A troubled economy and embezzlement

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According to a survey by the Association of Certified Fraud Examiners, small companies with less than 100 employees are three times more likely to experience embezzlement. Believe it or not, it has happened to one out of every three dental offices last year. In fact, it has been proven that 50 percent of any workforce will steal from you.

There are many ways of embezzling, and it may not always mean the involvement of stealing money. It could be something as insignificant as long distance phone calls, using your postage meter to send out personal mail, adding a few extra hours to the time card or perhaps borrowing a few dollars from petty cash that never gets repaid. Overall, these items can add up to a considerable amount of money and should never be overlooked.

The profile of an embezzler is often times an employee you trust and someone who has been with your practice for a long period of time. The person generally knows what is checked by the practitioner, bookkeeper and/or CPA and what is not. He or she also knows the computer system better than anyone else in the office. The person is generally very territorial or intimidated by other people looking into the accounts. He or she will often work long hours, through lunch, before the office is open or after the office is closed, in order to keep you or other employees unaware of the thievery.

There are many different ways to protect your practice from fraud. The following are a few simple checks and balances to implement:

• Assign everyone who uses the computer to have his or her own login password. This way you can track who is doing what in your practice.

• Never have a signature stamp in the office as this can lead to thousands of dollars in embezzlement.

• Make sure all cash transactions have duplicate receipts. One goes to the patient, one gets stapled to the cash and one stays in the receipt book to keep the numbers in order for the month. When the cash is taken to the bank, the receipt is taken from the cash and placed with the deposit summary. All cash receipts should be signed by three people: the patient giving the cash, the employee receiving the cash and one witness of the money.

• Three different employees should be in charge of all deposits. One person opens the mail and makes copies of all incoming checks. The live checks stay with that person. The copies are given to another person to post, and then the deposit is reconciled with the practitioner making all of his or her own deposits.

• All bank statements should go directly to the practitioner’s home and never the office.

• Finalize all deposit summaries at the end of each day. Keep these deposit summaries in a safe place. At the end of the month, you want your CPA or bookkeeper to compare all deposit slips to the actual posted money in your computer system. Many CPAs and/or bookkeepers only compare the actual deposits to the bank statements. When the computer system’s generated revenue does not match the bank statement and/or deposit slips — it needs to be investigated.

• Check all credit card bank statements monthly for refunds. Employees can often times run their own credit card through your credit card terminal services, refunding themselves money to spend in the future. You can notify your merchant services that you want all “credits” password protected and that you are the only one who can issue a credit to protect yourself.

• Every manual adjustment report should be run and checked thoroughly. You will be looking for decreases in contract charges or increases in payments and/or balance write-offs. This report should be kept in a safe place, and when these items are seen they should be questioned. The report should be run again for the entire month and checked against what has already been turned in. This will make it impossible to change transactions after the fact.

• A report that should be checked monthly but is often overlooked is the back-dated check reports. This area is often what is used to embezzle money. Pay close attention to this area especially when it comes to cash payments.

The insurance area in a practice is a common ground for thievery. Oftentimes, procedures are billed out that were never performed, and the money received is pocketed.

• Also, look for erroneous transactions with names of employees or their relatives. This may use these accounts to transfer money to and from zeroing balances as they go.

During these troubled economic times, it has been reported that the number of dental practices experiencing a loss of income due to thievery has climbed to a terrifying 30–40 percent in the last year, with the average theft being $30,000 or more. Any theft more than $100 is considered a felony. Crimes of embezzlement and grand larceny are considered federal crimes with a maximum punishment of 30 years in prison, $1 million in fines or both. Just posting the punishment alone will deter someone from stealing!

If you would like more information regarding embezzlement issues and/or management concerns, you are invited to attend one of my monthly Webinars. Please visit orthoconsulting.com and register under events and seminars.