Most Loyal Employee or Best Embezzler?

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Introduction

- Employee Percentages
  - Amount stolen annually from US businesses by employees – $50 billion.
  - Percent of employees who have stolen at least once from their employer – 75%
  - Percent of employee who have stolen at least twice from their employer – 37.5%
  - Percentage of all business bankruptcies caused by employee theft – 33%
  - The average amount of money stolen is $175,000.

Fraud Prevention

STATS
Demographics of Employee Theft
Men – 59.1%
Women – 40.9%

Theft Statistics
-37.1% of thefts are committed by a manager.
-2 years is the average time an employee has been in office committing fraud before detected.
-1 in every 30 employees are arrested for workplace theft.

Fraud Prevention
1 IN EVERY 30 EMPLOYEES ARE ARRESTED FOR WORKPLACE THEFT
Why?
-embarrassment
-retaliation
-move on
-partial recoveries
WHO ARE THESE PEOPLE?

The Fraud Triangle

- Opportunity
- Rationalization
- Pressure

WHO COMMITS THE CRIME?

- Managers/Bookkeepers
- Insurance staff
- Nurses
- Others
- Another type
Fraud Prevention
START WITH A TRUSTWORTHY TEAM

• Background Checks
  • Credit Check
  • Criminal Check
  • Education Verification
  • Driving Record
  • Former employers (are they eligible for re-hire?)

* Insurance may not cover a loss if a background check wasn’t performed

• Drug Testing

Fraud Prevention
CREATE A CLIMATE OF ACCOUNTABILITY

• You must set the example
  • Create a culture of accountability
  • Don’t give staff a chance to rationalize based on your behavior

• Build strong relationships
  • Reward hard work
  • Compensate fairly
Fraud Prevention

CREATE A CLIMATE OF ACCOUNTABILITY

• Be Involved & Pay Attention
  • Review monthly reports: financials, bank statements, credit card statements, patient refunds, adjustment reports
  • Ask questions even if you know the answers
  • Look for suspicious activity: refusal to take vacation or give up tasks, extravagant purchases, confusing or inaccurate records
• Listen for patient complaints
• Listen for vendor complaints
• Open the mail

Fraud Prevention

INTERNAL CONTROLS

• Segregation of duties
  • Reduces likelihood an employee can commit fraud and cover their tracks
    • Writing & signing checks
    • Depositing cash & reconciling bank statements
    • Ordering supplies & invoice payment/approval
  • Applies to practice management software too
    • Posting/receiving payments & patient balance adjustments
Fraud Prevention

INTERNAL CONTROLS

• Accounting Controls
  • Reconcile bank deposits in accounting system to total payments recorded in the billing system
  • Reconcile EFT transactions (daily)
  • Reconcile bank statements to the accounting system and billing system (monthly)
  • Restrict check writing/EFT authority to owners
  • Set rules & responsibility for petty cash
  • Stamp checks “For Deposit Only”

• Payroll Controls
  • Owner must approve the following:
    • New employees in PR system
    • Rate changes in PR system
    • Overtime pay (padding time)
  • Use an outside payroll company

• Disbursement Controls
  • Owner must approve changes to vendor master list
  • Payments over $ threshold must be approved
  • Have a clear expense reimbursement policy
Fraud Prevention
INTERNAL CONTROLS

• Other preventative controls
  • Require at least once consecutive week of vacation for managers and any staff that handles money
  • Add more layers of review if you don’t have ability to implement adequate internal controls
  • Conduct a risk assessment
COMMON INTERNAL CONTROL LIMITATIONS

- Human error
- Fatigue
- Misunderstandings
- Collusion
- Change
- Judgment / Trust
- Size

I MIGHT MAY HAVE A PROBLEM... NOW WHAT?

• DON’T
  • Make a big scene
  • Discuss with anyone outside the investigation team
  • Terminate the perpetrator until you have evidence and have confronted him/her
  • Expect to recoup any money from the embezzler
  • Expect it to move quickly (can take 9 -12 months)
Fraud Prevention

I MIGHT HAVE A PROBLEM… NOW WHAT?

• Call your attorney
  • Understand your options and next steps
  • Attorney will guide you through investigation & prosecution
• Engage a CPA/CFE to perform an investigation
• Confront suspected embezzler with attorney & CPA
• Have a contingency plan in place
• Be prepared for retaliation

THE RISK IS REAL

1. Small businesses – disproportionately victimized by fraud and under-protected by anti-fraud controls

2. US Justice Department estimated that as many as 80% of the nation’s employees will steal from their place of employment when no active monitoring system is in effect

3. Organizations with anti-fraud controls experienced frauds that were up to 50% less costly and detected up to 50% more quickly
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CONCLUSIONS

1. Pay attention
2. Implement controls
3. Monitor and reevaluate

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Profile
Sae joined Warren Averett in 2006 and has more than twelve years of public accounting experience. Sae is a Member in the Firm’s Healthcare Consulting Group and specializes in working with medical practices. He serves physicians in matters such as compensation and incentive plans, merger and acquisition transactions, business advisory and personal income tax planning. Sae also has expertise in medical real estate issues including feasibility analysis, cost segregation studies and tax planning for purchase/sale transactions.

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Maddox Casey is a Member of Warren Averett and the practice leader for the Firm’s healthcare division. His team serves over 650 physician clients across the Southeast. Maddox helps physicians increase and maintain profitability in the turbulent times of healthcare regulations. He is a firm believer that through proper planning and education of current policies, he can help his clients thrive. Maddox is a frequent speaker for medical organizations across the country. He resides in Birmingham with his wife and three children.

**Professional Affiliations**
- American Institute of Certified Public Accountants
- Alabama Society of Certified Public Accountants
- Local and State Medical Group Management Association
- Birmingham Business Journal’s Top 40 Under 40, 2015
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