies

- Pay rate changes without signed approval or HR documentation.
- Unexplained overtime that doesn’t match workload or season.
- Commission or bonus amounts unusually high compared to sales.
- Frequent “manual adjustments” or off-cycle payments without explanation.

## 3. Documentation & Access Concerns

- Payroll changes made by employees without proper authority.
- Payroll system access limited to one person with no cross-training.
- Resistance from payroll staff to share reports or take vacation.

## 4. Data & Report Discrepancies

- Payroll reports that don’t match timesheets, schedules, or HR records.
- Payroll totals in bank statements that don’t match payroll provider reports.
- Rising payroll costs without a matching increase in staff or productivity.

## Pro Tips for Prevention

- Always separate payroll duties (entry, approval, and review).
- Compare payroll registers to the official employee roster every cycle.
- Reconcile payroll withdrawals with reports every pay period.
- Conduct random, unannounced payroll audits.
- Involve a CAS/accounting professional in quarterly reviews.

One “Yes” might be a fluke. Multiple “Yes” answers or “Yes” answers payday after payday? That’s your cue to start asking tough questions.



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