SAMPLE

Ghosts on the Payroll

The Hidden World of Fake Employees, Phantom Workers, and Employment Fraud

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Free sample: Introduction & Chapter 1

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Contents

Introduction

Chapter 1: Anatomy of a Ghost — The Scheme and Its Many Forms

Chapter 2: How the Scheme Works — The Lifecycle of a Payroll Fraud

Chapter 3: The Fraud Triangle — Who Steals, and Why

Chapter 4: The Corporate Record — Payroll Fraud in the Private Sector

Chapter 5: The Mob's No-Show Jobs — A Century of Phantom Labor

Chapter 6: Ghost Armies — National Security and the Phantom Soldier

Chapter 9: Building the Anti-Ghost Organization — Prevention and Controls

Chapter 10: The Future of the Phantom — Remote Work, AI, and the Arms Race

Afterword

This free sample contains the Introduction and Chapter 1. The complete book contains the full contents above.

Introduction

Every month, in every organization on earth, a machine quietly executes one of the largest recurring transfers of money in the modern economy. It is called payroll. Rent is paid yearly, suppliers quarterly, taxes annually in part — but payroll runs every month, without ceremony, moving vast sums through systems that are trusted by default and examined almost never. For most companies, it is the single biggest expense line. And for a certain kind of criminal — almost always an insider, almost always trusted — it is the perfect place to steal.

The ghost employee is the oldest trick in the fraud book, and one of the most quietly devastating. The scheme is almost embarrassingly simple: an employee who does not exist is added to the payroll, and every pay period, a real paycheck is issued to a fake person — collected, cashed, and split between the fraudster and whoever helped create the fiction. No goods are stolen. No inventory disappears. Nothing is broken into. The money simply leaves the building, month after month, sometimes for years, wearing the most convincing disguise in the world: the appearance of a normal business cost.

The scale of the problem is staggering. The Association of Certified Fraud Examiners, whose annual Report to the Nations is the closest thing occupational fraud has to a census, estimates that the average organization loses about five percent of its revenue to fraud each year — and payroll schemes, ghost employees chief among them, account for a meaningful share of it. The median payroll fraud runs for about two years before anyone notices. Some run far longer. When they finally surface, they surface with a peculiar cruelty: the discovery is almost always made not by an audit, but by a tip — a co-worker who noticed something, a supplier who never got paid, an anonymous call to a hotline.

And this is only the private sector. Around the world, the ghost employee is a chronic condition of government payrolls, and the numbers move from thousands to millions. Kenya's biometric audits of its civil service found thousands of workers who did not exist. Nigeria's central payroll system, built specifically to hunt ghosts, has purged tens of thousands of them. Afghanistan's security forces were paid, for years, for soldiers who existed only on paper — money that flowed to commanders and vanished into a war economy. India has fought for decades against teachers who draw salaries but never see a classroom. Pakistan, Ghana, Uganda, Iraq: wherever public payrolls grow faster than public scrutiny, ghosts gather.

Then there is the version with the longest pedigree of all: the mob's no- show job — the union construction worker, the airport loader, the ghost on the docks — a mechanism organized crime has used for a century to place its soldiers on legitimate payrolls, launder money, and collect pensions for people who never worked a day.

This book is the complete story of the ghost employee: what the scheme is, exactly how it works, who does it and why, where it has struck, what it costs, and — most importantly — how it is caught. It is a tour of the hidden world of phantom workers, written from the public record of fraud examinations, government audits, court cases, and the testimony of the investigators who hunt ghosts for a living.

The world of payroll fraud is stranger than fiction, and more instructive. Because the ghost employee scheme is, above all, a lesson in trust — how organizations extend it, how criminals exploit it, and how the most dangerous person in any building is rarely the one who breaks in, but the one who holds the keys.

Consider this book a field guide to the people who are not really there.

Chapter 1: Anatomy of a Ghost — The Scheme and Its Many Forms

The term "ghost employee" conjures a single image: a fake person on a payroll. In practice, fraud examiners use a whole taxonomy of phantom-worker schemes, and the differences matter — because each one exploits a different weakness, and each requires a different cure.

The textbook ghost employee scheme is exactly what it sounds like. Someone with access to the payroll system — or enough influence over the person who has it — creates a worker who does not exist. The fake employee is given a name, a bank account, a tax profile, and a salary. In the crudest cases, the ghost is an invented person entirely; in more sophisticated ones, the fraudster uses the identity of a real but unaware individual, or of a departed employee who was never properly terminated. Every pay period, the ghost is paid like everyone else. The money lands in an account controlled by the fraudster — or is collected by an accomplice who cashes the check and returns most of it, keeping a cut.

The ghost can be entirely fictional, or a real person rendered invisible: a former employee who left but was never removed from the system, a contractor whose contract ended, even a deceased worker whose death was never processed. The one thing all versions share is the same essential fact: a payment is made, and no work is done in return.

A close cousin, with one important difference: the no-show employee is a real person — who simply never shows up. No-show jobs are the signature scheme of organized crime, where the point is not only the money but the placement: a mob associate on a legitimate payroll gains a legitimate income, a union book, health coverage, a pension credit, and a reason to be seen coming and going. The money matters. The cover matters more.

Not all ghost employees are fully fake. In the time-clock economy, the ghost is often a real worker paid for hours they never worked. Buddy punching — one employee clocking in for a colleague who is absent — creates, in effect, a part-time ghost: the person being paid exists, but their paid hours do not. Scaled across a large hourly workforce, time theft alone can cost an employer millions a year, one fabricated shift at a time.

The family extends further. Ghost vendor schemes use the same logic on the payments side: a fictitious supplier is created, invoices are submitted, and the organization pays for goods that were never delivered. Ghost vendor fraud is the mirror image of ghost employee fraud — one attacks the payroll, the other

the accounts payable file — and the two are often operated by the same people in the same organizations, because the enabling weakness is identical: a trusted insider with the power to add a payee.

Finally, there are the schemes that inflate rather than invent. The employee who awards themselves an unauthorized raise or bonus. The salesperson who claims commissions on deals that collapsed, or on the work of others. The manager who pockets the difference between a terminated subordinate's pay and the ghost that quietly replaces them on the ledger. Fraud examiners classify these as payroll schemes too, because they travel the same pipe: they are payroll payments, deliberately misdirected or misstated.

What unites every species of ghost is the perfect camouflage of the payroll itself. Payroll is designed to be boring. It is a routine transaction, repeated identically every period, processed by systems whose defining feature is that nobody looks at them closely — because looking closely at millions of routine transactions is precisely what no organization can afford to do. A fraud that hides inside a routine is a fraud that must actively be hunted to be found.

And payroll has a second gift for the fraudster: the amounts are small. A ghost earning a modest salary draws a modest check. Month after month, the theft stays below every threshold designed to attract attention. Fraud examiners call this "structuring under the materiality line" — the median payroll scheme in the ACFE's global data involves losses of a few tens of thousands of dollars a year, an amount that in any large organization is a rounding error, and over a few years becomes anything but.

| Feature | Ghost Employee | No-Show Job | Buddy Punching | Ghost Vendor | |---|---|---|---|---| | The "worker" | Fabricated or departed person | Real person, absent | Real person, absent hours | Nobody — a fake supplier | | The attack surface | Payroll master file | Hiring and attendance | Time and attendance system | Accounts payable | | Typical operator | Payroll/ HR insider or manager | Corrupt gatekeeper, organized crime | Rank-and- file colleagues | Purchasing/ AP insider | | Typical duration | Years | Years to decades | Months to years | Months | | Signature red flag | No residue of existence | Present in records, absent in life | Matching punch patterns | Deliveries nobody received | | First defense | Independent onboarding verification | Physical presence verification | Biometric time clocks | Three-way matching |

The result is a scheme that is easy to commit, easy to sustain, hard to detect by accident, and disproportionately likely to be found by a tip from a human being who noticed something no audit was ever going to see. Before we meet the ghosts, we need to meet the machine they haunt.

End of free sample. The full book is available at putrabooks.github.io