

Embezzlement & Theft Prevention

How Dentists Can Prevent Embezzlement and Theft in their Dental Office

Steps you can take:

- Be involved with your front office. The more employees believe they will be caught, the less likely they are to steal.
- Have monthly bank statements mailed to your home address.
- Open the monthly statement yourself. Check:
 - Who are the checks written to; do you know all of them?
 - Duplicate payments: are any vendors or other people being paid more than once a month?
 - Payroll checks; are there the correct number of checks? No employee has received any extra checks.
 - Check endorsements on back. Were they endorsed by the same person or vendor that the check is written to?
 - Bank charges: any fees for overdrafts, returned checks, late payments, or anything else you don't recognize?
 - Debits to your accounts. Are there any electronic debits or transfers that you don't recognize?
 - Automatic monthly payments: do you recognize every payment that is listed?
- Checking account:
 - The dentist should personally review and sign all checks.
 - Outgoing checks being presented for signature should have attached invoice, statement, receipt, or other supporting documentation.
 - Make sure you recognize each vendor and know why you are writing them a check.
 - Use checks that are professionally printed and include multiple security features.
 - Inspect checkbook, looking at numbers, to make sure no checks have been removed from the back of the stack.
 - Keep all voided checks so all check numbers can be accounted for.
- Never use a signature stamp for any reason. They should not be in the office.
- Review lab bills. Does each charge match up with a lab case invoice? Do you know all the patient names on it? Do the billed amounts look right?
- Review phone bill details. Look at every call. Look at call lengths. Look for phone numbers that show up multiple times.
- Do not have any staff open your own mail. Insist that it is delivered to your desk unopened.

- Always look at monthly credit card statements. Make sure you recognize each and every charge.
- If you give your credit card information to a trusted employee, make sure that they understand that it is still to be used only with your permission every time.
- When payment checks are received in the mail, they should immediately be stamped with the bank deposit stamp.
- Check the "For Deposit Only" bank stamps. Make sure the account numbers are correct on every stamp.
- Separation of financial duties:
 - Don't have the same person who writes the checks also do the bank statement reconciliation. Have those duties done by different people.
 - Have the bank deposit made by someone other than the person who is posting the payments.
- Make bank deposit every day, no matter how small it is. The dentist should personally make the deposit.
- Cross-train employees. Don't have bookkeeping, financial, accounting, or insurance duties that only one person can do, and nobody else knows how to do.
- Have a written routine for processing cash payments. Keep a 2-part or 3-part NCR Cash Payment Receipt Book (available at any office supply store). Fill one out for every single cash payment, even if the patient doesn't want a receipt. Regularly review the book to make sure a payment entry was made on the computer that corresponds to every single receipt.
- Do random audits of your petty cash box, and your change box. Make sure all the money is accounted for.
- Hiring new employees:
 - Run a background check, including criminal and credit check, on all potential employees before hiring them. Be sure to have them sign an authorization for this.
 - When considering a new employee for hire, always check previous employers. Speak to them personally. Confirm facts on the application. Ask about reason for termination, ability to work with others, absent days, job titles and duties, performance level. Ask them the open-ended question "If you had the opportunity, would you hire them back?". Their response can be very revealing.
 - Check references.
- If you haven't already done so, consider running a check on current employees also. Embezzlement is not limited to only new employees.
- Don't get overly comfortable with an employee just because they have been employed by you for a long time.
- Have a comprehensive written Office Policy Manual. Include sections on:
 - How to track work hours - If time clock is used, no employee is allowed to clock in or out for another employee.

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- Passwords - must never be revealed to other employees.
- Forms that new employees must complete - include Consent for Identity and Background Screening.
- Office Property - Supplies and equipment are not for personal use.
- Computers - Are for business use only.
- Petty cash, change fund - Never to be used for personal purposes.
- Keys - are not to be duplicated or given to others; must be returned upon employment termination before final paycheck is given.
- Zero tolerance for theft of any kind.
- Employment Termination - List of examples which may result in immediate termination. Include false information or misrepresentation; breach of confidentiality; theft or dishonesty; conviction of a felony; misuse of office funds, equipment, computers, or telephone; punching time clock for another employee; drug or alcohol abuse.
- After-hours and overtime policy.
- Have limits on staff coming in to work after hours.
- Insist the bookkeeper take some vacation time; examine the records yourself during this time. Have other employees take over the duties rather than allowing the bookkeeping work to wait until the employee returns.
- Have your accountant do some investigation for embezzlement and fraud. This is NOT a part of their regular services; don't assume that they are keeping an eye on this for you.
- Ask your accountant how you could improve your office to make it more embezzlement- resistant.
- Do random chart audits. Pull charts of patients who were recently seen. Make sure the treatment performed has been correctly posted to that patient's account. While you have the patient's account in front of you, look for any credits posted. Then check the bank deposit to make sure their payment went to the bank.
- Make sure your employees see you reviewing your office records. When they see you analyzing the books, they will know that you are involved, and keeping an eye on things.
- Do not get directly involved with an employee's personal finances. Do not give an employee a loan. Do not co-sign on any loans or legal papers.
- Check your inventory. Are supplies disappearing faster than they should during normal patient care?
- Personally investigate patient complaints that they have not received credit for payments or have had other billing mistakes.
- Listen to employees. If they comment that there are mistakes being made, or something isn't being done properly, investigate it.
- When employment is terminated, immediately change the person's passwords in the practice management software, time clock, and office alarm system. Arrange for a locksmith to be at the office before you leave that day and change the locks.

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- Install security cameras.
- Install monitoring software on computers.
- Look for trends over time.
 - Increasing number or amounts of adjustments, write-offs.
 - Decreasing cash deposits.
 - Increasing patient complaints about errors.
 - Increase in general problems, like missing charts, missing insurance claims, missing checks.
- Lead by example. Anything that you do, your staff will assume is okay for them also.
 - Don't use office supplies or equipment for personal use.
 - Don't bend the tax rules
 - Don't dip into petty cash for non-business use

Daily Review of Reports:

Every day, have your front office supply you with these items, all stapled together:

1. Copy of the day's schedule that shows all patients who were seen.
2. Daily Journal (Day Sheet) report that includes all charges, all payments, and all adjustments. Have the report done by Date of Entry, not by date of service (will show modifications of any earlier entries).
3. Copy of Bank Deposit Slip (generated by your software).
4. Receipt from bank, showing deposit amount. Hopefully your bank breaks it down into checks and cash.
5. Credit Card Settlements report.
6. Cash receipt for every cash payment. Include this if you don't think you will regularly check and audit the Cash Receipt book.

Review it every day.

- Your employees will see that you are keeping an eye on things, which is a huge deterrent to embezzlement and temptation.
- You will find honest mistakes and errors that would have cost you money.
- Your employees will make fewer mistakes when they know you are involved and double-checking everything.

What to check:

- Compare the deposit amount on your Daily Journal Report, the Bank Deposit Slip, and the bank's receipt.
 - Amount of cash deposited should be the same on all three.
 - Number of checks deposited should be the same on all three.
- Compare credit card payments on Daily Journal with the Credit Card Payments report.
 - Amounts should be the same on both reports.
- Add numbers. [Credit Card Payments] + [Check Payments] + [Cash Payments] should always equal the [Total Deposit].
- Total Deposit amount should be the same as that entered your QuickBooks program.
- Schedule:
 - Were any patients treated who aren't on the schedule, including

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emergencies? Check to make sure charges are entered for the missing patients.

- Does every patient have a corresponding entry on the Daily Journal Report?
- Daily Journal:
 - Compare it to the schedule. Are there any procedures that were done but not entered for a patient?
 - X-rays (including last-minute periapical).
 - Restorative that might have been treatment planned at the last minute.
 - Fluoride.
 - Emergency office visits.
 - Implants: are all of the implant components accurately reflected?
 - Are the procedures coded the way you intended?
 - Correct crown material and type.
 - Temporary denture vs Interim denture.
 - Extra tooth surfaces added at time of treatment.
 - Does total of Cash Payments agree with the amount on the bank's receipt?
 - Are all the adjustments, refunds, and write-offs legitimate, and approved by you?
 - Are there credit card refunds or adjustments?
- If there are any discrepancies, or gray areas, ask the appropriate staff member about it.

Computer Software

- Learn your practice management software. At a minimum, learn how to access all reports, change passwords, and assign user rights.
- Run a detailed Audit Report at least once a month and review it. Checking it daily is much safer.
 - Have your Audit Report password-protected so you are the only one who can run it and read it.
 - Items to watch:
 - Deleted appointments
 - Edited transactions
 - Transactions with dates that don't make sense
 - Write-offs
 - Changes to Security and other set-up items
 - Deleted insurance claims
- Run an Adjustments Report.
 - Look at every adjustment, and make sure it is legitimate.
 - Include Uncollectable, Professional Courtesy Discounts, Cash Discounts, Senior Discounts, etc.
 - There might be many PPO insurance write-offs. Are all these legitimate? Are all these patients really in the PPO? Does the write-off amount for each patient match the amount on the patients EOB?
- Run an Accounts Receivables report for insurance claims. This will tell you how many outstanding claims there, and how many of these are old. Ask the employee who is responsible for insurance claims to provide a reason for every claim that is over 60

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- days and unresolved.
- Run a Production Report. Does everything look reasonable, and add up?
 - Assign user log-on names and passwords for each staff member.
 - Insist that they do not share their passwords with anyone else.
 - Insist that they do not ever log in under anyone else's name.
 - Don't have any passwords written down anywhere.
 - If the software allows it, require that every deletion has an accompanying explanation that tells why the deletion was done, and who is doing it.
 - Run a Deleted Entry Report.
 - Make sure every entry has a reason, and that the reason makes sense to you.
 - If it seems there are too many deletions, it might indicate an area where employee performance needs to improve.
 - Run a report that shows which accounts are set to not have statements sent. Do you know why the patients on this list are not supposed to get statements?
 - Run a report that shows which accounts are set to not incur interest, late charges, or service charges.
 - Always close out each month, so these transactions are locked down.
 - Have clinical staff rather than front office personnel post procedures that were done.
 - Use standard CDT codes, not home-made codes that are only used at your office.
 - Lock the computer clock, so it cannot be changed (set to a previous date for changing records, and then reset to current date) by users. This can be done with software on individual computers or taken care of on your server by your computer technician.
 - Have a section in your Office Policy Manual that addresses computer use.
 - Do not give employees an opportunity to install key loggers or spyware:
 - Keep all computer use for business purposes only.
 - Do not allow employees to use the internet for non-business purposes.
 - Do not allow employees to install any programs to any computer.
 - Do not allow employees to download any programs.

Possible red flags:

- Employee seems to be living a lifestyle that might not be supported by their current job or family income.
- Employee has a sudden change in lifestyle or spending habits.
- Employee frequently comments or complains about not having enough money.
- Employee, or employee's spouse, has a problem with gambling.
- Employee, or employee's spouse, has a problem with alcohol.
- Employee, or employee's spouse, has a problem with drugs.
- Employee is having marital problems.
- Employee is having extramarital affair.
- Employee, or employee's spouse or child has large medical bills.
- Employee's spouse lost their job.
- Employee is always the first one there in the morning.

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- Employee is always the last one to leave at the end of the day.
- Employee comes in after hours to get work done; has seemingly legitimate reasons for doing this.
- Employee does not take their vacation time or takes only a day or two here and there.
- Employee does not take personal or sick days.
- Employee doesn't run a report that you requested.
- Employee gets nervous when another employee tries to help them with their duties.
- Employee feels threatened by others being trained with their duties.
- Employee will not train other employees how to do the duties.
- Employee simply doesn't allow anyone else to ever do their duties.
- Employee is very resistant to changes; prefers things be done as they always have been done.
- Employee gets annoyed at reasonable questions about bookkeeping, billing, or insurance items.
- Employee does not have reasonable answers to reasonable questions about bookkeeping, billing, or insurance items.
- Employee has been having more difficulties with their job.
- Employee has numerous complaints about their job, other employees, or the office in general.
- Patients complain about errors by one particular employee.
- Patient comments that they didn't receive a statement.
- Deposits have checks but no cash.
- Amount of cash payments has decreased over time.
- Number of write-offs or other adjustments has increased over time.
- Increase in Accounts Receivables without corresponding increase in production.
- Increase in patient comments or complaints about payment, billing, or insurance errors.
- Drop in income not supported by drop in production.
- Deposited cash is in nice even numbers.
- Insurance PPO write-offs found on a patients account, but the patient isn't with that PPO plan.
- Adjustments to a patient's account that were not approved by the doctor.
- Fees charged that are not the standard fees and were not approved by the doctor.
- Change Fund or Petty Cash are found out-of-balance.
- Employee quits unexpectedly, with no notice or warning.
- New applicant is hesitant to discuss details of any previous job.
- New applicant's former employer is reluctant to give detailed information.
- New applicant's resume has an unexplained lapse of work for a period of time.
- New applicant will not consent to a background check.

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