Several years ago, we visited a practice in which the receptionist drove a Jaguar. We were particularly intrigued about this after we learned that her husband had been in and out of work for several years. As part of our engagement, we observed the receptionist checking in and checking out patients, and noticed fairly quickly that the encounter forms for several patients who paid in cash had "disappeared."

The next day, the receptionist called in sick and within a few days had resigned. In the end it became clear she had been tossing encounter tickets and pocketing cash for years. But because the practice didn't require anyone to account for all the day's encounter forms, nor balance money collected against what was posted to the computer system, no one was the wiser.

Front-desk embezzlement schemes are not uncommon and they are typically the result of a lack of proper controls and oversight. By implementing strong internal controls, practices can significantly reduce the risk of embezzlement.

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controls using these proven practices.

1. **Confirm that all encounter tickets for the day have been posted and "closed."** At the end of each day, generate a "missing ticket" report from the practice management system and verify that all encounters have had charges and payments posted to them. This indicates the ticket has been closed. If your practice uses paper, ensure each ticket has a number. If your practice is paperless, the practice management system will generate and store an electronic tracking number. Tickets for patients who cancelled or did not show up for their appointment should be closed with a reason code for "cancelled" or "no-show."

Closing and accounting for all encounter tickets is the foundation of front-desk cash control, yet many practices skip this step. When we asked a neurosurgery group to generate a missing ticket report for the first time, it included more than 600 open tickets from the previous two years. Was someone in the practice on the take? Hard to say. But these days no one goes home from this practice until all tickets are located and closed.

2. **Balance the ticket totals, posted payments, and actual money collected.** This is standard operating procedure in any retail store or restaurant and should be your standard operating procedure too. Balance all three totals to the penny, and designate a manager or supervisor to review and sign off on the work. Thievery is thwarted when employees know someone is paying attention. For each day's balance, bundle the closed tickets (or equivalent electronic report) with credit card receipts, check copies, and the reconciled total payments collected and file them by day (electronically or on paper).

3. **Lock it up.** We were stunned to spot an unlocked strong box on the front desk of a small internal medicine group, from which staff and doctors regularly withdrew money for everything from the physicians' lunches to a box of copy paper. No lock, no protocol for who could withdraw money, and no paper trail of what was taken out. The timid manager simply put more money in when the balance was low. Be smart: Keep all money in a locked drawer (or overnight safe), and establish guidelines for who has access and what the money should be used for.

4. **Separate the "change fund" from "petty cash."** There is a difference. The change fund is an amount in small bills that's always the same — say, $200. This is the money staff use to make change for patients who pay in cash. Every day when they balance to the penny, the amount is counted out and kept in the drawer for change-making the next day.

The petty cash fund is a small account from which you borrow for small purchases. Each transaction is logged on a "chit," and ultimately posted as an expense in your bookkeeping system. When the petty cash fund is low, the manager replenishes it, and

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from change, you risk an easy-to-play financial shell game that never matches money spent with specific transactions. And it's difficult to spot missing money if there are no controls for reconciling transactions in the first place.

5. Randomly audit no-shows and cancelled appointments to make sure they are valid. In one surgical practice, we uncovered a front-desk staffer deleting appointments using the reason code "no-show" for patients who were seen and paid in cash. How did we catch it? An inordinate number of no-shows prompted us to pull charts. In several we found visit notes for patients who supposedly did not show up for their appointment — when they actually did. Not only had the practice lost the patient's payment, but because the staff person had made these encounters disappear, none of these services had been billed to insurance either.

6. Conduct background checks for EVERY employee who handles money. An attorney colleague is currently working on five cases that involve practice or billing service employees accused of stealing. Background checks should be an essential part of the hiring process. You'll be amazed at how many candidates are up to their ears in credit card debt, or who have been convicted of a crime. Both are clues that the candidate should not be hired to handle money.

Don't wait until after the hire to learn the facts. Companies such as Trusted Employees offer inexpensive background checks for employees of hospitals and physician offices, as well as other industries. (www.trustedemployees.com)

7. Pay attention to the personal situations of staff. A person who cannot pay their mortgage or has racked up thousands of dollars in credit card debt can feel desperate and act in ways they normally may not. Or, in the case of the Jaguar-driving receptionist, the luxury car should have been a signal to the manager and physicians that something was amiss.

Yes, we recognize that physicians and managers are busy. But when it comes to managing people who handle your money, there is no amount of busy that should get in the way of good old acuity and common sense.

Karen Zupko is President of KarenZupko & Associates, Inc., a firm that has helped physicians save time, save money, and reduce risk for more than 25 years.

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While not exactly embezzlement, we came across a clinic where patients got past the front desk and were seen by non-partner or non-owner providers pro bono. So while one needs to keep an eye out on the front office staff, they can work together with the back office staff to defraud the practice or they can be dupes and one needs to monitor back office staff as well. Strict controls to monitor traffic and require everyone to "check in" no matter the reason for coming in to see a provider helped resolve the problem.

DONNA @ Thu, 2013-09-19 16:06

Donna, thanks for sharing this example. We are in total agreement that ALL patients should check in regardless of who they are seeing.

It would be interesting to know how the clinician responded when confronted with this behavior.

Karen

Mary @ Mon, 2013-09-23 14:40

Here's another little technique to reveal embezzlement. Slip an extra $20 bill into the cash drawer. If it is discovered and reported, award the $20 to the staff person for doing a good job. If its not discovered and reported, look further to find the thief. You can find certified healthcare financial business consultants & CPAs to assist in advanced embezzlement investigation at the National Society of Certified Healthcare Business Consultants at NSCHBC.org

Keith @ Thu, 2013-09-19 16:19

Keith, thanks for sharing this idea! It's certainly one I can envision using in a few practices we work with.

Karen

Mary @ Mon, 2013-09-23 14:42