



Keep Everything That's Yours!

Almost all of the practice management consultants who've appeared on my podcast say that up to half of the offices they go into are for investigation. They've been called in because the dentists feel like they've been really busy, but the practice isn't making much money.

A lot of time, the reason for that is someone's embezzling.

Separate ways and means

Years ago, my dental practice had a case where a check got "washed": Somebody who wasn't supposed to receive the check got their hands on it, erased the name of the intended recipient and typed in their own, then deposited the check into their account. It went through the bank, no problem, and it was a hassle to get the situation cleared up.

Since that point, we've contracted outside bookkeepers to audit the bank reconciliations and make sure everything's on the up-and-up: All checks are matched for patient names and payment amounts, all broken down per patient and transaction on the deposit slip. So if a bookkeeper sees a deposit here, but not over there, what's up? Do the names and addresses on checks that have cleared look right? Do the signatures on the endorsements look authentic?

That eliminates *some* fraud, but not everything. Even though cash represents maybe 2% of patient payments, it can arrive in large denominations; some patients will pay more than \$1,000 at once for treatment because they don't want you to have their credit card information on file. Our bookkeeper recommends recording all cash transactions in a receipt book: Top copy goes to the person who's handing you the cash; the bottom copy stays with the book; the person who records the transaction has to initial it and list how much the transaction was for; and the book has to balance at the end of each night with the cash on hand.

The No. 1 thing I've learned in accounting is the importance of separation of duties where money is concerned. Whoever picks up the mail and opens it shouldn't be making deposits. She can open it and record it on a bank sheet or a log, while a different person inputs that information into the computer. A third person takes it to the bank.

When it was a paper world, there were fewer ways to steal, but now that it's a digital world, the opportunities are going to be endless.



Payments plastic, changes drastic

It's not just dentists who are vulnerable to embezzlement by employees; many medical offices are sized to be taken advantage of, too. A chiropractor who had a practice in the same shopping center as Today's Dental hired an associate chiropractor and the man's wife as the receptionist, reassured that their strong Christian faith made them ideal team members. By the time he found out they were embezzling, it turns out they'd been stealing \$100,000 a year for four years. He had no way to get back \$400,000, so he had to declare bankruptcy. And like that, his practice was gone.

by Howard Farran, DDS, MBA, publisher, *Dentaltown* magazine

Our bookkeeper's acupuncturist got taken by a receptionist who was skimming payments, and only discovered it after a patient who'd received a "payment due" notice came in and said she'd paid with an HSA card and brought in the details.

Think of all of those patients who still write their credit card number on the payment slips they mail in to your practice. After your team runs and posts the payment, they're *supposed* to shred that payment slip with the credit card information on it ... but who would know if a team member pocketed one with the intent of keeping that number for their own use?

Voted "most likely to ..."

I've already mentioned that the couple who embezzled from my chiropractor neighbor were devoutly religious, which made him think they weren't "the type" to embezzle ... but the truth is, there's no such "type" of person. However, there often are commonalities to their situations.

Sometimes they have addiction issues with gambling and shopping. Another very common trait is substance abuse. The articles I post on Dentaltown's message boards about dentists who've been arrested for opioid abuse get 2,000 views in a day, even if some Townies get mad that I'm giving the industry "a bad name" by spreading the word. But it's epidemic in our industry, and if an employee is dealing opioids out of your practice and can only get the prescription from you, guess whose pad he's going to steal? If she develops a cocaine problem and needs \$100 a day, you can't steal that much a day from most normal workplaces, so she'll embezzle from you.

One unusual red flag is somebody who never, ever wants to take time off or let somebody else do any of their tasks. Often, they're the first one there, the last to leave—which you might think is a good thing, but it's because they don't want anyone touching their stuff, because they could figure something out.

How are you at checks and balances?

I bet that about 80% of dentists out there don't know how to bill insurance companies for the dentistry they just did—which means they're likely missing the skill sets necessary to check for embezzlement.

Do you know how to look at your financial accounting and your managerial accounting? Do you double-check your day sheets on a daily basis? It takes mere *minutes*, and lets you find errors that could be intentional—"Oh, you forgot to enter the exam for this patient"—or could be more nefarious. I'd say that, on average, most people at the end of the day audit find like \$200 worth of errors.

If you don't want to do those checks yourself, hire an outside accounting person to come in once a week to review every day's logs: "Yes, this is good; no, this is not." It's worth it! ■

> See Howard Live!

Howard Farran, DDS, MBA, is an international speaker who has written books and dozens of articles. To schedule him to speak at your next national, state or local dental meeting, email rebecca@farranmedia.com.

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Jan.
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May
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**"Ortho 2020: Adapting
to a Changing World"**
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Earn CE credit and learn more about preventing embezzlement

Dentaltown's online CE course with practice management consultant Sandy Pardue can help dentists minimize and possibly prevent embezzlement in their practices. Objectives include conducting specific hiring protocols to protect themselves in the future; recognizing the profile of a typical embezzler; establishing internal systems and controls; and learning common scams used. To discover more and earn 1.5 hours of CE credit, head to dentaltown.com/stop-embezzlers.