



You're not Immune to Embezzlement

By W. Neal Carris, CPA

The turmoil in the economy has stressed all of us and forced many of us to make some tough financial decisions – both in our businesses and our personal lives. Many of us have also had to deal with an unfortunate result of a tough economy: employee dishonesty. During economic recessions embezzlement and other similar crimes become more commonplace as personal financial situations change and individuals become more stressed.

Arming yourself with knowledge about how and why a trusted employee becomes an embezzling employee is one of the best ways to defend your practice against what could be a significant financial loss. For example, while we see a rise in embezzlement during a down economy, an employee's personal financial situation is not always the underlying motivation for embezzlement. We have seen these crimes borne out of anger toward one's supervisors, greed, thrill-seeking or sometimes from a sense of feeling unappreciated at work. Of course, some individuals do steal because they need the money to support a lifestyle that may be threatened by the recession or by another change in their personal financial situation such as an unemployed spouse.

When dealing with a medical practice specifically, there are three common areas of the practice that are most at risk to become an embezzlement target: cash receipts, cash disbursements and claim submission and adjustments. It is important to remember that oftentimes your staff is in a very powerful position should they decide to embezzle. As an employee, they have not only gained your trust but also they have intricate and in-depth knowledge about your internal procedures. This means that in some practices, an employee can not only steal funds but also can hide their crime adeptly from you and from other staff members.

When you are receiving payments, you are open to several ways an employee could embezzle funds from your practice. Some may steal cash outright by never recording the receipt of cash payments. Others may attempt to hide the embezzlement by changing contracts and keeping any difference between the original amount and the changed amount for themselves. And yet others may go as far as opening a separate bank account to deposit checks issued to your practice. It is not uncommon for these examples to go unnoticed in a practice for quite some time.

Defending yourself from such acts may be easier in some practices than in others. One of the best ways to defend your practice is by segregating duties among multiple employees. An employee who is responsible for checking in patients, for example, should not be responsible for accepting payments. Similarly, the individual who opens the mail should not be the individual who deposits checks.

SHAREHOLDERS

Martin R. Glickstein, CPA
mglickstein@glccpa.com

Rodney S. Laval, CPA
rlaval@glccpa.com

W. Neal Carris, CPA
ncarris@glccpa.com

James M. Loomis, CPA
jloomis@glccpa.com

Mary C. Dantuma, CPA
mdantuma@glccpa.com

Bethany K. Lusby, CPA
blusby@glccpa.com

Richard M. Ornstein, CPA
ronstein@glccpa.com

Paula M. Taylor, CPA
ptaylor@glccpa.com

J. Russell Hamlin, CPA
rhamlin@glccpa.com

PRINCIPAL

T. Shepard Burr, CPA
sburr@glccpa.com



We also recommend that you stamp each of your checks "For Deposit Only" to make it more difficult for an individual to cash a check. Finally, signing each of your checks personally and destroying your signature stamp if you have one will make it more difficult for an employee to cash or write a check without your knowledge.

When your practice is paying vendors, employees can create fake invoices that are paid by the practice, and some employees may even incorporate their personal bills, such as a cell phone bill, into the company's normal billing cycle. These schemes may be more difficult to defend against, but there are steps that you can take to help ensure that you do not fall victim to schemes such as these. For your protection, anyone who can sign checks and is not an owner should be bonded. Also, you should be involved in your practice's accounts payable procedures. Familiarize yourself with your normal vendors and question invoices from new vendors to ensure that they are legitimate. We also recommend that your practice's bank statements be mailed to a home address rather than to the practice. This will make it more difficult to destroy or alter evidence of embezzlement.

The final embezzlement scenario is one in which an employee takes advantage of the claims submission process. Defrauding an insurance company may seem a more appealing option to some embezzlers as the crime is "faceless," so to speak. But, the action can still wreak havoc on your practice. Embezzlers normally take advantage of this process in one of two ways. The first is by creating bogus charges for procedures and tests that were never completed and attaching them to an existing claim form. After payment is received, the employee takes the difference between the expected and actual incomes and pockets it as cash. Some more brazen embezzlers, however, create claim forms that are completely fraudulent. These forms request reimbursement for procedures that would fit a patient's medical history but are for tests that were never completed. When payment comes through for these claims, the money is deposited by the employee into a separate bank account.

The best way to defend against embezzlement such as this is to conduct random audits of your insurance claims process to ensure that the claims made match the patients' charts. We also recommend double checking your deposit slips on occasion to ensure that the individual depositing the monies is not receiving cash back when they go to the bank.

If you would like more information about how to protect your practice from embezzlement, please call our office today. Our professionals are happy to assist you.