Physicians are easy targets for employee theft. A Medical Group Management Association (MGMA) survey revealed that 83 percent of practices have experienced from $250 - $250,000 in employee theft.

Given the cash-based nature of aesthetic surgery, your practice is at even great risk than other specialties. Use these 11 proven practices to tighten cash controls. An ounce of prevention is worth a pound of cure.

1. **Conduct background checks for all new hires that will handle money.**

   For less than $100, a background check provides valuable insight into potential employees. You’d be amazed at how many candidates are up to their ears in debt, or who have been convicted of a crime. Both are clues that the candidate should not be hired to handle money. Had one been conducted during the recruitment process, a background check would have prevented a Chicago practice from hiring a thief, who took off with $250,000 in practice receipts. The employee with sticky fingers had previously been convicted of embezzlement, and a background check would have exposed this.

   **Trusted Employees** [www.trustedemployees.com](http://www.trustedemployees.com) is a company that provides this service at reasonable rates. The time to conduct the background check is before you hire. Asking employees who handle money to submit to a background check is considered discriminatory.

2. **Don’t give employees check-signing authority.**

   No one but physician owners should sign checks. Not the manager. And not the trusted patient care coordinator who has been with you for more than ten years. This rule protects both the practice and your honest employees. In fact, smart employees will refuse the privilege of signing checks. They know the risk.

   To ensure you know what you’re signing for, insist on detailed back up information for every check. Such as the invoice and purchase order stamped PAID, with a check number and a date.

3. **Perform a proper “daily close” to balance charges, collections, and discounts.**

   This is standard operating procedure in any retail store or restaurant and should be your standard operating procedure too. The basic premise is to make sure that all amounts collected match the amounts posted to the computer system, less any discounts or write-offs. The goal is to balance to the penny every day. Key steps in this process include:
   - Assign a staff person who does not post payments into the practice management system to add up payments from cash, checks, and credit cards using an adding machine tape to document the work.
   - Compare the tape totals to what the practice management system’s daily journal shows was collected and posted into the system. They must match.
   - After deposits are made, compare the bank receipt to daily adding machine tapes to ensure the right amount was deposited.
   - Compare actual deposits in the checking account (and accounting system) to computer system reports at the end of the month. The two totals should match, except for deposits in transit.

Finally, file each day’s ‘close’ documentation by date. Each day’s close should include: computer-generated reports and journals, bank deposit slip and receipt, adding machine tapes, credit card machine close out, check copies.

Let me reiterate the importance of balancing all amounts collected against the computer-generated report of payments posted that day. After the manager of an aesthetic client was let go recently, we discovered a spreadsheet she had used to “balance” daily receipts for the accountant. The spreadsheet totals did not match the payment categories or the amounts posted to the practice management system. Although we could not prove theft beyond a reasonable doubt, the obfuscated way that the former manager built the spreadsheet, and the fact that it was never reconciled against payments posted to the computer system, was very suspicious.

4. **Use the computer system’s encounter form reconciliation feature.**

   Closely related to the daily close is accounting for all the day’s scheduled visits, add-ons, and walk-ins. This practice reduces the possibility that an employee could pocket a consultation or visit fee.

**For Your Practice**

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48 Aesthetic Society News • Fall 2016
First, create an appointment for all patients seen—including those who schedule same-day appointments or walk in. Second, use the practice management system’s encounter form reconciliation feature to verify that an encounter form was generated for all patients on the schedule, and that the form was “closed” after collecting and posting a payment. Don’t leave any encounter forms “open” at day’s end. An open ticket report will list all encounter forms that have yet to be closed. Hold staff accountable for tracking down, posting, and enclosing all of them.

5. Implement cash counting oversight and verification.

It’s not uncommon for aesthetic patients to pay in cold hard cash. I’ve been in more than one practice where a patient hands the staff a wad of big bills. During one client engagement, a patient showed up for her pre-op with a duffel bag full of $7,000 in $20 bills.

The manager in one aesthetic practice proudly showed us how she fanned the bills from cash paying patients to show each one’s dollar amount. She then photocopied the bills and put the copy in the patient’s chart. We happened to notice that her fanning system did not display each bill’s serial number, leaving open the possibility of copying the same bills over and over again. Not to mention the fact that it is illegal to copy U.S. currency.

Here’s a better idea: Make sure all large cash payment are counted, verified, by two different employees. These counts should be documented in writing by the employees, then verified and initialed by the manager and included in the daily close.


The person who opens the mail should not post payments or write checks. The person who collects deposits and balances from patients prior to surgery should not prepare and make the bank deposit. The person who orders skin care products and fillers should not be the one to receive the shipments and put them on the shelf. Contact your accountant to review your current procedures and make sure they are air tight.

7. Provide patients computerized receipts.

The staff person who collects the consultation fee, product purchase, or copay at the front desk should also post it into the computer system and issue a computerized receipt to the patient. Hand-written receipts compromise internal controls. Eliminate them from your practice.

8. Keep a close watch on discounts and write-offs.

Dishonest employees can cover up their embezzlement by collecting cash then writing off the account balance to a discount or other adjustment category. This is particularly easy for them if you have not developed detailed categories that describe what the discount was for. A practice in the West used a category called “Doctor’s Discretion,” into which staff could write-off everything from coupons to revisions to waived consult fees when the physician was running late. $120,254 was posted to this category over the course of one year, an easy hiding place for staff looking to take home a few hundred extra dollars each month. Especially since the surgeon never reviewed the amounts written off to this category. Trade vague “bucket“ categories like this one for detailed categories, and ask questions about the amounts written off to them each month. Employees will respect what physicians regularly inspect.

9. Use remote deposit capture (RDC) or lock box services.

RDC is bank service that scans and converts paper checks to direct deposits. It reduces embezzlement risk and saves staff time since there is no deposit slip to prepare or bank run to make. A lock box is a service that receives and processes mailed in checks through a special post office box instead of your practice address. Bank employees retrieve checks from the box, process them, and deposit the funds directly into your account. Both services are especially useful if you receive reimbursement checks from insurance companies.

10. Encourage patients to pay their portion of the bill online.

Whether through a patient portal, PayPal, or other online payment option, allowing patients to pay online adds an additional control by eliminating the opportunity for employees to interact with the transaction at all.

11. Prohibit staff from making credit card refunds.

Making refunds to one’s own credit card, or that of a friend, is a common fraud scheme. Monitor the credit card machine’s daily reports to ensure no refunds have been made. If a refund is required, issue the patient a check—signed by the physician, of course.

We recognize that physicians and managers are busy. But when it comes to managing the people and systems that impact money, there is no amount of busy that should get in the way of common sense. Establish internal controls and monitor them regularly. As an extra precaution, speak with your insurance broker about employee dishonesty coverage.

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