

5 ways employees could be scamming your time and attendance system

What is time clock or time card fraud? Well, remember that kid from elementary school who was always trying to figure out a way to change the grades on his report card? He's still out there. Only now he's an adult, and he's trying to figure out a way to scam his company time sheets. He's adding to his pocket and taking away from your bottom line in the process.

While most employees are honest, there are usually a few you might want to keep your eye on. When it comes to time clock fraud, even padding each work day with just a few extra minutes adds up.

For example, let's say you pay someone \$10 an hour 40 hours a week. Unbeknownst to you, he also claims two hours of overtime (that he didn't earn) each week.

With overtime at the time-and-a-half rate of \$15, you're paying an extra \$30 a week. That could add up to \$1,560 a year. Multiply that by a couple people, and you've got a serious problem on your hands.

The opportunity for time clock fraud exists and unfortunately some employees will try to profit from your loss. Your job is to stay one step ahead of any potential deception.

Here are five common ways your employees can dupe your time and attendance system.

1. Buddy punching

If your company still relies on machine-stamped time cards, you may be susceptible to time card fraud. For all the great work your employees do, some may be inclined to ask a friend to punch their card for them when they're running late. And when their teamwork goes unnoticed, this can quickly become a costly habit.

2. Inflating work hours

With paper-based time recording systems, it's easy enough for employees to write down that they came in at 8 a.m. when they really came in at 8:45 a.m. or to record that they worked until 6 p.m. when they actually left at 5 p.m. on the dot.

Unless your company has attentive managers who have the time and diligence to double-check, you could be paying employees for work hours they didn't earn.

Even with machine-stamped time cards, people find ways to inflate hours – sometimes waiting to clock out long after they’ve stopped working. If your company policy is to round up to the next 15 minutes, even intentionally clocking out at 5:01 can buy 14 minutes of extra work credit every day. In a year, that could add up to an entire extra week’s worth of pay.

3. Unscrupulous data entry

If your attendance data has to be retyped from time sheets or time cards into a payroll system, a less-than-principled typist can easily change the numbers.

In addition to outright fraud, this kind of system is prone to typos and mistakes, and any handwritten time records are also at the mercy of legible handwriting.

The less you have to rekey your time and attendance information, the more accurate your data and the more accurate your payroll.

4. Favoritism

Though collusion with another coworker may not be common, it happens. For example, if a project comes in that must be done in a hurry, would you hand it to Ellen, who is already into overtime? Or to Dan, who has time to finish the job within his 40-hour work week?

If the scheduler prefers Ellen, you may unnecessarily be paying time-and-a-half to get that job done. Now, granted, there may be other factors involved. Maybe Ellen is more suited to get the job done right. Maybe your time system doesn’t track hours in real-time and the supervisor didn’t know whose hours were headed into overtime, but unless you have the data in front of you, there’s no way to tell.

5. Human error

Though not necessarily fraud, some employees fill in time sheets at the end of their work period – days or even weeks since they worked those hours. Would you accurately remember how long you took lunch two weeks ago? Probably not.

Spotting time and attendance scamming

Training supervisors on how to spot time clock scamming is often your first defense when it comes to ensuring employees are following time and attendance policies. While there’s nothing wrong with being aware of your employees’ arrival and dismissal habits, be cautious of becoming a micromanager.

The [Sage Time and Attendance by Insuperity](#) solution is a comprehensive, state-of-the-art workforce management solution that enables you to collect, analyze, and take immediate control of your employees’ attendance and labor data—online and in real time.

You can avoid potentially deflating habits toward employees by relying on technology to handle the task for you. If you're not already doing so, consider implementing a key card access system that tracks when employees enter and exit your facility. While not foolproof, an automated system monitors employee traffic and generates reports that you would otherwise track manually.

Security cameras also prove useful in this area, allowing you to actively monitor employees without creating a scenario where employees feel they are constantly being hovered over. After all, you have better things to do anyway. Security cameras also provide an additional purpose by serving as a deterrent for unwanted guests (or your own employees) who may commit a crime at your business.

Depending on your workforce's accessibility to company issued computer systems, there may be logs for when employees access your network, specific programs or check their email account, regardless of their location. This is also a great way to give yourself an idea of when remote employees "come" and "go" throughout the day.

Intervening and correcting behavior

Before you intervene and attempt to handle employee attendance issues, ensure you have a company policy that addresses your time and attendance guidelines and potential consequences for time clock fraud. You may even want to make the acknowledgment a part of your employee onboarding by having new employees sign the agreement while completing new-hire paperwork.

You take the time to carefully vet all new hires. And as hard as you try to ensure an honest workforce, some employees may be tempted to add a few extras hours to their paycheck. If you suspect an employee may still be going against company policy, privately address the situation, documenting the conversation and expectations going forward. It should be stressed that falsification of time cards is stealing and is not taken lightly. Remind the employee that they should not:

- Clock in/out for other employees
- Ask coworkers to clock them in/out
- Change hours worked for a given period

Even if you can't prove an employee may be falsifying their time sheet or having another employee do so for them, you may notice that an employee is consistently getting overtime.

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Your employee handbook should clearly state an overtime policy for your organization. If your guidelines state that overtime must be approved in advance, take that opportunity to counsel the employee for previously working unapproved overtime hours; although, the overtime must still be paid to the employee.

Disciplining the employee

Make no mistake, scamming time sheets is stealing. And as an employer, disciplining employees probably doesn't rank high on your list of things to do.

One approach is to tailor your corrective action to match the severity of the violation. Is this a problem that has been going on for some time? Maybe it was an honest mistake. You may be able to provide one-on-one counseling to the employee, developing a long-lasting relationship.

If verbal and written counseling actions fail, you may find termination to be the best course. It's always recommended to follow your organizations corrective discipline process before reaching a decision to terminate an employee. Be sure to retain all documentation supporting the corrective discipline process, including policies that were violated, signed policy acknowledgements, counseling records and any additional documentation that will support the termination.

In certain situations, if any behavior has been egregious, an employer may determine they need to move directly to termination without prior counseling. For example, the person responsible for processing payroll may have been intentionally changing records to provide employees with a different amount of pay than they are due.

For such serious matters, it's critical to seek legal counsel before acting on your decision, as there may be a hefty amount of liability associated with the termination. You'll also want to explore if there is any other sensitive information the terminated employee had access to that may have been misused or puts other employee information at risk.

Mitigating the problem

Today, a wide array of sophisticated, affordable time and attendance systems can help you minimize and even prevent time clock fraud before it happens.

For example, web punching, mobile punching and biometric systems that use hand and finger scans can prevent a lot of problems. If you go the biometric system route, be aware that many locations require additional steps to comply with laws surrounding the use of biometric technology – don't create a new issue in search of a solution.

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With your due diligence out of the way, you'll find that these systems more accurately match the punching with a specific person, a specific IP address or even a GPS location. They can also track important data that helps supervisors and management enforce rules, see real-time workforce hours and be able to schedule accordingly.

They can even integrate with your HR management software to connect scheduling with timekeeping and payroll. By eliminating the need to retype or transfer information from one system to another, you save time and leave less room for human error. With this new-found time, you can get back to focusing on what matters most.

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