



# Preventing Medical Practice Financial Fraud

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## SHOULD YOU WORRY?

All businesses are exposed to fraud, but smaller ones – including physician offices – tend to lose a larger share of their revenue to fraud because of inadequate controls<sup>1</sup>. Fraud in a medical practice includes claims fraud, but this article deals only with financial fraud: misconduct on the part of an employee that results in the loss of funds.

If you don't worry about fraud at your practice, you should give it some thought. One study found that more

than 40 percent of community health clinics had experienced some type of financial crime during the five years prior to the study<sup>2</sup>. Consider this:

*"An accounts receivable manager adjusted account balances and had his physicians endorse the insurance checks that came in. He then deposited these checks into an account in his name. In the large practice, it was easy for the manager to find a doctor in a hurry who would endorse a check, believing payment was going to a patient.*



*The manager gained more than \$400,000 by this scheme<sup>3</sup>.*"

## IS YOUR PRACTICE AT RISK?

There are several indicators of risk to consider. A few are:

- Does your practice deal with many cash payments?

- Is your staff inadequately supervised?
- Are there any integrity issues with any employees?
- Have you neglected to implement or periodically inspect a series of checks & balances?
- Do you fail to post financial transactions in a timely manner?

Additionally, enforce job rotation and vacation policies. Also, verify employment history, paying attention to any employment gaps. Internal controls can also lower risk. Segregate cash-related functions. Properly document all transactions, reconcile and post receivables every day and conduct periodic outside audits. If this sounds like too much, SNB can help.



If you answered "yes" to any of these, what can you do? Take action. Screen hires thoroughly - a credit and background check can provide assurance.

## HOW CAN SNB HELP?

To help you mitigate fraud, SNB provides two easy solutions: Positive Pay and Digital Lockbox.

- **Positive Pay** is a highly effective defense against check fraud. This service helps detect check fraud by identifying checks presented for payment that your practice did not issue. Your practice sends SNB a check issue file with each check distribution, and SNB compares the file of checks presented to the check issue file. If verified, they are paid. All exceptions are identified and communicated via SNB's online banking solution at 8 a.m. each business day.
- **Digital Lockbox** combines a traditional lockbox with document imaging. SNB receives, sorts and opens your

mail at the SNB Operations Center. Checks are deposited the same day they arrive, and all other documents, including checks are scanned and indexed to enable online search. Your documents become available for viewing the morning after they are processed. An SNB Digital Lockbox can provide your practice with better controls by creating a beneficial separation of duties.

Contact SNB to learn more about solutions to help secure your practice's cash. ■

1. "Good cash control in your office keeps everyone 'honest,'" Physicians Advisory, October 2000.  
 2. "Minimizing the Risk of Financial Fraud", Family Practice Magazine, February 2006.  
 3. "Rip-off", MGMA Connexions, March 2003.