



Dear Client,

Embezzlement is something we at Gray Pilgrim and Associates want all of our clients to protect themselves from. There are many ways to aid in the prevention of embezzlement as well as many ways to know if it is currently happening or already has occurred. This letter is to encourage you to adopt prevention measures and to become aware of the signs of embezzlement.

No one is immune to this threat. Some owners have been embezzled from more than once in their career. Some statistics say that one in seven practices is currently being embezzled.

It is a hidden issue and can come in many forms from different sources, something as small as taking petty cash, using the postage machine for personal use or taking home office supplies to as big as taking cash from patients, not posting payments appropriately, using the business credit card for personal use as well as more complex methods resulting in the theft of thousands of dollars.

Setting up preventative actions will help lower the chance of embezzlement from happening. First and foremost, know who you are hiring. Investigate every employee with a background check before hiring and ask for appropriate information on the employment application. Be sure to ask if the potential employee has ever been convicted of a felony. Contact all references including prior employers. Realize that even this doesn't always work because many embezzlers never get turned over to the authorities. Then others are afraid they will get into trouble if they disclose if when called for a reference.

You have to try to shut down the opportunity to embezzle and one way is to tell your staff that you are looking at all the numbers. If you have them give you information for your review and you appear to be watching, it minimizes your exposure. Separating duties also helps because it keeps the control out of one person's hands. Having someone take in the money and another person posting the payments and maybe someone else take the deposit to the bank can help. Not every practice has enough staff to accomplish total separation, so you could utilize the cross training of staff members because many embezzlements are discovered by another staff member.

Watching the practice software for variances is another important task you need to implement. It is important that all patient visits should be documented each day and day sheets printed from

software programs daily to make sure all patients are entered with treatment performed for the correct fee. Look for zero dollar entries to a patient record and watch adjustments being entered to verify that you authorized them. Look for patients records being marked to not mail their bills. The patient continues to have a balance but since they receive no statement, no one realizes it. Define user passwords on practice management software programs for all team members with appropriate security levels. Find out if your practice management software has fraud prevention alerts with the ability to completely prevent fraud.

Watch for signs such as an employee that is the first to start and the last to leave. Also, watch for duplicate payments, supplies missing, petty cash getting low quicker than other months. You may notice the percent spent on supplies increases or overhead increases. Look on eBay and you will see dental and medical supplies for sale. Staff members could be making a living off of selling your supplies. If you see any random or unexplained credit card charges, double check the statements to make sure this isn't for someone's personal use.

Listen for phone calls from vendors complaining about slow payments or lack of payments. Listen for phone calls from patients who say they received another bill but they had already paid it.

Sloppy record keeping is another tip off. You may think they just lack organization, but this is also a "tell." Sometimes they have a separate sheet of paper that they try to keep record of for themselves so they know which patient record they adjusted so they can continue with their methods of moving payments around.

You can also keep an eye open for any behavioral changes in your employees, such as possible substance abuse, change in lifestyle, living beyond their means and/or possessiveness of work. Never taking a vacation or sick day and refusing to show others how to do anything or requesting that no one touch their work until they return are all additional potential signs. Many times the embezzler is a long term, trusted employee. We have heard many times that they were just like family members and they couldn't believe this person would do this to them! The embezzlers can feel that they are entitled to the money they take. They feel that the practice succeeds simply because of them. They feel the owner doesn't respect them enough and can't manage the practice without them and the owner doesn't deserve everything and the embezzler feels they are entitled to more than what they are currently getting.

If you do discover embezzlement, you of course have the option to file charges against the individual. If that is the decided option, it is best to file a police report immediately. This is a good

option because it will let other prospective employers know that there is an issue. It shows the other staff members that you will hold them accountable too. Of course there will be concerns of this going public and patients may try and claim they made a payment on their account when they haven't. Receipts of payments are always given when a payment is made so simply asking for proof of payment should help reduce this.

Many times we see that embezzlement isn't reported because the owner is embarrassed and feel they will be judged as a bad business person. It sometimes is so emotional because the embezzler was such a trusted person.

There are insurance policies for employee dishonesty but many times they fall short of the dollars stolen and it can be difficult to prove the theft to receive the repayment. Check the details of the policy with your insurance carrier.

Embezzlement can be costly and time consuming to prove when discovered and emotionally charged. Putting precautions in place may help, but be aware it is not guaranteed that it will keep you from embezzlement. Implement safeguards, review your records, cross train staff and separate duties when possible. These are the biggest things to do. No matter what, if someone is determined enough, they will find a way to steal. You don't have to make it easy for them though.

If you would like us to review this with you on a personal basis, please contact our office.

Gray ♦ Pilgrim and Associates, LLC