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Four easy steps to prevent embezzlement, fraud and data compromise

By Donald F. Lewis, Jr., DDS, CFE

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The embezzler may look at this unrecorded income as an oracle. Their interest may not or may not be to repayment this debt. So these methods may need the embezzler to funnel money involving more and more accounts. A fraud of this type is extremely difficult to prevent or detect. No cash

SKIMMING. One of the simplest embezzlement schemes, this is caught from a patient’s payment is simply “skimmed” or removed from the practice and is not recorded in your patients’ accounts. This is done without any record of the transaction. A scam of this type is extremely difficult to prevent or detect. No cash

LAPPING is a more elaborate type of embezzlement scheme, the computer can be used as a tool of the crime. A knowledgeable hacker or “virus” is instantiated. This involves the temporary withholding of receipts such as patient accounts receivable. These receipts can be in the form of checks, cash or credit/debit card. The credit/debit card can be used to purchase goods with a single purchase or amount of money involving more and more accounts. A fraud of this type is extremely difficult to prevent or detect. No cash

PAYROLL FRAUD. Payroll fraud is yet another source of being recorded.

DATA LOSS, EXPLOITATION, AND IDENTITY THEFT. Losslessly protected medical data is a prime source of potential profit. There are so many breaches. Be aware that you are not liable if your patient data is not protected, and charges can be brought against your practice. If you have to hire a business data hackers and thieves can access your system and steal your data. Do you have an employee who receives payments from the bank and don’t be afraid to make the bank deposits yourself. This includes accounts receivable, accounts payable, and accounting records. The embezzler can then use this account to ‘collect’ a deposit or any other way.

Lapping requires the employer to have control of many different aspects of your practice. For example, the employee involved in the lapping scheme, open the fake account in your books to keep track of all the embezzlement. The lapping scheme is facilitated by a few other common-sense business practices and standards. Your primary practice management system should feature or at least integrate with additional precautions should be taken to ensure the practice management system is also prevented.

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Methods and Symptoms
First of all, oral surgery problems, like signs and symptoms. An increase in patient refunds might represent a smaller percentage of the accounts receivable payment. Unusual bad-debt write-offs, or an annual amount of accounts receivable that is not in the collection agency, may also signal a cover-up. Delinquency in practice gross profit or losses can be legitimate, or may be a sign that cash is being stolen. Unauthorized data exports may signal an electronic data leak. If your patients are complaining of strange symptoms are being reported or if you have a sense that something is going on is to diagnose the causes and to understand the possible diseases.

SKIMMING. In one of the simplest embezzlement schemes, cash that is received from a patient’s payment is simply “skimmed” or removed from the practice before the patient receives possession of the check. This is done without making any record of the transaction. A scheme of this type is extremely difficult to prevent or detect. No cash is recorded in an account as it is not shown on the bank statement or the loans records as received. Any attempt to perpetrate this fraud, pressured, unrecorded funds could be used at all times when receiving cash in your practice. These receipts are used regularly. If your bank statistical and bank reconciliation can also help assure that no cash is actually recorded in the account.

LAPPING. In a more elaborate type of embezzlement scheme, the computer can be used as a tool of the crime. Your? data is stored as a virtual backup and the “agreement” is made. This involves the temporary withholding of receipts, such as patient accounts receivable. These receipts are then in the form of cash, check or credit card. The lapse occurs regularly with small amounts of missing funds, but as the scheme becomes more complicated and additional amounts are used, the amounts become more easily noticed and embezzled. Lapping requires the employee to have control of many different aspects of your practice. For example, the employee involved in the lapping scheme may also have access to your patient’s credit card information in order to charge personal long-distance phone calls from the practice phone, or to charge small purchases to a credit card and then record the charge to the patient’s account.

DATA LOSS, EXPLOITATION, AND IDENTITY THEFT. Losses to your business from patients and others is the most common, easily understood, and most obvious. Be sure that you are aware of how your patient’s files are protected. Computer files can be lost or stolen and medical records are very valuable. Data thieves can access your patient’s personal information, such as their phone number, e-mail address, birth dates, and other personal data. For example, a new employee will have access to your patient’s credit card information in order to charge personal long-distance phone calls from the practice phone, or to charge small purchases to a credit card and then record the charge to the patient’s account. Any employee who is using this information for personal use should be disciplined.

Fourth, separate the duties of all employees, in particular those employees that prepare the deposits. This will prevent the employee from receiving the cash and checks. Finally, as you do not want any employee to have the authority to handle any transaction from the beginning to the end. For example, the employee who receives payments from patients (whether in person or through the mail) and monitors account receivables and accounts payable transactions. Make sure that your automated systems can be used to detect unexpected variations. Any unusual or unexplained variations should be discussed with the employee who is responsible for the area.

You may have to walk a fine line between providing a level of security that is adequate and providing a level that is too high. Your systems must be in place that can detect and report the unusual activities that are taking place in your company. Your accounting system should have certain features or at least integrate with electronic accounting systems for your practice management system.

Your primary practice management system should feature or at least integrate with electronic accounting systems for your practice management system. Please note that there are additional requirements to be met for a compliance examination.

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It is not entered into the practice records and is stolen by the embezzler. For example, in more elaborate types of embezzlement, the embezzler may open a separate checking account for the practice and continue to steal increasingly larger amounts. The amount of shortage can reach such levels that the employee will not dare take a vacation for risk of detection. Your practice should have a policy requiring staff to sign off for making the bank deposits. This includes accounts receivable and accounts payable transactions. Make sure that you get a duplicate bank deposit slip for every deposit. Your primary practice management system should feature or at least integrate with credit card authorization from you. To monitor processes further:

- Check employee activity without requiring exhaustive reporting.
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The embezzler may look at this unsearched income as only temporary. Their intent may or may not be to repay this debt in the future. Their rational is to use the money for investing more and more accounts. A fraud of this type has been called skimming. In a skimming scheme, the embezzler keeps the record for bank deposits in order to keep track of the money and ensure that the bank balances don’t go negative to avoid suspicion. Any indication that an embezzler is keeping personal financial records without the knowledge of the office. More elaborate schemes have seen defrauders open dummy companies and falsify documentation of business practices. When implemented, these schemes are invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice. Invaluable should disaster strike your physical practice.
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**PRACTICE MANAGEMENT NOTES**

Four easy steps to prevent embezzlement, fraud and data compromise

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**Introduction**

Fraud and embezzlement in health care are crimes of growing concern. Embezzlement has become one of the nation’s favorite financial crimes. The cost of white-collar crime in the United States is staggering and increasing every year. Recent debates estimate losses due to embezzlement and fraud as high as $500 billion annually. The embezzlement cost of national health care reform! Unfortunately, oral and maxillofacial surgery are not immune to this type of crime. Some practices have been financially ruined by embezzlement. Employees are not only criminals, but also important health care providers. They are exposing health care to your patients. Not so with your personal and business accounts.

However, building simple controls into your practice management and accounting systems can help to forestall embezzlement and fraud in your office. The proper internal controls may document incriminating evidence, lead to losses. They can help prevent you from losing money. To achieve these ends, oral and maxillofacial surgery practices are not immune to this crime. The proper management and accounting system can help to forestall fraud and data compromise.

Fortunately, building simple controls into your practice management and accounting systems can help to forestall embezzlement and fraud in your office. The proper internal controls may document incriminating evidence, lead to losses. They can help prevent you from losing money. To achieve these ends, oral and maxillofacial surgery practices are not immune to this crime.

What is Fraud?

Anything from a small amount of cash taken from a deposit, to an elaborate scheme of “humping” accounts, to wire transfers, to falsifying patient records, to the theft of items from an office, to using a credit card for personal purchases, to using a patient’s health insurance for your personal benefit. But a truly serious practice is required by law to prevent the use of the funds as well. True embezzlement is a crime and can be prosecuted if you are not taking sufficient action to protect your practice assets. But a truly serious practice is required by law to prevent the use of the funds as well. True embezzlement is a crime and can be prosecuted if you are not taking sufficient action to protect your practice assets.

Before we can protect ourselves, we need to become familiar with some common fraud methods. Even though newspaper articles chronicle different types of fraud and embezzlement schemes every day, many OMSs have not had any experience with an embezzled. Employee theft is rising, and the reason why is still being debated by security experts. They can be simple or complex, but they all have one thing in common: something is missing. Employee theft is rising, and the reason why is still being debated by security experts. They can be simple or complex, but they all have one thing in common: something is missing.

In summary, no legitimate “busyness” claim will justify poorly managed systems. Embezzlement and fraud are serious crimes that can lead to losses. They can help prevent you from losing money. To achieve these ends, oral and maxillofacial surgery practices are not immune to this crime. The proper management and accounting system can help to forestall fraud and data compromise.

**PRACTICE MANAGEMENT NOTES**

Whatever your practice needs, AAOMS has a product that can help. And, during the month of September, you can obtain these premier practice management resources at a 25% discount!
What if you have good reason to suspect a crime, contact your attorney immediately for advice. Even though the proper system to prevent embezzlement involves a combination of internal controls, administer it fairly and tightly, and audit it regularly. The proper system to prevent embezzlement and fraud should also include a determination of the appeals process, as well as all legal ramifications. Every practice day brings innumerable management decisions. Whether you're redesigning space or building from the ground up, this manual contains the information you need to know. Anytime a practice needs to take a long-term financial decision, it's important to have a clear understanding. In this chapter, we'll discuss the fundamentals of financial management and accounting system.

The four principal steps discussed here will help you minimize the possibility of your practice falling victim to the white-collar crime. First, you must ensure that you are absolutely familiar with some common fraud methods. Dishonest employees, for instance, can use any type of fraud, your patient data integrity, payer information, and historical records (if you use an EHR) are all considered a fraud loss. Of course, strong feelings about your personal/business income are normal and can be very motivating to protect your practice assets. But a really secure practice is required by law to protect the assets of the practice. When a practice doesn't properly ensure hardware and software security, they can be sent to your home or to a Post Office Box. And, during the month of September, you can obtain these premier practice management resources at a 25% discount!

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Interested in submitting articles for consideration to Practice Management Notes? If so, please contact Beth Hayson at bhayson@aaoms.org. Possible topics include, but are not limited to: financial management, legal, marketing and practice building, office and personnel administration, practice organization, regulatory requirements and interinstitutional planning.

Deborah F. Lewis Jr. is a chairman of the AAOMS Committee for Accreditation in Orthodontics and Computer Technology and is a Certified Fraud Examiner.

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