TEAM Software

Preventing Fraud with Time and Attendance Technology

HOW ONE COMMERCIAL CLEANER BUSTED GHOST EMPLOYEES

SUMMARY

Tom Wilkinson, owner of Connecticut-based commercial cleaning company Advantage Maintenance, was haunted by a big problem: ghost employees. These non-existent workers cost his company an estimated $1 million in fraudulent labor wages over 10 years. The company implemented time and attendance technology and improved hiring and payroll practices to prevent fraud and control labor costs, saving significant money by the end of the year.

Tom Wilkinson's Connecticut-based janitorial service company was haunted for nearly a decade, and he didn't even realize it. His company, Advantage Maintenance, Inc., employs about 500 people, but according to Wilkinson, a handful of the people the company paid over 10 years never actually worked for the company. These so-called ghost employees cost the company nearly $1 million in fraudulent labor wages.

A ghost employee is a person on the payroll who doesn't work for the business. The employee may be a real person whose identity is used for fraudulent purposes, or the employee may be a fake person made up by someone in the company. Either way, the company winds up paying these employees for work they never did, and someone else pockets the paychecks. Like buddy punching and other forms of time theft that plague the commercial cleaning industry, ghost employees cost the company both from a financial and reputation standpoint. But, unlike buddy punching, creating and maintaining ghost employees is one of the more complicated forms of fraud.

Just ask Wilkinson, who discovered an elaborate scheme involving several managerial-level employees and over a dozen suspected ghosts. A combination of paper time sheets and gaps in the hiring, payroll and management process put the dishonest employees in a position to steal from the company unnoticed for an extended period.

The first mistake, according to Wilkinson, was allowing the payroll department to process applications without ever seeing or talking to the new employee. The area manager would meet with a new hire in the field and collect the application and appropriate identification. If the ID was judged to be authentic, per I-9 requirements, the employee was hired. They used paper time sheets to track employee time and paid employees based on that information via paper check, or later, by direct deposit or pay cards for those without bank accounts. Area managers then distributed those paychecks or pay cards to employees they directly supervised. Managerial staff monitored labor costs and other expenses through a report. With some small exceptions, actuals always equaled the budget so no red flags were raised. But, no one ever went to the job sites to verify the number of employees onsite.

That is, until June of 2017, when company leadership grew suspicious of one area manager's handling of a job site. Wilkinson personally went to the five-story building at the job site to gauge the labor hours involved in cleaning the place. His estimates came in well under the hours paid out at that job site in two out of the past three years, indicating some type of fraud. Further investigation uncovered other discrepancies.

For over 10 years, ghost employees haunted Advantage Maintenance, Inc. costing the company nearly $1 million in fraudulent labor wages.

> **This all could have been prevented by using TeamTime. I would hate to see this happen to another contractor.**

"Once we terminated the area manager, we decided not to pay anyone we thought might be a ghost," said Wilkinson. "Our idea was simple: See who shows up at the office complaining they didn't get paid."

No one showed up, according to Wilkinson, confirming the existence of ghosts.

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"One job site was bid and budgeted for nine cleaners," said Wilkinson. "Our investigation indicated that the area manager had only seven employees, plus two ghosts."

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Wilkinson estimated those two ghost employees at that one job site cost the company almost $250,000 alone. He estimates the total loss over the 10-year period at about $1 million.

"This all could have been prevented by using TeamTime," said Wilkinson. A TEAM Software client since 2005, Wilkinson noted that they hadn't implemented the time and attendance software for various reasons over the years, mostly because their process seemed to be working and he trusted his employees. "I would hate to see this happen to another contractor."

TeamTime is an automated time and attendance solution that is integrated with WinTeam, the core financial, operations and workforce management software from TEAM. In addition to eliminating the need for paper time sheets and manual, often flawed, data entry processes, TeamTime reduces errors and makes timekeeping information immediately ready for payroll, invoicing and reporting. This kind of technology helps commercial cleaning companies manage their distributed workforces more effectively and control labor costs.

Now, all Advantage Maintenance employees must use TeamTime to clock in and out of jobs. Some employees call an 800-number using TeamTime's telephony component. The company also requires each employee to use a different phone number to call in to prevent employees from clocking in for each other (buddy punching). If the caller ID indicates employees used the same number, they simply won't get paid.

Other employees use TeamTime on a mobile app called eHub, TEAM's online and mobile workforce management solution, that has a GPS feature which allows employees to clock in when they arrive within the

geofenced area at the job site. And, for larger sites, Wilkinson recently implemented TeamTime Portal. From a Windows-enabled tablet, TeamTime Portal uses biometric fingerprint and facial images to verify identity and allow employees to clock in. These "ghostbusters in the field," as Wilkinson calls them, allow Advantage Maintenance to tailor the time and attendance process to site needs.

Besides preventing time theft, integrated time and attendance technology has other benefits, too.

"We basically are processing payroll daily in eHub," said Wilkinson, meaning that supervisors make adjustments to timekeeping on a daily basis in eHub,. Those adjustments are approved by the operations manager, so when payroll time comes around, the timekeeping information is accurate and already in the payroll system.

"TeamTime is a big selling point for us, too," Wilkinson added. "What we're selling our customers is labor. If we spec out four hours of labor and employees are getting out in three, we're ripping off the client. Ultimately, you're going to run into problems on the job site."

In addition to adding integrated time and attendance technology, Wilkinson cleaned up the company's hiring processes. They now require employees to apply in person at one of the company offices if they live within an hour's drive. For those who live farther away, an HR or payroll employee calls the person to verify their identity and application information. Advantage Maintenance also uses E-verify and background checks to validate employee identity and eligibility to work in the U.S. Employees are also required to present a voided check to set up a direct deposit. For those without bank accounts, they must pick up pay cards in person or receive them via certified mail. Area managers never touch another employee's pay card.

And, ultimately, Wilkinson's efforts to bust ghost employees using time and attendance technology and better hiring and paying processes has paid off. By the end of 2017, the accumulated effect of controlling labor costs caused a cash flow problem for the company — a good one.

"Because of all this extra money, we're going to hire another person in the back office," he said.