Embezzlement & Theft Prevention

How Dentists Can Reduce Embezzlement and Theft in their Dental Office

General recommendations

- Stay involved in the management of your practice and the oversight of all processes and people. The more that employees believe they will be caught, the less likely they are to steal.
- Lead by example. Staff may assume that anything you do is also okay for them to do.
  - 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.
- Be certain your employees see you reviewing your office records. When they see you analyzing reports and financial activity, they will know you are involved and keeping an eye on things.
- Listen to employees. If they comment that mistakes are being made, something isn't being done properly, or theft is occurring, investigate it.
- Personally investigate patient complaints that they have not received credit for payments or have had other billing or payment processing errors.
- Review how money goes out of your practice, including through payroll, business checking, monthly autopays, business credit card use, and other disbursements.
- Review all dental laboratory invoices. Does each lab charge match up with a case invoice? Can you confirm each patient listed is in your practice? Do the billed amounts look right?
- Review business credit card activity and statements at least monthly. Be certain you recognize and approved each and every charge.
- If you give your credit card information to a trusted employee, be certain they understand that it is to be used only with your permission every time.
- Check your inventory. Are supplies disappearing faster than they should during normal patient care?
- Look for trends over time.
  - Increasing number or amounts of adjustments and/or write-offs.
  - Decreasing cash deposits.
  - Increasing patient complaints about billing or account errors.
  - Increase in general problems such as missing chart entries, missing insurance claims, missing insurance reimbursements.
- Do random chart audit reviews of patients who were recently seen. Be certain the treatment performed has been correctly coded and billed 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 be certain their payment went to the bank.
- Open your own mail. Require that it be delivered to your desk unopened.

- Do not get directly involved with an employee's personal finances. Do not give an employee a loan. Do not co-sign any loans or legal papers.
- Have your accountant periodically review your practice for embezzlement and fraud. This is NOT a part of regular accounting services, so don't assume they are already keeping an eye on this.
- Ask your accountant how you could improve your practice to reduce your risk of financial fraud and embezzlement.

Bank Account

- Review your bank account transaction information at least monthly.
  - Who are the checks, automatic monthly payments, and other disbursements going to? Do you know all the vendors and recipients and why you are paying them?
  - Look for duplicate payments: are any vendors or recipients being paid more often than needed (usually once per month)?
  - Payroll transactions: have any employees received an extra check(s)?
  - Bank charges: are there any fees for overdrafts, returned checks, late payments, or anything else you don't recognize?
  - Debits to your account: are there any electronic debits or transfers that you don't recognize or did not authorize?
  - Automatic monthly payments: do you recognize every payment that is listed?
- Disbursements from your bank account
  - The dentist should personally review and approve all disbursements and sign all paper checks.
  - If you delegate payment responsibilities, all payments and disbursements being presented for your approval should have an attached invoice, statement, receipt, or other supporting documentation. Be certain you recognize each vendor and know why you are paying them.
  - Use checks that are professionally printed and include multiple security features.
  - Inspect the practice checkbook, including the check numbers, to be certain no checks have been removed from the bottom 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.
- Make a bank deposit every day, no matter how small it is. The approach with the least risk involves the dentist personally making the deposit.

Payment and Financial Transaction Handling

- Confirm with each insurance carrier, benefit plan administrator, and payor that your correct bank routing and account information are being used for direct payments or electronic funds transfers. Do not permit an employee to set up or change such routing and account information; do it yourself and do not share the password. An embezzling employee can easily redirect reimbursements to their own account by changing the routing path.
- When payment paper checks are received, whether in person or by mail, immediately stamp them with the practice's bank deposit stamp.
- Have a written policy for processing cash payments. Require that every patient be given a receipt.
- Perform random audits of your petty cash box and your change box. Make sure all the money is accounted for.

Staff Management

- Separation of financial duties:
  - If you delegate financial duties, do not give the same person who monitors or reconciles the bank statement permission to write checks or authorize disbursements. Assign those duties to different people.
  - Have the bank deposit made by someone other than the person who is posting payments.
- Cross-train employees. Don't limit bookkeeping, financial, accounting, and/or insurance duties to only one person. Be certain multiple employees know how to perform the tasks.
- Rotate personnel in financial positions out of their roles for a period of time and have other employees who are cross trained in the roles perform those functions. Examine processes and transactions yourself during this time.
- If an employee is absent due to vacation, illness, or other reasons, have another cross-trained employee take over their duties. Do not suspend that person's workflow until the employee returns.
- 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 with previous employers. Speak to them personally. Confirm the information presented on the application. Ask about the reason the applicant left or was terminated, their ability to work with others, number of days absent, job titles and duties, and their level of performance. Ask them the open-ended question "If you had the opportunity, would you hire them back?" Their response can be very revealing.
  - Check all references.
- Consider running background checks on current employees as well. 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 an extended period of time.
- When employment is terminated:
  - Immediately deactivate the individual's access in the practice management software, time system, and office access and alarm system.
  - Arrange for a locksmith to be at the office before you leave that day and change the locks.

Office Policies and Procedures

- Have a comprehensive written office policy manual that includes sections on:
  - How employees must track work hours – if a time clock is used, no employee is allowed to clock in or out for another employee.
  - Passwords – these must never be revealed to other employees.
  - Forms that new employees must complete – include payroll forms and a Consent for Identity and Background Screening.
  - Office property – the practice's supplies and equipment are not for personal use.
  - Computers – practice computers are for business use only; employees are prohibited from using them for personal use for email, shopping, social media, or other Internet surfing. Employees are not permitted to download or install any programs on any computer unless the dentist has given prior approval.

    - Petty cash and the practice's change funds – these are never to be used for personal purposes.
    - Keys – are not to be duplicated or given to others; they must be returned upon employment termination before a final paycheck is issued.
    - There is zero tolerance for theft of any kind.
    - Employment termination – list examples of actions or behaviors which may result in immediate termination. Include providing false information or misrepresentation; breach of confidentiality; theft or dishonesty; conviction of a felony; misuse of office funds, equipment, computers, or telephone; reporting the time worked for another employee; drug or alcohol abuse.
    - After-hours and overtime policy.
    - Office access – set restrictions or limits on employees entering the office before or after hours.
- Install security cameras.
- Install monitoring software on computers.

Daily Review of Practice Management Software and Banking Reports:

Every day, have your office manager or front office present you with all of these items:

1. A 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 sorted by date of entry, not by date of service (this will show modifications of any earlier entries).
3. A copy of the Bank Deposit Slip (generated by your practice management software).
4. The receipt from your bank showing the deposit amount. Hopefully, your bank breaks it down into checks and cash.
5. Credit Card Settlements report.
6. A cash receipt for every cash payment. Include this if you don't think you will regularly check and audit the cash receipt ledger.

If you review these items every day:

- Your employees will see that you are keeping watch on the flow of money into and out of your practice. This is a significant deterrent to embezzlement.
- 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 listed on your Daily Journal Report, the Bank Deposit Slip, and the bank's receipt.
    - The amount of cash deposited should be the same on all three.
    - The number of checks deposited should be the same on all three.
- Compare the credit card payments on the Daily Journal with the Credit Card Payments report.
    - The amounts should be the same on both reports.
- Add the numbers. [Credit Card Payments] + [Check Payments] + [Cash Payments] should always equal the [Total Deposit].
- The Total Deposit amount should be the same as that entered your accounting management program.

- Check the schedule:
  - Were any patients treated who aren't on the schedule? Be certain to include emergencies.
    - Check to be sure charges are entered for these 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 may have been treatment planned at the last minute.
    - Fluoride
    - Emergency office visits
    - Implants: are all the implant components accurately reflected?
  - Are the procedures coded the way you intended?
    - Correct crown material and type
    - Correct tooth surfaces. Did any planned restorations need to extend to additional surfaces after the procedure was under way? Are those additional tooth surfaces accurately reflected in the coding, billing, and chart documentation?
  - Does the total of Cash Payments match the amount on the bank's receipt?
  - Are all the adjustments, refunds, and write-offs legitimate and were they 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.

Practice Management Software Actions

- Learn your practice management software. At a minimum, learn how to access all reports, change passwords, and assign user rights.
- Run and review a detailed Audit Report at least once per month. Checking it daily is even better.
  - 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 be certain each is appropriate.
  - Include Uncollectable, Professional Courtesy Discounts, Cash Discounts, Senior Discounts, etc.
  - There may be many insurance write-offs associated with PPO plans. Are they all appropriate? Confirm that each patient is really in the PPO. Does the write-off amount for each patient match the amount on the plan's statement of benefits?

- 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 you assigned responsibility for insurance claims to provide a reason for every unresolved claim over 60 days old.
- 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.
    - Do not 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 performed it.
- Run a Deleted Entry Report.
    - Be certain every deleted entry has a reason it was removed, and that the reason makes sense to you.
    - If it seems there are too many deletions, it may indicate an area where employee performance needs to improve.
- Run a report that shows which accounts are flagged to not have statements sent. Do you know why each patient on this list is not supposed to get a statement?
- Run a report that shows which accounts are set to not incur late charges, service charges, or interest (if you charge interest).
- Always close out each month so all transactions are locked.
- Have clinical staff rather than front office personnel enter clinical procedures that were performed.
- Use published 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.
- Do not give employees an opportunity to install key loggers or spyware. Set up your computers to prevent employees from downloading or installing any programs on any computer without the dentist's approval.

Watch for Possible Red Flags

- Employee appears 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 an 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.
- 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 permitted 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 cross trained to perform their duties.
- Employee will not train other employees how to perform their duties.
- Employee doesn't allow anyone else to ever perform their duties.
- Employee is very resistant to changes; they prefer things be done as they always have been done.
- Employee gets annoyed at reasonable questions about bookkeeping, billing, collection, or insurance matters.
- Employee does not have reasonable answers to reasonable questions about bookkeeping, billing, or insurance matters.
- Employee has been showing increasing difficulty performing their job.
- Employee has numerous complaints about their job, other employees, or the office in general.
- Patients complain about errors made by one employee.
- Patients comment or report that they didn't receive a statement.
- Bank deposits contain checks but no cash.
- The amount of cash payments has decreased over time.
- The amount of deposited cash is in round numbers.
- The number of write-offs or other adjustments has increased over time.
- There is an increase in Accounts Receivables without a corresponding increase in production.
- There is an increase in patient comments or complaints about payment, billing, or insurance errors.
- There is a decrease in income that is not supported by a decrease in production.
- An insurance PPO write-off is listed on a patient's account, but the patient isn't a participant in that PPO plan.
- There is an adjustment to a patient's account that was not approved by the doctor.
- Fees charged were not the standard fees and were not approved by the doctor.
- The Change Fund or Petty Cash are found out of balance.
- An 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 work gap for a period of time.
- New applicant will not consent to a background check.