

Overtime Fraud

An integrity and governance challenge for modern organisations.

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A silent threat to integrity

“Overtime fraud thrives where high-volume legitimate overtime masks fraudulent claims, and where governance relies heavily on trust rather than verification.”

Overtime fraud — sometimes referred to as overtime theft — represents a silent but pervasive threat to organisational integrity and governance. It is not merely a payroll anomaly; it is a systemic governance failure that erodes financial controls, undermines managerial accountability, and weakens the ethical culture organisations strive to maintain.

Traditional oversight mechanisms — single-layer manager approvals, periodic manual audits, and reliance on high-trust environments — have proven insufficient against increasingly sophisticated yet low-complexity fraud tactics.

This paper draws directly from the whitepaper *The Silent Shift: Solving the Pervasive Problem of Overtime Theft* to examine overtime fraud as a core integrity and governance issue. It highlights real-world patterns, organisational vulnerabilities, common tactics, and the limitations of conventional controls — and outlines pathways toward more resilient, data-driven governance.

The purpose of this paper

To stimulate thoughtful discussion among leadership teams: How robust are our current controls? Where might subtle integrity risks be hiding in plain sight? And what modern tools can strengthen both financial integrity and organisational culture?

SECTION 01

The scale and impact of overtime fraud

Overtime fraud affects organisations across industries and geographies — healthcare, government, transportation, public utilities, law enforcement, and private enterprise alike. Losses frequently run into the hundreds of thousands or even millions of dollars per incident, and often persist for years before detection.

Selected case studies (drawn from verified public records):

- **U.S. Air Force (DoD), 2018.** One employee embezzled approximately US\$1.46 million through falsified overtime and payroll manipulation.
- **Metropolitan Transportation Authority (MTA), New York, 2020.** Five employees claimed over US\$1 million in unworked overtime.

- **Ambulance Victoria (Australia), 2024.** Six payroll staff allegedly stole A\$3.5 million via falsified overtime claims.
- **NHS (UK), 2021.** An accountant embezzled £1.3 million by authorising fake overtime payments to herself.

Numerous smaller but repeated cases in police, fire, transit, and health departments across the USA, Australia, UK, Canada, Ireland, and Singapore demonstrate that no sector or jurisdiction is immune. The consistent pattern: overtime fraud thrives where high-volume legitimate overtime masks fraudulent claims, and where governance relies heavily on trust rather than verification.

SECTION 02

Why overtime fraud is a ‘go-to’ for fraudsters

Overtime fraud stands out among workplace fraud types because of its unique combination of high accessibility, low complexity, high reward, and low detectability.

| Fraud type | Who can | Privileged access | Effort | Reward | Appeal |
|--------------------------|--------------|-------------------|--------|----------------------------------|--------------|
| Overtime fraud | Very high | No | Low | Direct cash, 1.5–3x rate | High |
| Credit-card fraud | Low–moderate | Yes | Low | Reimbursements | Low–moderate |
| Time theft | Very high | No | Low | Paid time off | Moderate |
| Asset misuse | Low–moderate | Yes | Low | Personal use of tools / vehicles | Low–moderate |

Overtime fraud is ‘turbocharged’: it converts regular hours into premium-rate payments with minimal effort. It hides in plain sight amid legitimate payroll activity, requires no special permissions, and exploits the natural variability of workload demands.

SECTION 03

Organisational vulnerabilities that enable fraud

Certain structural factors dramatically increase risk. Organisations become most vulnerable when they exhibit the following characteristics.

| Factor | More vulnerable | Less vulnerable |
|----------------------------|---|--|
| Overtime spend | Regular, high-level expenditure (fraud blends in) | Irregular, low-level expenditure (anomalies stand out) |
| Internal systems | Simple, streamlined claiming & approval | Complex, manual processes with built-in friction |
| Governance controls | Heavy reliance on a single manager approval | Multi-layered checks and verifications |
| Trust posture | High trust → oversight complacency | Calibrated trust → stronger safeguards in place |

High-trust cultures with streamlined systems often inadvertently create the perfect environment for fraud. Manager-approval dependence becomes a single point of failure when managers are focused on productivity rather than verification — especially in remote, multi-site, or high-pressure operational environments.

SECTION 04

The anatomy of overtime fraud: common tactics

Fraudsters exploit governance gaps through four recurring patterns.

- **Snowballing fraud.** Small false claims gradually increase over time to test detection thresholds.
- **Blended fraud.** Legitimate and fraudulent hours are mixed within the same claim to avoid suspicion.
- **Drip fraud.** Consistent but modest fraudulent claims stay below radar thresholds.
- **Collusion fraud.** Managers approve — and sometimes defend — fraudulent claims, eroding the integrity of the entire approval chain.

Each tactic is designed to remain undetected under traditional oversight. When managers are complicit or simply overburdened, the governance layer organisations rely upon quietly collapses.

SECTION 05

Limitations of traditional governance

Manual audits, spot-checks, and single-layer approvals are reactive and labour-intensive. They catch only the most blatant cases while missing subtle, persistent patterns.

High-trust environments compound the problem: the very culture of collaboration and empowerment that organisations value can become the weakest link when it is not balanced by objective, continuous controls.

SECTION 06

Strengthening integrity: the path forward

Effective governance in the modern workplace requires moving beyond reliance on individual managers or periodic reviews. Advanced quantitative analytics offer a resilient, scalable solution by:

- Detecting statistical patterns in overtime claims that fraudsters cannot easily conceal — frequency, timing, consistency, and anomalies.
- Providing real-time monitoring and immediate flagging of irregularities.
- Reducing dependence on manual processes while reinforcing accountability across all levels.
- Creating a deterrent effect: when employees know claims are continuously analysed, ethical behaviour is reinforced.

Such systems are cost-effective, adaptable across industries, and help organisations build a culture of transparency without sacrificing operational agility.

Five discussion questions

- How does our overtime spend profile — regular & high-volume vs. irregular & low-volume — affect our fraud exposure?
- Are our claiming and approval processes streamlined to the point of reduced friction, and therefore higher risk?
- How many independent layers of governance exist between claim submission and payment?
- What data patterns exist in our payroll that we are not currently analysing?
- How might advanced analytics strengthen both our financial controls and our culture of integrity?

CONCLUSION

A governance issue, not just a payroll issue

Overtime fraud is fundamentally a governance and integrity challenge. Left unaddressed, it drains financial resources, erodes trust, and signals deeper weaknesses in internal controls. Organisations that treat it as a data-driven risk — rather than a purely human oversight issue — position themselves to protect financial integrity, reinforce ethical standards, and build long-term resilience.

Continue the conversation

Overtime Solved was developed precisely to address this challenge through intelligent, quantitative monitoring that augments — rather than replaces — strong governance. We welcome the opportunity to facilitate a tailored workshop or review of your overtime data with your team. Contact us at OvertimeSolved.com or via your account manager.

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