

Employee Theft

It is an unfortunate fact that a significant percentage of physician practices have been affected by dishonest employees who has stolen from the practice. Some physicians learn to trust their in house personnel and over the years fail to maintain control in place to insure that their employees are not stealing from them. This is a first in a series of articles of simple procedures that can be followed to prevent hiring dishonest employees and identifying those that may already be working for you.

Hiring Practices

The first step to take to prevent employee theft is to establish employee hiring practices that will minimize the opportunity for hiring a dishonest employee.

All prospective employees should complete a detailed employment application that will supplement their resume. This employment application should indicate the exact months of employment for the past 10 years. All time should be accounted for, particularly any gaps in employment. As you discuss the background with the prospective employee, review chronologically either forward or backward what jobs the prospect held, why they left (voluntary or involuntary), and what circumstances surrounded their reasons for leaving. Then be sure to check references on every job. Be sure the prospective employee indicates exact dates of employment, and be sure to verify these dates of employment to insure they that they agree with the resume or job application. If possible verify the position held and insure the reason for termination agrees with what the employee told you.

Accounting for employment gaps can be one of the most important things that you can do. Make sure that there is a legitimate, verifiable, logical reason why there was significant time frame between jobs.

Lastly, be sure you do a background check against the OIG list of excluded individuals. Also, for a fee of approximately \$25, criminal and credit checks should be performed on the prospective employee before starting.

If you uncover any inaccuracies during the interview, or reference checking, eliminate the employee from consideration. If they are untruthful in the interview process, either by lying on their resume or lying during the interview process, they are also likely to continue this practice after they become employed. Do not hire anyone who lies—no exceptions! You want to hire only honest employees.

Segregation of Duties

One of the most important control items in any business office to prevent theft is segregation of duties. This can very difficult in a small practice, but there are still steps that can be implemented to detect potential problems with employee theft.

If your office is very small and one person is handling all office activities such as claims filing, receiving cash and writing checks, the physician must be personally involved in

monitoring what is going on, or have an outside third party who is. The best way to handle this situation would be to use an outside professional to set up the appropriate controls and procedures within your office, and then have reports prepared that are monitored either by the professional or the physician on a regular basis. The most frequent source of employee theft occurs from “trusted employees”. The physician learns to rely on these long term employees, and much to their dismay find that after a long period of time these employees have stolen from them. Most honest employees do not want to be put in a position where they are even suspected of theft. The best way to handle this is to be sure controls are in place and reports are prepared and reviewed on a regular basis so that any questionable activity could be detected.

If the office has several employees, segregating the duties for handling of cash and posting of payments to patient accounts are basic controls that should be in place. The person handling the cash and checks should not post to patient accounts. Those posting to patient accounts should not handle cash or checks, they should post from copies of checks. The actual receipt for bank deposits should be taken back to the office and an independent employee should make sure the deposit amount agrees with the deposit list total. Monthly reconciliation of bank statements to the company books should be performed as early in the month as possible after the bank statement is received.

It is a real mistake to attempt to set up procedures without the assistance of professionals. Use of a financial professional such as a billing expert and/or CPA in the set up and monitoring of the weekly and daily accounting activity include billing and cash receipts, is essential to minimizing the possibility of theft from your practice.