



CRIME SCENE - DO NOT ENTER



Control Your Future™

Physician's Computer Company

PCC 2014 Users' Conference

Safeguarding Your Practice's Fiscal Health (from undetected fraud scheme)



*Burlington, Vermont
Wednesday, July 16, 2014*



Stephen Pedneault, CPA/CFF, CFE



- Founder of Forensic Accounting Services, LLC
 - 26 years of fraud experience
 - Investigated embezzlements and fraud ranging from a few thousand to over \$6 million
 - Frequent speaker and writer
 - Adjunct Professor of Forensic Accounting, **UConn** MSA Program and Manchester Community College
- Member of AICPA, CSCPA, ACFE, NACVA



• Author of four books, *Fraud 101; Anatomy of a Fraud Investigation; Preventing and Detecting Employee Theft and Embezzlement; and Forensic Accounting/Fraud Investigation for Non-Experts, 3rd.* (Wiley)

• **Started** fifth book - *Employee Theft and Embezzlement Within A Medical Practice* (MGMA)



Session Objective

Medical practices continue to get victimized by someone working within the practice.

Due to the volume and complexities of medical billing, schemes are frequently perpetrated within billing and collections, well concealed from detection within the volume of transactions.

Session Objective

A scheme could go undetected for years, and amount to tens and hundreds of thousands.

In this session we will focus the discussions on employee embezzlement schemes, and identify practical measures every practice can implement to minimize their risk of loss due to the dishonest actions of an employee.

Session Outline

- **Headlines**
- Outsider Threats
- Insider Threats
- Your Practice's Environment

Bookkeeper accused of stealing \$329,000

The affidavit supporting the arrest said the theft occurred between 1998 and November 2000.

business that they could not afford to hire an accountant of that sort.

Simsbury Little League coach accused

For 15 years Slayton worked for surgeon Dr. Bruce Burdette and medical center. The coup was made possible by the Little League in 2000 for their work on the snack bar, according to former league president Robert Heagney, a Republican representative from Simsbury.

Casino embezzler sentenced

A former money counter at the Mohegan Sun casino was sentenced Tuesday to 4½ years in prison for stealing \$823,000 from the business.

"Her activities ruined our credit worthiness, put us at risk with our vendors, and exposed us to substantial fines and penalties from both IRS and the state of Connecticut."

John Annese
Journal Inquirer

Police say a Simsbury man has been charged with stealing thousands of dollars from the Little League construction project between August and November.

"It hit us hard," Heagney said. "I believe we should have been more diligent in our oversight."

Shaner, 56, of Norwich also was sentenced to 1½ years probation, but was fined \$10,000 for misappropriation of money.

charges against her. The maximum fine is \$10,000.

Former Red Cross exec probed

The former executive director of the American Red Cross' New London-area chapter, who police believe embezzled \$146,000 from the agency while he worked there, owes thousands of dollars in federal income taxes, The Day of New London reported today.

Former employee accused of larceny

The former employee, Eric F. Saehring of Wethersfield, was arrested Tuesday. He was charged with larceny and possession of stolen property.

HESTER — A former employee of a gas station on Hartford Road has been charged with stealing \$2,600 from the store over a five-month period ending in January, police said.

Former OTB Manager Charged With Embezzlement

By RICK GREEN
COURANT STAFF WRITER

A former general manager at the now-closed Track Betting facility has been charged with more than \$300,000 in a case that turned up more than \$300,000 in missing cash from the gambling facility. Documents filed in Superior Court by Richard B. Green, Jr. allege that the manager, Eric F. Saehring, stole the money.

- Extensions:
- Somers: 308
 - Windsor: 309
 - Stafford: 308
 - Suffield: 308
 - Tolland: 310
 - Vernon: 310
 - Windsor: 309
 - Windsor Locks: 309

addresses
Enter your first initial
Address:
City:
Living
Be saved in a text message

Woman gets 15 months in theft

NEW HAVEN — A New York City woman who pleaded guilty to embezzling more than \$400,000 from the Stamford company for which she worked was sentenced to 15 months in prison Thursday.

The federal judge also ordered Annelle Martin, 51, to pay \$415,796 restitution to the company. According to court documents, Martin stole money from the Stamford-based company for years. She worked there as a financial manager.

J.C. Penney En Accused Of Forger

regularities with store deposits. The store began investigating and learned that it was missing deposits totaling \$20,828 from June through August.

CHRISTINE DEMPSEY
COURANT STAFF WRITER

Leaders say they

MANCHESTER — A Hartford legislator says roughly \$69 million in labor union funds were diverted to other purposes.

Embezzlement suspected

MIDDLETOWN — A former insurance claims handler is suspected of embezzling almost \$250,000 from a Hartford insurance company and spending it on child support payments and a down payment on a house.

Carol L. Coady, 40, of Middletown, was arrested Friday and charged with first-degree larceny. Coady worked as a claims handler for the Travelers Property Casualty Co. between March 1999 and November 2002.

Prosecutors say that during that time, Coady wrote 31 checks to fictitious people, which she later cashed. Most of the checks ranged from \$3,500 to about \$9,800, with the largest being \$48,000. The investigation was done by the Office of the Chief State Attorney's Health and Social Services Fraud Bureau. According to the arrest warrant, Coady admitted in a statement to investigators her scheme to defraud the insurance company by fabricating insurance claims, and said she bought jewelry, a boat, and a car with the money. She also made donations to charity with the money, the warrant said. She is scheduled to appear in Hartford Superior Court on April 23.

ed with first-degree larceny. The OTB facility, Derlaga, who turned over the money, promise to appear in court.

PLEASE SEE OTB, PAGE B9

Over \$700,000 embezzled from Raleigh pediatrics practice



Posted May 8

Updated May 12



RALEIGH, N.C. — A former Carolina Kids Pediatrics employee was arrested Thursday for allegedly stealing more than \$700,000 from the practice.

Lori Wilkinson Pote, 50, is charged with seven counts of embezzlement dating back to 2007.

The company discovered the financial discrepancies in February and immediately contacted Raleigh police. Pote, the practice's office manager with access to its finances, was subsequently fired.

**How many cases of employee
embezzlement ever appear
in the media?**

1 in 9 cases

**and there is one in the media
pretty much every day!**



Session Outline

- **Headlines**
- **Outsider Threats**
- **Insider Threats**
- **Your Practice's Environment**

Outsider Threats

- Patient Identity Theft
- Insurance Fraud
- Patient Credit Card Theft
- Bank Account Theft
- Product Theft
- Vendor Schemes
- System Access



Vendors

Thefts against your practices

Returns?

Credits?

Overpayments?



Protecting Patient Information



See The Difference?



**Which one would you
prefer to find in your
practice?**



Your Environment?



What would I have access to in your office when no one was around?

Hopefully Not Your Environment



Even Your Shredding



Session Outline

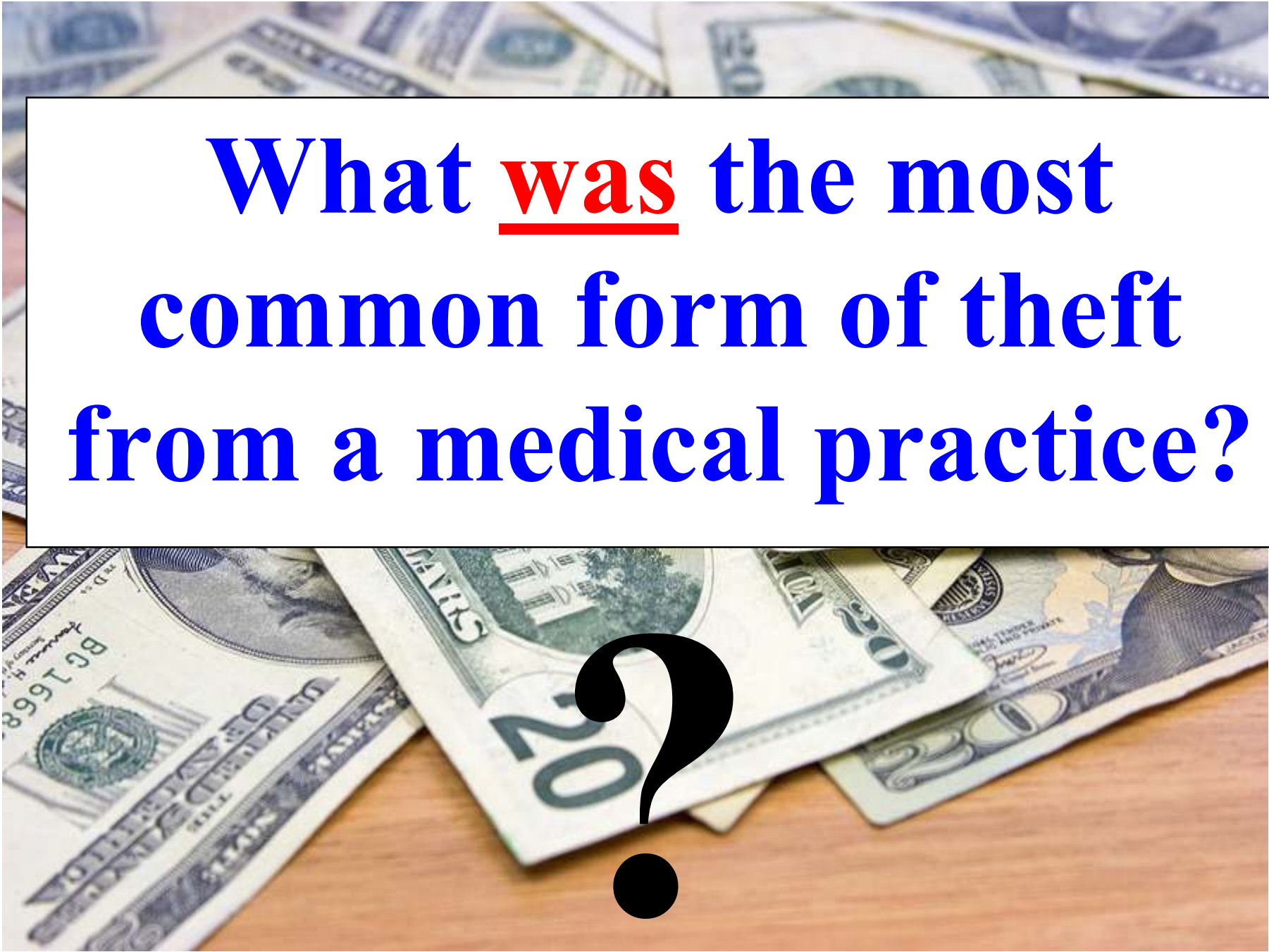
- Headlines
- Outsider Threats
- **Insider Threats**
- Your Practice's Environment

Insider Threats



- Embezzlement Schemes
- Theft of Supplies
- Theft of Patient Information
- Billing Schemes
- System Access





What was the most
common form of theft
from a medical practice?

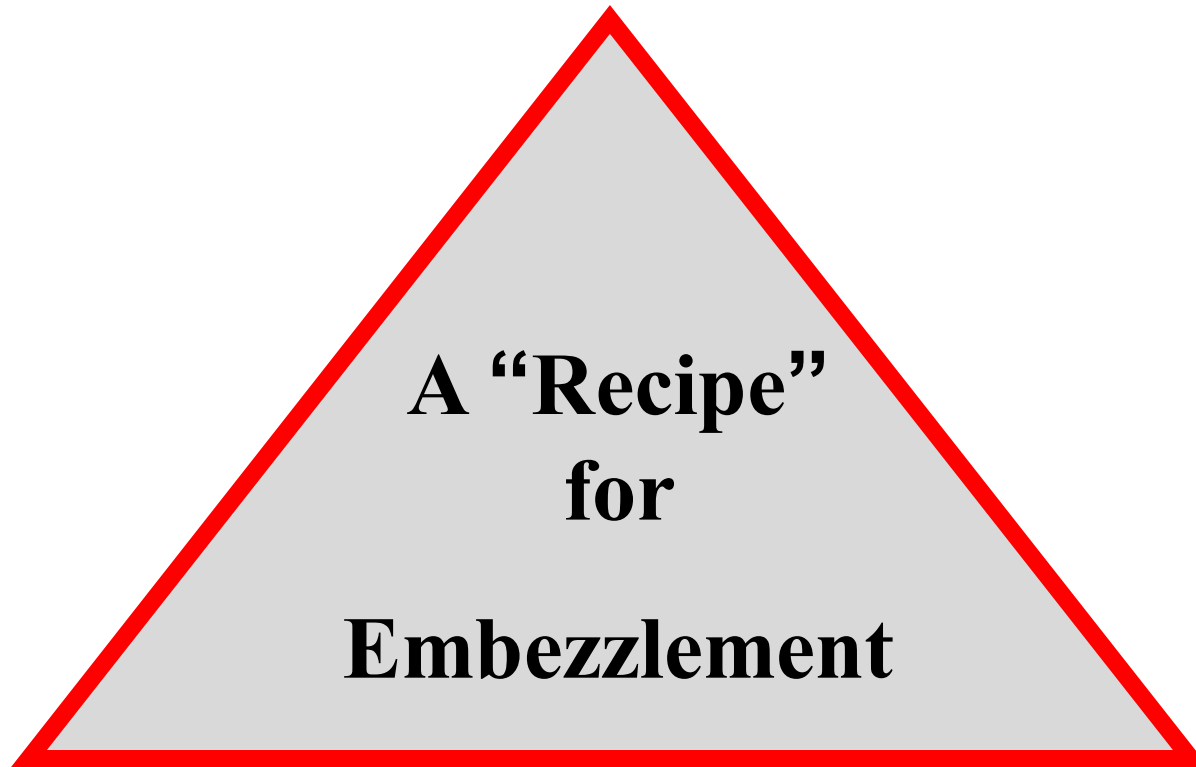


What has
become the
most common
form of theft
from a
medical
practice?



The Fraud Triangle

Financial Pressure



Opportunity

Rationalization

Embezzlement Concerns

- Insurance Payments
- Patient Payments
- Patient Refunds
- Credit Card System
- Cash Disbursements
- Employee Reimbursements
- Payroll



3 Step Approach to Fraud:

I. Prevent fraud from occurring

II. Detect it as soon as possible

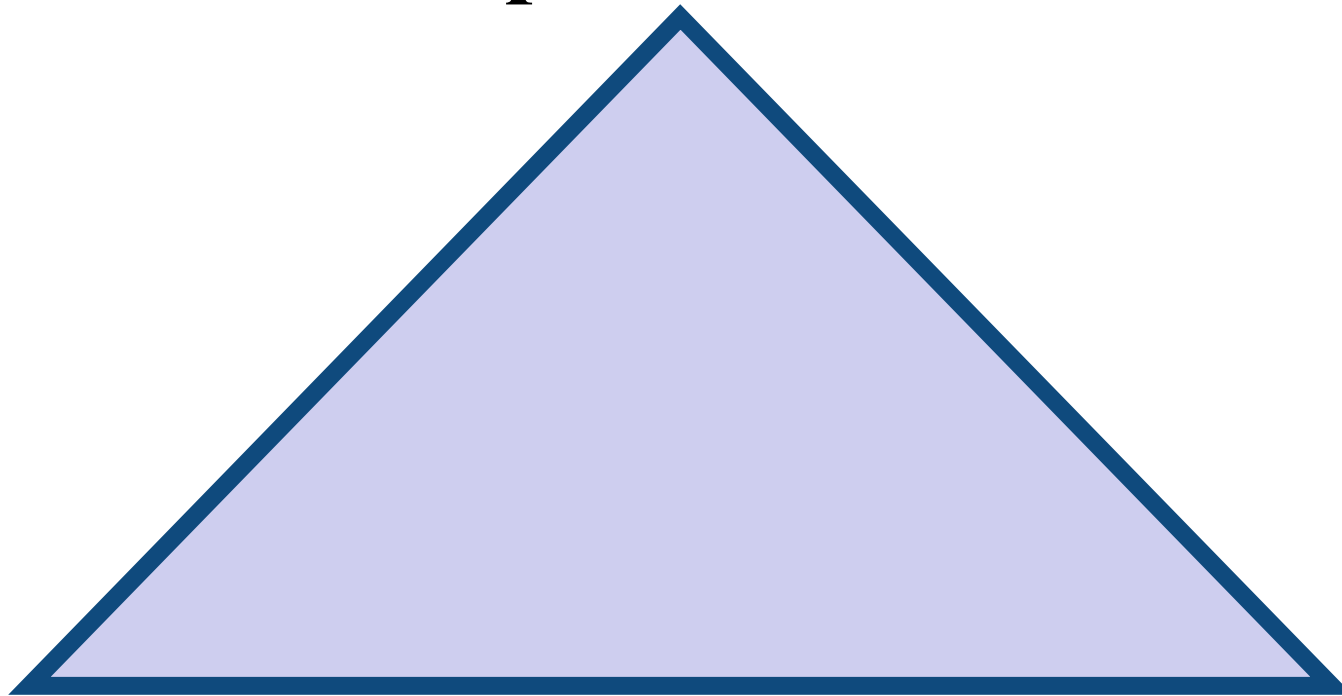
III. Obtain adequate insurance coverage -
employee dishonesty or employee crime.

Session Outline

- Headlines
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- Insider Threats
- **Your Practice's Environment**

Effective Internal Controls

Expectations

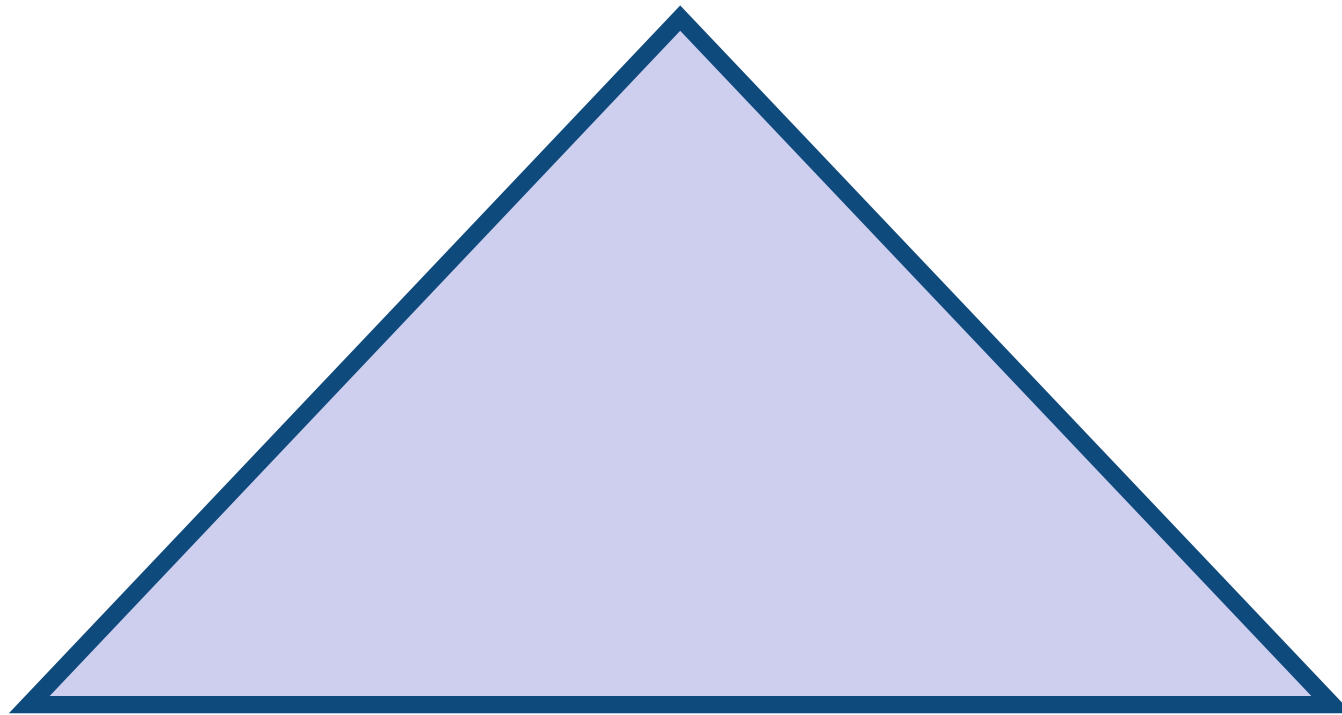


Adherence

Consequences

Embezzlement

Theft



Concealment

Conversion



3 Step Approach to Fraud:

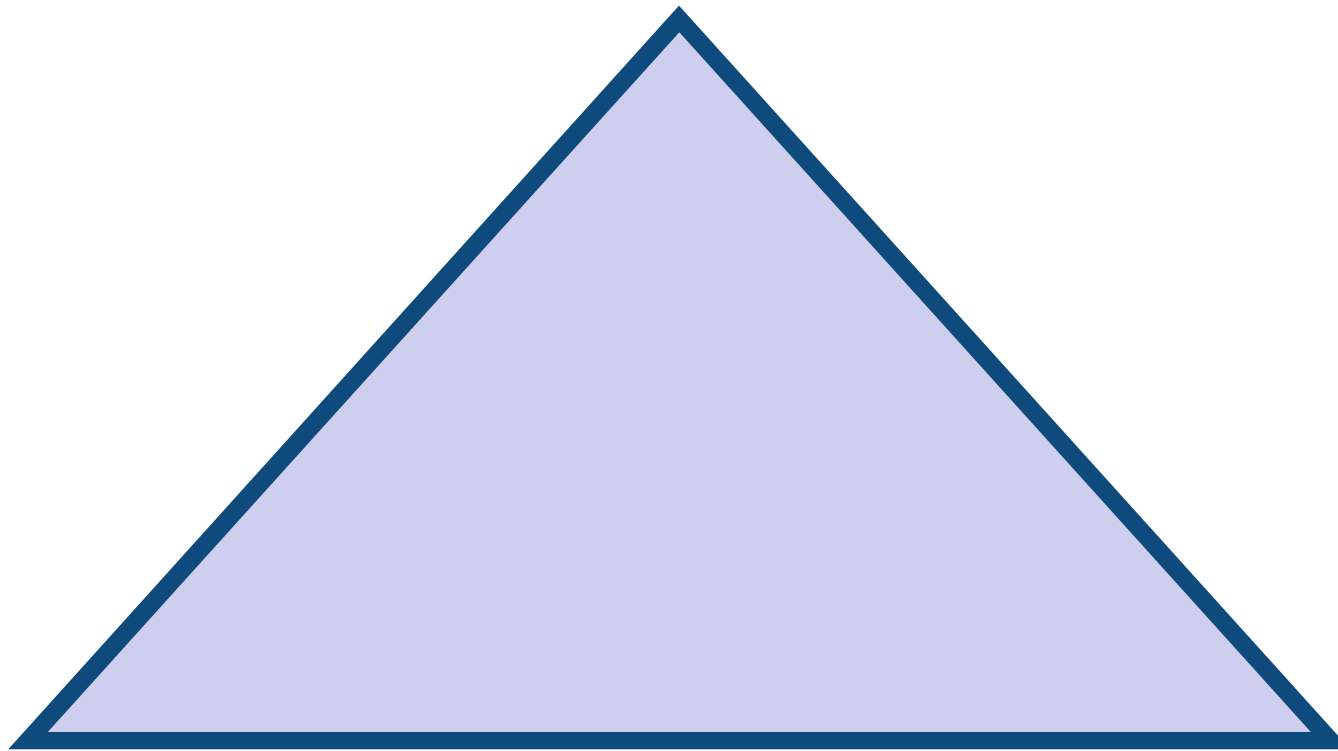
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II. Detect it as soon as possible

III. Obtain adequate insurance coverage -
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Fraud Approach Triangle

Prevention



Detection

Insurance

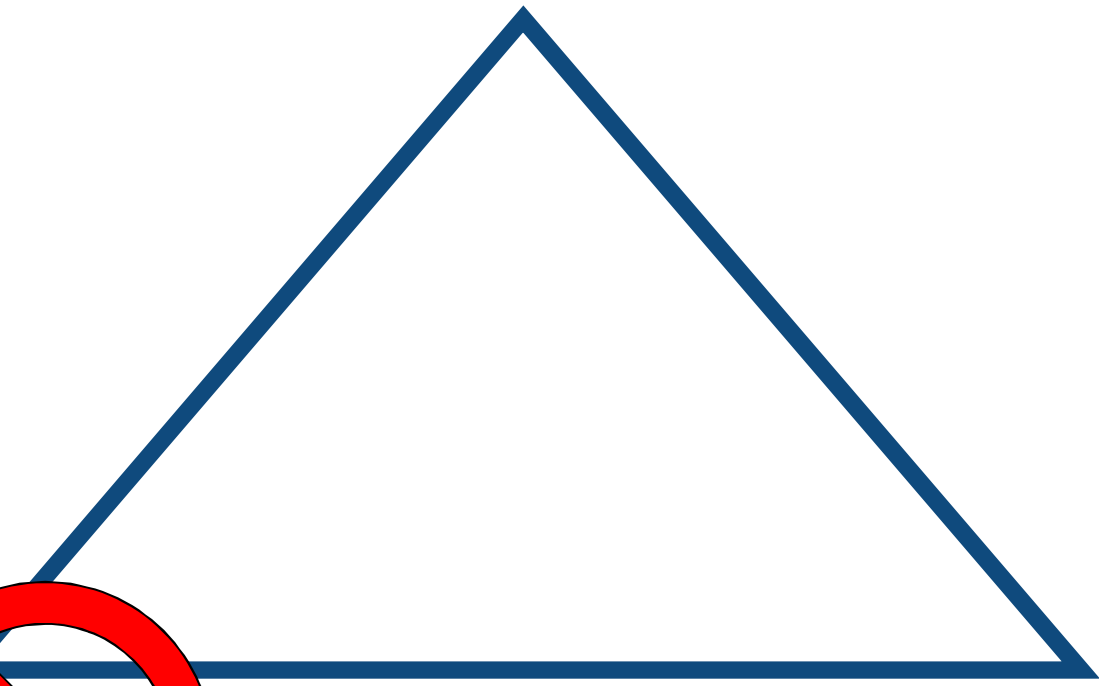
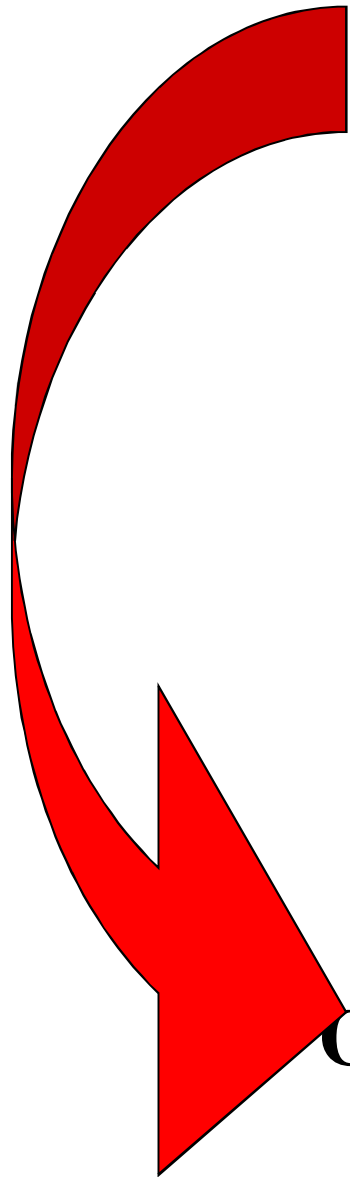
What can you do?

Financial Pressure

Opportunity

Rationalization

to the extent you can



Employees respect...

what you inspect



and monitor.

Trust...
is not an internal control.

“Trust with verification.”



Screen all new hires, especially individuals who will handle your money and finances

- **Contact listed references**
- **Call all previous employers (would they re-hire the person?)**
- **Criminal check**
- **CREDIT CHECK (with their authorization)**



Know Your Employees!



*Facebook IT
Manager*

What Else?

- **What's going on in their lives?**
- **Where do they spend their nights and weekends?**
- **Living extravagantly?**
- **Never taking any vacation time?**

What To Look For To Determine If Someone Is Embezzling Funds

- **Unusual Employee Behavior**
 - **Unreconciled Accounts**
 - **Missing Documents**
 - **Unexplained Differences**
 - **Unusual Behavior**



In any medical practice...

where does the process start?



Scheduling

Scheduling




Revenue Cycle

Charges

Collections

Adjustments

Aging

 **BlueCross BlueShield Association**

Explanation of Benefits (EOB). **This is not a bill.**
12-12-01

1 ANTHONY DOE
100 BLUEBIRD LANE
CHICAGO, IL 60601-7332

Customer Service: 1-800-123-4567

Visit your local plan website

Claim Information

2 Member Name: Anthony Doe
3 Group No.: 12345
4 Identification No.: ABC123454569
Claim No.: 2020000000000X
Patient Name: **5** Anthony Doe

6 Summary

Total Billed:	\$45.00
Total Benefits Approved:	\$16.20
Amount You May Owe Provider:	\$1.80

The following shows how this claim was adjusted.

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Coverage Information

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Deductions			
Your 10% Coinsurance Amount		1.80	
Total Deductions			-\$1.80
Total Benefits Approved			\$16.20
10 Amount You May Owe Provider			\$1.80

Total covered benefits approved for this claim: \$16.20 to IMAGING RADIOLOGISTS LLC on 12-12-01.

A Division of Health Care Service Corporation, A Mutual Legal Reserve Company, An Independent Licensee of the Blue Cross and Blue Shield Association

151,247 002573




Revenue Cycle

Charges

Collections

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Aging

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Revenue Cycle

Scheduling



Arriving



Revenue Cycle

Patient Seen



Charting



Revenue Cycle

Co-Payments
Collected



Billing Completed

A close-up photograph of a "HEALTH INSURANCE CLAIM FORM". The form is filled with various fields and checkboxes, including sections for patient information, insurance details, and employment status. A silver pen is resting diagonally across the form. The form includes fields for "INSURED'S I.D. NUMBER", "INSURED'S NAME", "PATIENT'S BIRTH DATE", "PATIENT RELATIONSHIP TO INSURED", "PATIENT STATUS", "EMPLOYMENT?", "AUTO ACCIDENT?", "OTHER ACCIDENT?", "INSURED'S DATE OF BIRTH", "EMPLOYER'S NAME OR SCHOOL NAME", and "INSURANCE PLAN NAME OR PROGRAM NAME". There are also checkboxes for "YES" and "NO" for several questions.

Revenue Cycle

Billing Submitted



Payments Received

Insured By
HUMANA
 EMPLOYERS HEALTH INSURANCE COMPANY

Toll Free: 800-558-4444
 1100 Employers Blvd
 Green Bay, WI 54304

EXPLANATION OF REMITTANCE

HILLIAM E JONES MD PA
 SUITE 211
 3301 NORTHLAND
 AUSTIN TX 78751

DATE: 06/11/2001
 IRS#: [REDACTED]

Additional Payments
 6-21-01

PATIENT NAME:	ID NBR:	NAME:	NETWORK NAME:
[REDACTED]	[REDACTED]	JONES WILLIAM E MD	HUMANA TX PPO PAYMT ARGMT

SERVICE DATES	NBR	SERVICE CODE	AMOUNT CHARGED	AMOUNT ALLOWED	DEDUCTIBLE	COPY	% COV	PENALTY	OTHER ADJUSTMENTS DEAL/DISC	COB	AMOUNT NOT COVD	AMOUNT PAID
02/13/2001	1.0	99214	130.00	25.63			100		104.37			25.63
TOTALS			130.00	25.63					104.37			25.63

*See Back For Explanation
 Help stop insurance fraud...If you know or suspect any illegal activity concerning insurance claims, please notify our anti-fraud unit using our toll free number: 1-800-558-4444. You do not need to identify yourself.

PATIENT NAME: TANYA KHOVANOVA

ACCOUNT NUMBER

PAGE: 1

DATE	DESCRIPTION OF SERVICES	CHARGES	PAYMENTS/ADJUSTMENTS	YOUR BALANCE
04/26/2007	SCREENING MAMMOGRAPHY	493.00		
05/18/2007	CIGNA HEALTHCARE PAYMENT ADJUSTMENT		295.80	
			197.20	
05/09/2008	CIGNA HEALTHCARE PAYMENT ADJUSTMENT		0.00	
			-197.20	
05/19/2008	REFUND BOA ADJUSTMENT		-295.80	
			0.00	
09/16/2008	CIGNA HEALTHCARE PAYMENT		295.80	
				197.20

Revenue Cycle

Payments/Adjustments
Posted


Bank Deposit



Revenue Cycle

Patient Statements

If the AMOUNT PAYING is less than the AMOUNT DUE, please contact (757) 989-8830 option 3 or 1-800-675-6368 for payment arrangements to avoid collection proceedings.

 RIVERSIDE HEALTH SYSTEM RIVERSIDE REGIONAL MEDICAL CENTER POST OFFICE BOX 6008 NEWPORT NEWS, VA 23606-0008		IF PAYING BY MASTERCARD, DISCOVER, VISA, OR AMERICAN EXPRESS, FILL OUT BELOW CHECK CARD USAGE FOR PAYMENT	
<input type="checkbox"/> MASTERCARD	<input type="checkbox"/> DISCOVER	<input type="checkbox"/> VISA	<input type="checkbox"/> AMERICAN EXPRESS
CARD NUMBER	AMOUNT	EXPI. DATE	
SIGNATURE	V.CODE*	ZIP CODE**	EXPI. DATE
PATIENT NAME		DATE DUE	
PATIENT, PAUL		4/1/2009	
ACCOUNT NUMBER	AMOUNT DUE	AMOUNT PAYING	
000123456-7010-44	\$150.25	\$	

*Last 4 numbers in signature panel on back of card **Zip code of cardholder's address

ADDRESSEE: PAUL PATIENT
701 TOWN CENTER DRIVE
NEWPORT NEWS VA 23606

REMIT THIS PAYMENT STUB TO:
RIVERSIDE HEALTH SYSTEM
PO BOX 37268
BALTIMORE, MD 21297-3268

A/R Follow-up



Revenue Cycle

Posting to Accounting System



Reconciling Collections



Possible Scenarios

Charges are captured completely and accurately in the billing system



Posted as payment

Adjusted Off

Still on the Aging

Know Your Patients!



What Else?

- **Reconcile charges with schedules**
- **Account for “No Shows”, Missed Appointments and Walk-ins**
- **Gross Fee Schedule is “Fixed”**
- **Employees cannot override**

Cash Receipts

Who collects payments?

Who makes the deposits?

**Who reconciles the receipts, deposits
and postings?**



Reconciling Payments

\$ Received



\$ Deposited

\$ Posted

Co-Pays and Patient Payments

Collection Points

Satellite Offices, Retail Products

Any “*add-on*” charges?

Create Expectations

**\$5.00 off your next
visit if we fail to
issue you a receipt**

**Every practice should have
two prominently posted signs**

**We expect your
payment at the time
of your visit**

The sign we never see...

**Expect a receipt for
any payment you
make today**










Revenue Cycle

Charges

Collections

Adjustments

Aging

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151,247 002573

Co-Pays and Patient Payments

Where are your collection points?

Satellite offices?

Retail sales?

Non-billing receipts?

Processing Payments

Lockbox?

Who has access - payments and posting?

Receipt books used?

Pre-numbered, three-part?

Conversion of Checks



Remote Deposit Capture



Today's Deposit Method



Source: J&B Software

A user takes a photo of their check on an iPhone.





High Tech



Credit Card Payments



Who has access to process credit card payments?

Who reviews the credit card activity?

How is your patient's credit card information protected?

Merchant Statement

DAIKOKU AMERICA

BA MERCHANT SERVICES
WA2-505-01-40
P.O. BOX 2485
SPOKANE, WA 99210-2485

PROCESSING MONTH
ASSOCIATION NUMBER
MERCHANT NUMBER
ROUTING NUMBER
DEPOSIT ACCOUNT NUMBER

PAGE 1 OF 2

AMOUNT
3,806.42
AMOUNT DEDUCTED FROM ACCOUNT

PL #	SALES	\$ SALES	# CREDITS	\$ CREDITS	NET SALES	AVG TKT	DISC P/L	%	DISCOUNT DUE
V	121	86,435.18	02	171.14	86,264.04	714.34	.000	1.750	1,512.62
M	107	66,431.01	05	2,571.73	63,859.28	620.85	.000	1.750	1,162.56
DB	00	.00	00	.00	.00		.450	.000	.00
DS	00	.00	00	.00	.00		.000	.000	.00
AM	00	.00	00	.00	.00		.000	.000	.00
MM	228	152,866.19	07	2,742.87	150,123.32	670.47			2,675.18

DAY	REF NUMBER	# PL	# SALES	\$ SALES	\$ CREDITS	DISCOUNT PD	NET DEPOSIT
DEPOSITS							
01	11800010012	D T	09	12,482.09	.00	.00	12,482.09
03	11800010025	D T	15	7,365.33	411.50	.00	6,953.83
04	11800010009	D T	08	2,512.28	.00	.00	2,512.28
06	11800010014	D T	09	8,580.62	248.90	.00	8,331.72
08	11800010007	D T	06	2,537.66	.00	.00	2,537.66
10	11800010023	D T	19	15,667.86	.00	.00	15,667.86
11	11800010014	D T	09	6,929.16	.00	.00	6,929.16
12	11800010014	D T	11	5,754.63	.00	.00	5,754.63
13	11800010010	D T	06	3,180.22	76.95	.00	3,103.27
15	11800010021	D T	16	8,957.47	.00	.00	8,957.47
17	11800010020	D T	17	20,762.25	531.82	.00	20,230.43
18	11800010012	D T	11	2,335.16	.00	.00	2,335.16
20	11800010026	D T	21	18,047.03	.00	.00	18,047.03
22	11800010011	D T	09	3,292.44	.00	.00	3,292.44
24	11800010014	D T	13	11,077.03	.00	.00	11,077.03
25	11800010012	D T	08	7,735.89	.00	.00	7,735.89
26	11800010015	D T	10	4,288.65	1,155.53	.00	3,133.12
27	11800010007	D T	06	4,973.01	.00	.00	4,973.01
29	11800010014	D T	11	1,623.40	.00	.00	1,623.40
31	11800010024	D T	14	4,764.01	320.17	.00	4,443.84
DEPOSIT TOTALS			228	152,866.19	2,742.87	.00	150,123.32

PL (PLAN CODES)
V - VISA AM - AMERICAN EXPRESS T - ALL PLANS
M - MASTERCARD DS - DISCOVER C - CHARGEBACK
DC - DINERS CLUB P - PRIVATE LABEL A - ADJUSTMENT
JD - JAPANS JOB CARD L - LARGE TICKET B - BUSINESS CARD E - CHARGEBACK REVERSAL

(TRANSACTION CODES)
D - DEPOSIT
C - CHARGEBACK
A - ADJUSTMENT
B - BUSINESS CARD
E - CHARGEBACK REVERSAL

Merchant Statement


Revenue Cycle

Charges

Collections

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Aging

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Posting Adjustments

Who has access - payments and posting?

Adjustments

Tracked and monitored?

By reason, and by month?


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Service Information

7 Service Description	8 Service Date	9 Amount Billed	Not Covered	Covered
IMAGING RADIOLOGISTS LLC Medical Emerg X-Ray	11-14-01	45.00	27.00 (1)	18.00
Totals		\$45.00	\$27.00	\$18.00

Coverage Information

Totals	Amount Billed	Not Covered	Covered
Totals	\$45.00	\$27.00	\$18.00
PARTICIPATING PROVIDER OPTION (PPO REDUCTION)		-\$27.00	
Deductions			
Your 10% Coinsurance Amount		1.80	
Total Deductions			-\$1.80
Total Benefits Approved			\$16.20
10 Amount You May Owe Provider			\$1.80
Total covered benefits approved for this claim: \$16.20 to IMAGING RADIOLOGISTS LLC on 12-12-01.			

A Division of Health Care Service Corporation, A Mutual Legal Reserve Company, An Independent Licensee of the Blue Cross and Blue Shield Association

151,247 002573



How do you find fraud or embezzlement within the billing cycle?

- **Reviewing and reconciling**
- **Random “audits”**
- **Monthly trending**

Excel – Monthly “Roll” Trends

Sample Medical Practice
Accounts Receivable Analysis
January 2000 - December 2000

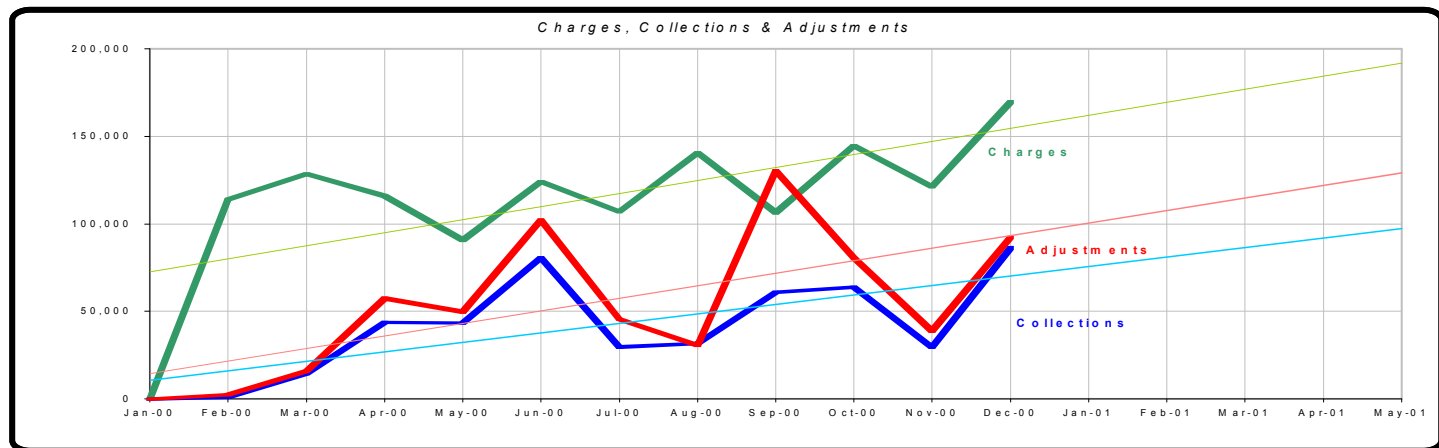
Sample Practice

Monthly A/R Roll Analysis

	Beginning AR Balance	Charges (% ending AR)		Collections (% Charges)		Adjustments (% Charges)		Ending AR Balance
Jan-00	0	0		0		0		0
Feb-00	0	114,025	103%	1,104	30%	2,541	70%	110,380
Mar-00	110,380	128,471	62%	14,651	48%	16,118	52%	208,082
Apr-00	208,082	115,906	52%	43,686	43%	57,500	57%	222,801
May-00	222,801	90,688	41%	43,449	47%	49,884	53%	220,156
Jun-00	220,156	124,101	77%	80,802	44%	102,271	56%	161,184
Jul-00	161,184	107,044	56%	29,795	40%	45,615	60%	192,818
Aug-00	192,818	140,463	52%	31,619	51%	30,750	49%	270,912
Sep-00	270,912	106,351	57%	61,019	32%	130,454	68%	185,790
Oct-00	185,790	144,535	78%	63,861	44%	80,798	56%	185,666
Nov-00	185,666	121,304	51%	29,476	43%	38,851	57%	238,643
Dec-00	238,643	169,620	74%	86,350	48%	92,391	52%	229,522
Jan-01			#DIV/0!					0
Feb-01			#DIV/0!					0
Mar-01			#DIV/0!					0
Apr-01			#DIV/0!					0
May-01			#DIV/0!					0
YTD Average		123,864	#DIV/0!	44,165	43%	58,834	57%	202,360

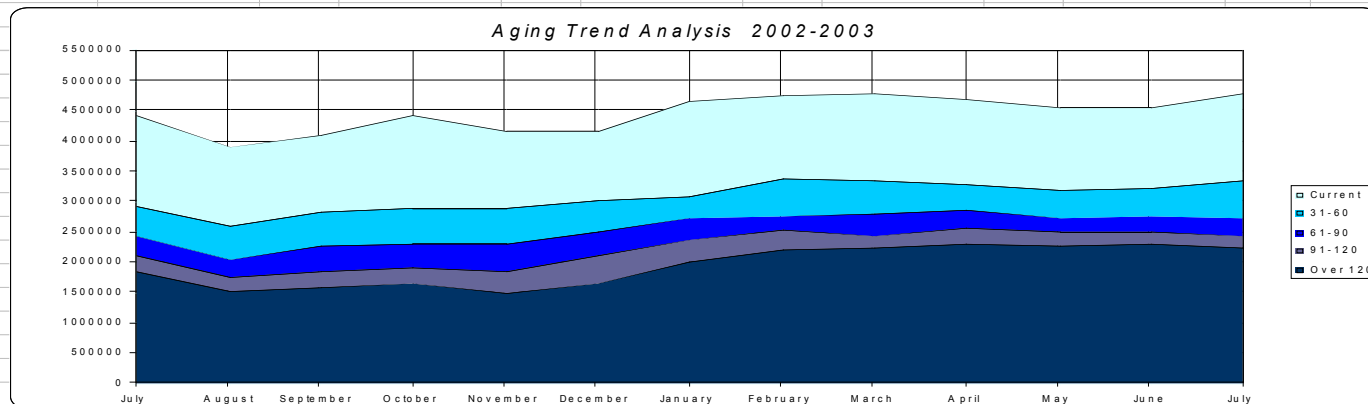
Number of Months Reported

11

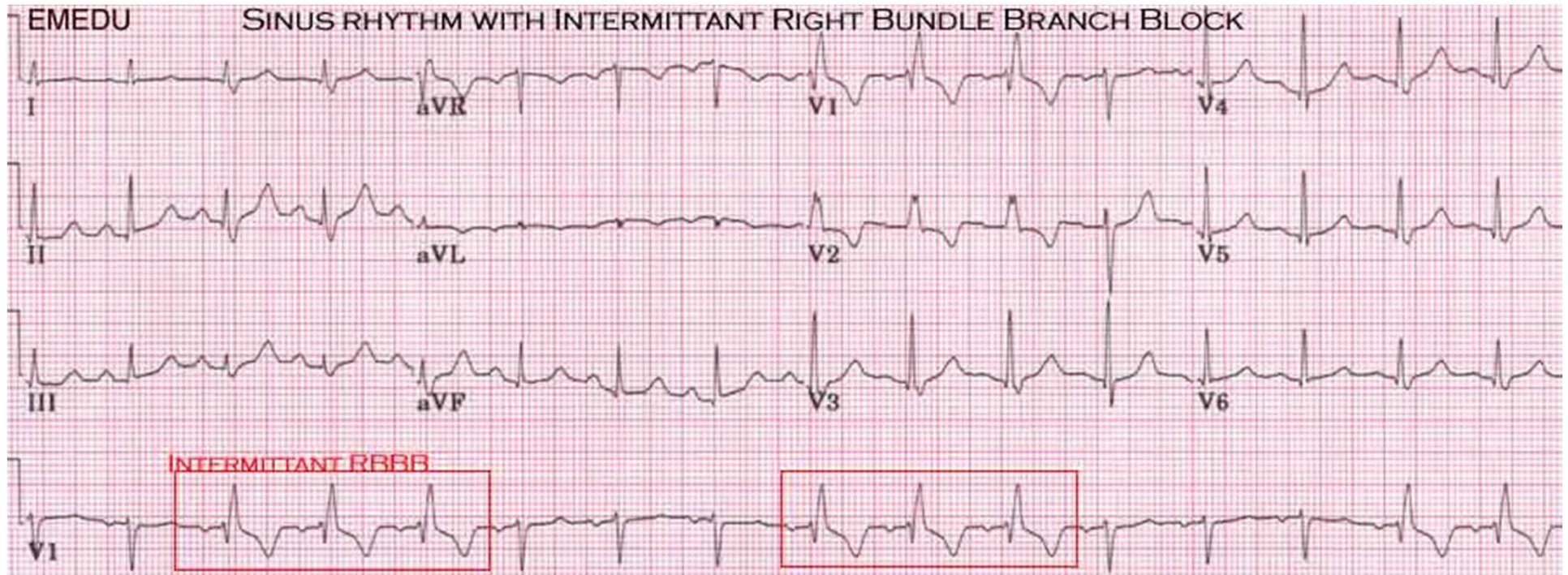


Excel – Monthly Aging Trends

Sample Medical Practice												
Accounts Receivable Analysis												
For the Period July, 2002 - July, 2003												
Sample Practice		Aging Trend Analysis										
		Current		31-60 Days		61-90 Days		91-120 Days		Over 120 Days		Total A/R
		2002	July	1,485,575	34%	506,953	11%	330,438	7%	240,076	5%	1,859,998
	August	1,285,235	33%	549,302	14%	322,611	8%	229,110	6%	1,511,496	39%	3,897,754
	September	1,285,095	31%	550,901	13%	423,825	10%	263,352	6%	1,588,626	39%	4,111,799
	October	1,555,296	35%	565,903	13%	418,187	9%	239,625	5%	1,665,642	37%	4,444,653
	November	1,284,770	31%	591,773	14%	464,716	11%	333,284	8%	1,504,583	36%	4,179,126
	December	1,150,570	28%	502,017	12%	421,168	10%	446,195	11%	1,653,126	40%	4,173,076
2003	January	1,563,831	34%	383,470	8%	357,905	8%	344,882	7%	2,016,012	43%	4,666,100
	February	1,402,471	29%	596,857	13%	226,219	5%	322,946	7%	2,225,220	47%	4,773,713
	March	1,412,763	30%	554,077	12%	357,108	7%	199,631	4%	2,251,959	47%	4,775,538
	April	1,399,999	30%	421,674	9%	309,634	7%	262,745	6%	2,298,263	49%	4,692,315
	May	1,370,028	30%	441,656	10%	233,778	5%	240,806	5%	2,275,138	50%	4,561,406
	June	1,351,571	30%	453,657	10%	253,774	6%	187,375	4%	2,325,238	51%	4,571,615
	July	1,441,556	30%	619,969	13%	276,644	6%	200,190	4%	2,251,929	47%	4,790,288
YTD Average		1,383,751		518,324		338,154		270,017		1,955,941		



How is Medical Billing Like An EKG?



Sample Medical Practice Billing Trend Analysis January 2012 - November 2012

Entry Field

Monthly Charges, Collections and Adjustments Analysis

	Beginning AR Balance	Charges (% ending AR)	Collections (% Charges)	Adjustments (% Charges)	Ending AR Balance
Jan-12	0	642,200	215,914 42%	296,488 68%	
Feb-12		618,974	214,186 42%	299,364 68%	
Mar-12		674,136	261,304 47%	291,578 63%	
Apr-12		586,155	253,034 44%	318,746 68%	
May-12		566,474	210,500 43%	280,166 67%	
Jun-12		486,643	278,192 41%	395,849 68%	
Jul-12		566,032	255,299 43%	341,085 67%	
Aug-12		661,116	245,181 43%	327,823 67%	
Sep-12		436,927	245,828 41%	347,236 68%	
Oct-12		545,935	254,809 44%	324,167 68%	
Nov-12		506,411	173,216 41%	254,313 68%	
Dec-12		454,556	190,597 40%	291,086 68%	
Jan-13		546,001	219,668 48%	240,000 62%	
Feb-13		421,273	245,217 51%	239,137 48%	
Mar-13		470,164	269,188 48%	296,887 62%	
Apr-13		567,076	238,409 48%	284,083 64%	
May-13		280,695	88,824 42%	121,492 68%	
YTD Average			162,966 43%		
		393,188		217,301 67%	

Jan-May 2013
To be entered manually

16

**Sample Medical Practice
Billing Trend Analysis
January 2012 - November 2012**

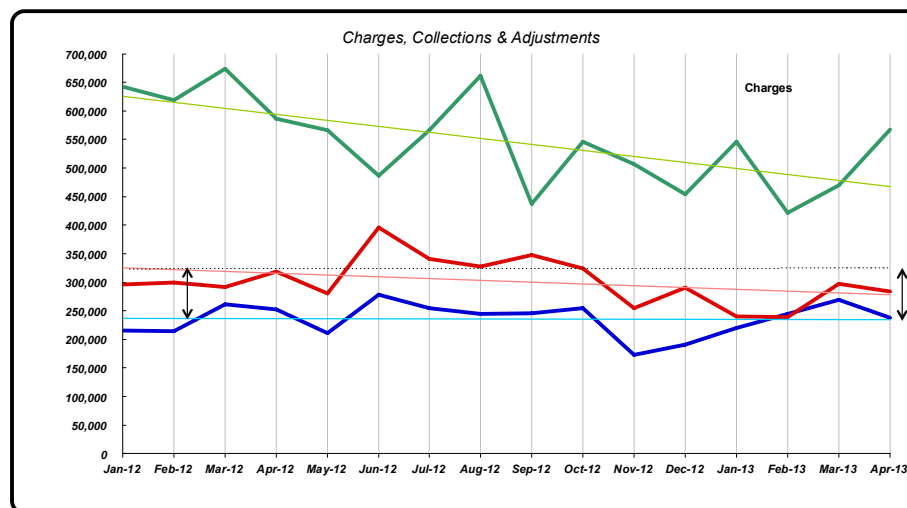
Entry Field

Monthly Charges, Collections and Adjustments Analysis

	Beginning AR Balance	Charges (% ending AR)	Collections (% Charges)	Adjustments (% Charges)	Ending AR Balance
Jan-12	0	642,200	215,914 42%	296,488 58%	
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YTD Average		393,188	162,966 43%	217,301 57%	

Jan-May 2013
To be entered manually

16



Sample Medical Practice
Billing Trend Analysis
January 2012 - November 2012

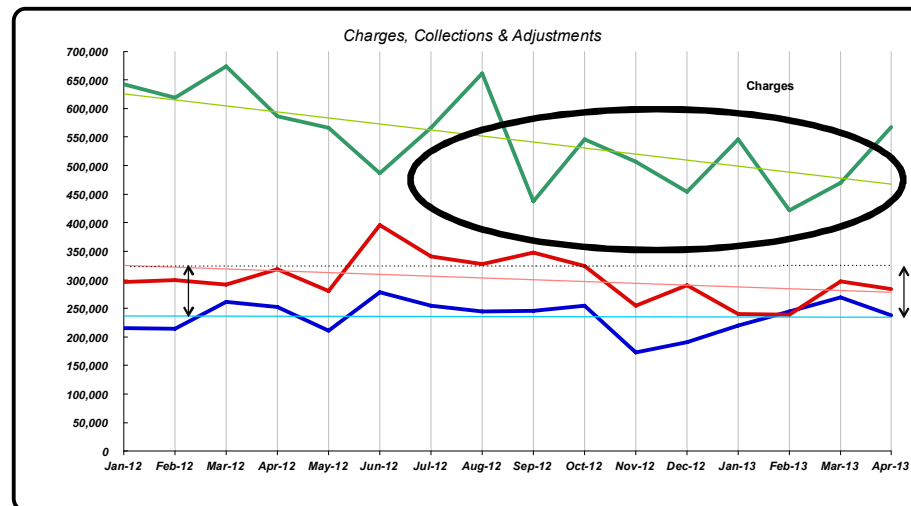
Entry Field

Monthly Charges, Collections and Adjustments Analysis

	Beginning AR Balance	Charges (% ending AR)	Collections (% Charges)	Adjustments (% Charges)	Ending AR Balance
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May-13		280,695	88,824 42%	121,492 58%	
YTD Average		393,188	162,966 43%	217,301 57%	

Jan-May 2013
To be entered manually

16



Monthly charges are trending downward. Why?

Sample Medical Practice
Billing Trend Analysis
January 2012 - November 2012

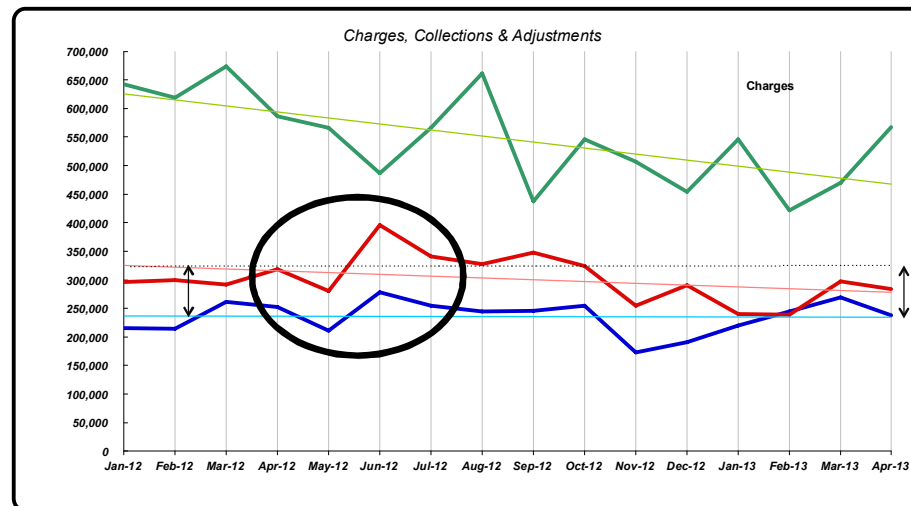
Entry Field

Monthly Charges, Collections and Adjustments Analysis

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Apr-13		567,076	238,409 46%	284,083 54%	
May-13		280,695	88,824 42%	121,492 58%	
YTD Average			162,966 43%		
		393,188		217,301	57%

Jan-May 2013
To be entered manually

16



Nice, direct relationship between Collections and Adjustments.

**Sample Medical Practice
Billing Trend Analysis
January 2012 - November 2012**

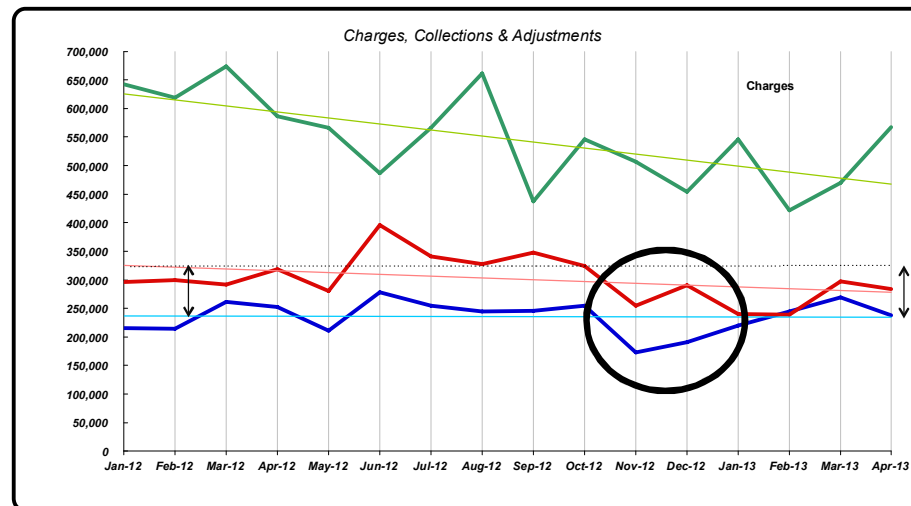
Entry Field

Monthly Charges, Collections and Adjustments Analysis

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Apr-13		567,076	238,409 46%	284,083 54%	
May-13		280,695	88,824 42%	121,492 58%	
YTD Average			162,966 43%		
		393,188		217,301	57%

Jan-May 2013
To be entered manually

16



Adjustments
spiked in
December,
but not
Collections.
Why?

**Sample Medical Practice
Billing Trend Analysis
January 2012 - November 2012**

Entry Field

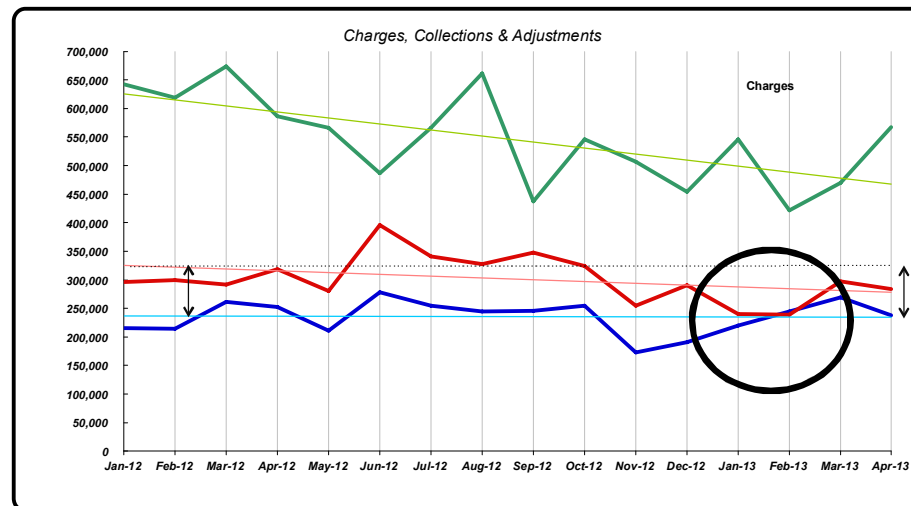
Monthly Charges, Collections and Adjustments Analysis

	Beginning AR Balance	Charges (% ending AR)	Collections (% Charges)	Adjustments (% Charges)	Ending AR Balance
Jan-12	0	642,200	215,914 42%	296,488 58%	
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Apr-13		567,076	238,409 46%	284,083 54%	
May-13		280,695	88,824 42%	121,492 58%	
YTD Average			162,966 43%		
		393,188		217,301	57%

Jan-May 2013

16

To be entered manually



Adjustments
down, yet
Collections
going
upward.
Why?

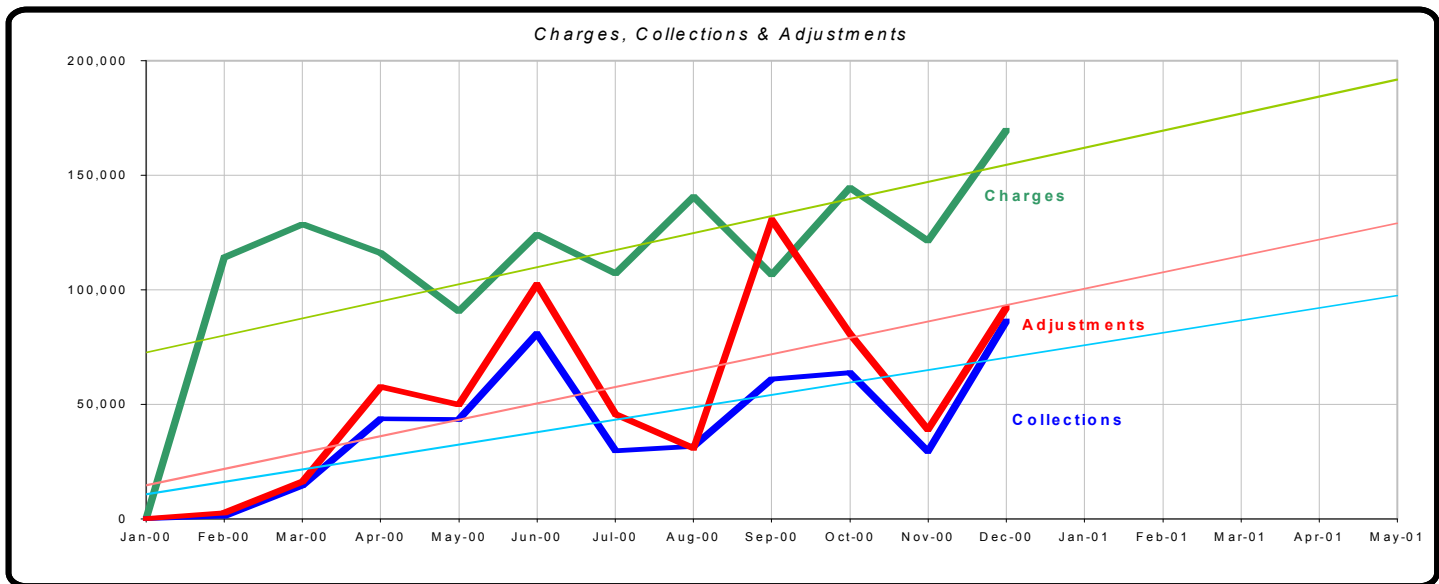
Sample Medical Practice
Accounts Receivable Analysis
January 2000 - December 2000

Sample Practice

Monthly A/R Roll Analysis

	Beginning AR Balance	Charges (% ending AR)		Collections (% Charges)		Adjustments (% Charges)		Ending AR Balance
Jan-00	0	0		0		0		0
Feb-00	0	114,025	103%	1,104	30%	2,541	70%	110,380
Mar-00	110,380	128,471	62%	14,651	48%	16,118	52%	208,082
Apr-00	208,082	115,906	52%	43,686	43%	57,500	57%	222,801
May-00	222,801	90,688	41%	43,449	47%	49,884	53%	220,156
Jun-00	220,156	124,101	77%	80,802	44%	102,271	56%	161,184
Jul-00	161,184	107,044	56%	29,795	40%	45,615	60%	192,818
Aug-00	192,818	140,463	52%	31,619	51%	30,750	49%	270,912
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Jan-01			#DIV/0!					0
Feb-01			#DIV/0!					0
Mar-01			#DIV/0!					0
Apr-01			#DIV/0!					0
May-01			#DIV/0!					0
YTD Average				44,165	43%	58,834	57%	202,360
		123,864	#DIV/0!					

Number of Months Reported 11



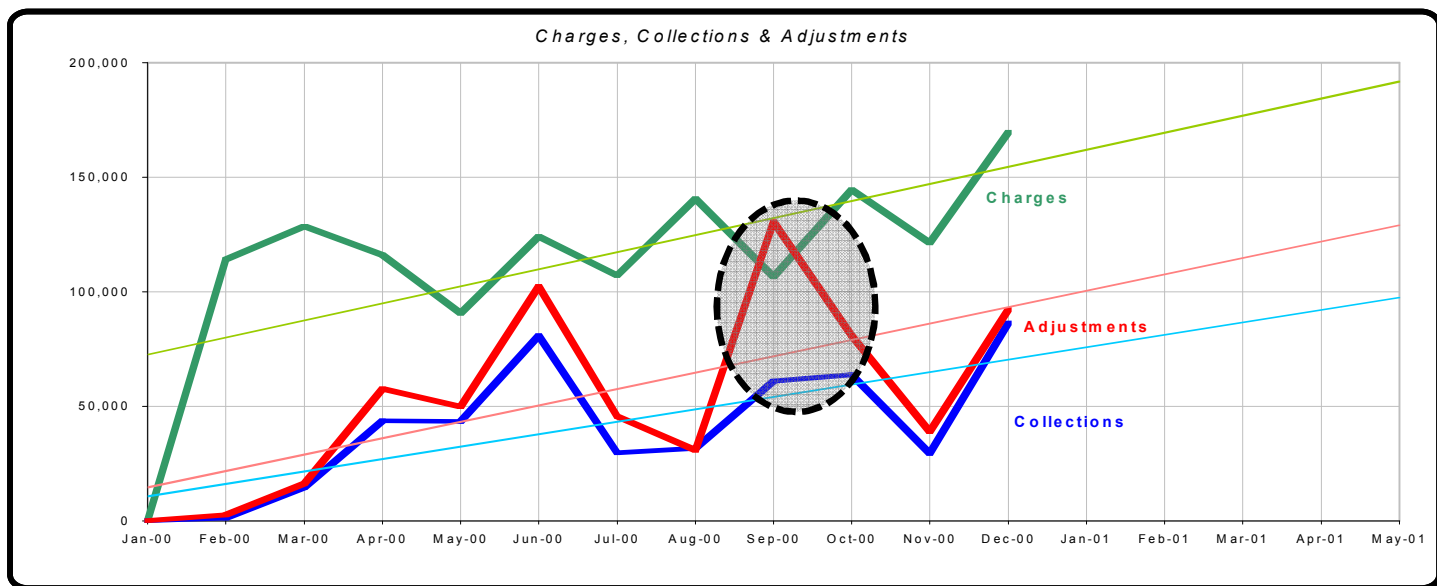
Sample Medical Practice
Accounts Receivable Analysis
January 2000 - December 2000

Sample Practice

Monthly A/R Roll Analysis

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Apr-01		#DIV/0!						0
May-01		#DIV/0!						0
YTD Average		123,864	#DIV/0!	44,165	43%	58,834	57%	202,360

Number of Months Reported 11



Why did Adjustments spike but not Collections?

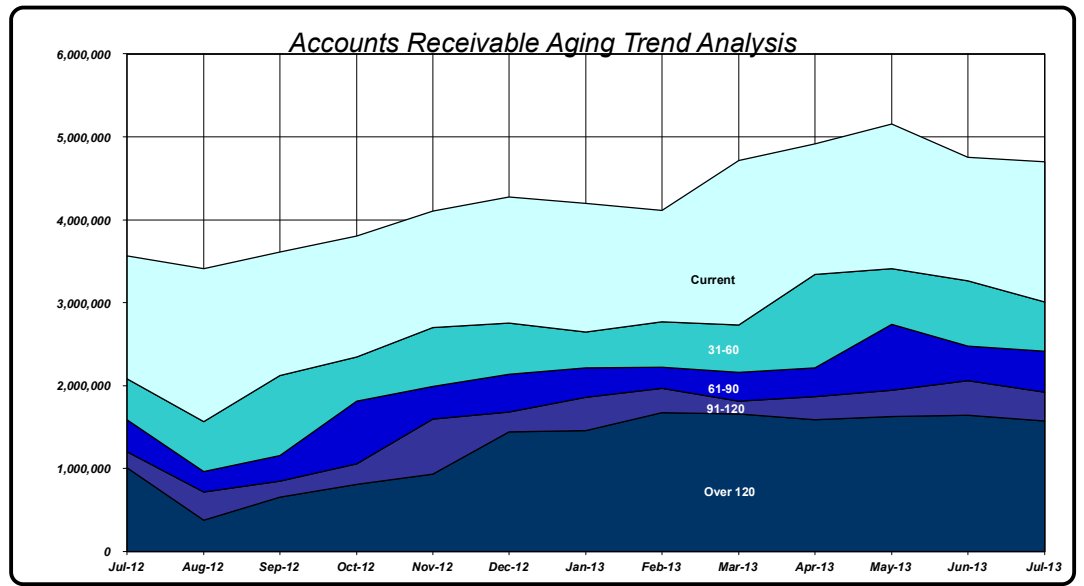
**Sample Medical Practice
Billing Analysis
September 2009 - September 2010**

Fields for entry

Aging Trend Analysis

	Current		31-60 Days		61-90 Days		91-120 Days		Over 120 Days		Total A/R
Jul-12	1,484,209	42%	495,012	14%	385,571	11%	194,705	5%	1,006,263	28%	3,565,760
Aug-12	1,837,462	84%	603,254	18%	250,428	7%	338,230	10%	376,326	11%	3,405,700
Sep-12	1,489,441	41%	963,246	27%	311,945	9%	193,210	5%	650,313	18%	3,608,155
Oct-12	1,459,773	38%	538,716	14%	756,766	20%	245,845	6%	805,766	21%	3,806,866
Nov-12	1,404,324	34%	714,720	17%	390,927	10%	663,007	16%	932,664	23%	4,105,642
Dec-12	1,523,656	36%	613,620	14%	455,550	11%	243,791	6%	1,439,285	34%	4,275,902
Jan-13	1,551,543	37%	428,460	10%	355,634	8%	400,725	10%	1,458,885	35%	4,195,247
Feb-13	1,348,229	33%	544,551	13%	249,850	6%	296,801	7%	1,673,079	41%	4,112,510
Mar-13	1,981,272	42%	576,913	12%	343,493	7%	154,448	3%	1,658,040	35%	4,714,166
Apr-13	1,576,355	32%	1,123,422	23%	348,644	7%	276,204	6%	1,589,595	32%	4,914,220
May-13	1,742,115	34%	673,517	13%	800,677	16%	313,612	6%	1,625,254	32%	5,155,175
Jun-13	1,485,659	31%	785,963	17%	421,585	9%	419,863	9%	1,638,526	34%	4,751,596
Jul-13	1,685,742	36%	596,852	13%	489,653	10%	348,562	7%	1,574,886	34%	4,695,695
YTD Average	1,582,291	38%	666,019	16%	427,748	10%	314,539	7%	1,263,760	29%	4,254,356

Number of Months in Analysis **13**
To be entered manually



**Sample Medical Practice
Billing Analysis
September 2009 - September 2010**

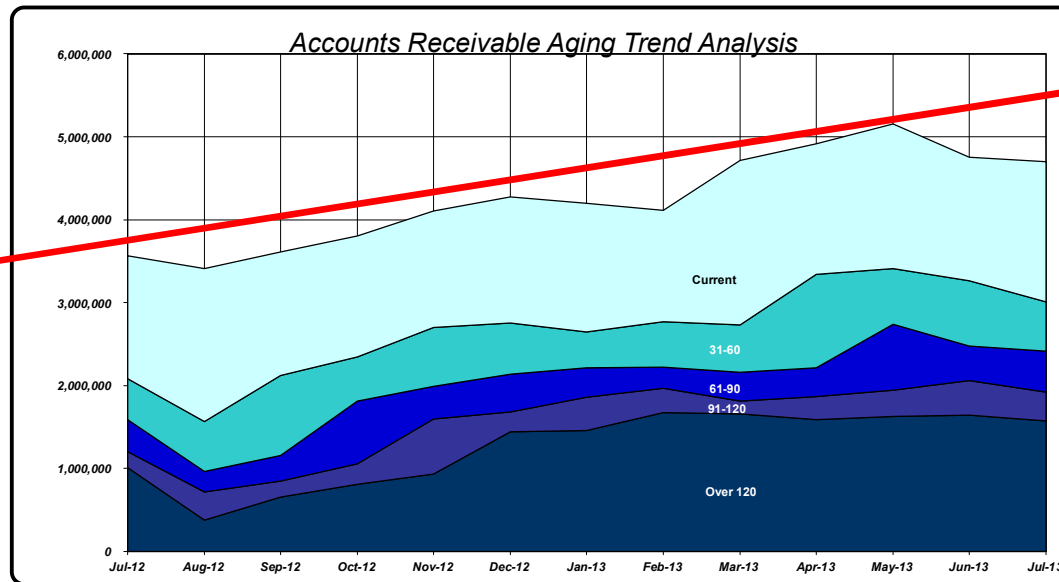
 Fields for entry

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Jul-12	1,484,209	42%	495,012	14%	385,571	11%	194,705	5%	1,006,283	28%	3,565,760
Aug-12	1,837,462	54%	603,254	18%	250,428	7%	338,230	10%	376,326	11%	3,405,700
Sep-12	1,489,441	41%	963,246	27%	311,945	9%	193,210	5%	650,313	18%	3,608,155
Oct-12	1,459,773	38%	538,716	14%	756,766	20%	245,845	6%	805,766	21%	3,806,866
Nov-12	1,404,324	34%	714,720	17%	390,927	10%	663,007	16%	932,664	23%	4,105,642
Dec-12	1,523,656	36%	613,620	14%	455,550	11%	243,791	6%	1,439,285	34%	4,275,902
Jan-13	1,551,543	37%	428,460	10%	355,634	8%	400,725	10%	1,458,885	35%	4,195,247
Feb-13	1,348,229	33%	544,551	13%	249,850	6%	296,801	7%	1,673,079	41%	4,112,510
Mar-13	1,981,272	42%	576,913	12%	343,493	7%	154,448	3%	1,658,040	38%	4,714,166
Apr-13	1,576,355	32%	1,123,422	23%	348,644	7%	276,204	6%	1,589,595	32%	4,914,220
May-13	1,742,115	34%	673,517	13%	800,677	16%	313,612	6%	1,625,254	32%	5,155,175
Jun-13	1,485,659	31%	785,963	17%	421,585	9%	419,863	9%	1,638,526	34%	4,751,596
Jul-13	1,685,742	36%	596,852	13%	489,653	10%	348,562	7%	1,574,886	34%	4,695,695
YTD Average	1,582,291	38%	666,019	16%	427,748	10%	314,539	7%	1,263,760	29%	4,254,356

Number of Months in Analysis
To be entered manually

13



Aging is
getting bigger
and bigger
over time.
Why?

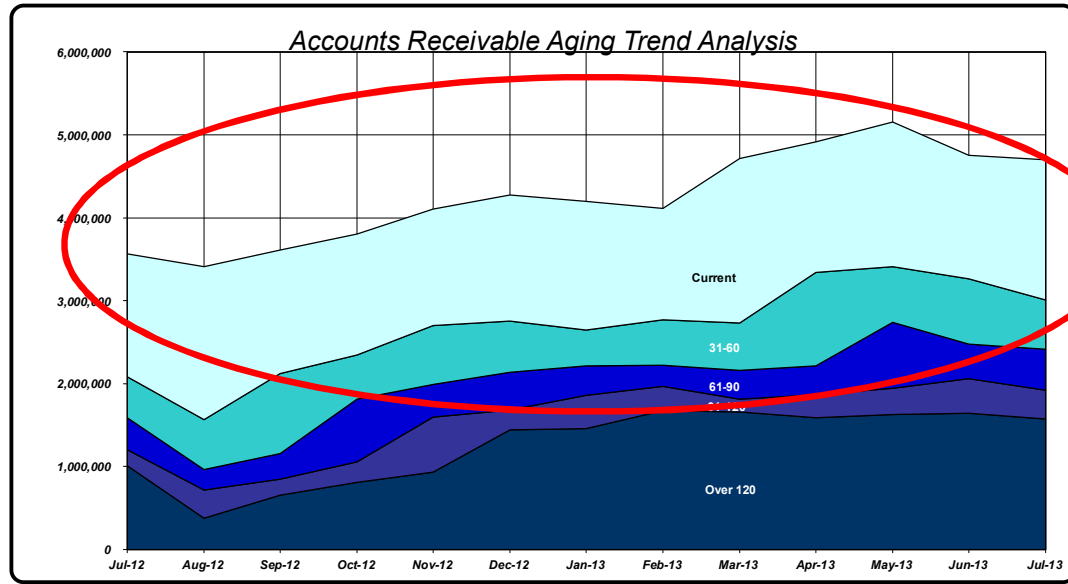
**Sample Medical Practice
Billing Analysis
September 2009 - September 2010**

Fields for entry

Aging Trend Analysis

	Current		31-60 Days		61-90 Days		91-120 Days		Over 120 Days		Total A/R
Jul-12	1,484,209	42%	495,012	14%	385,571	11%	194,705	5%	1,006,263	28%	3,565,760
Aug-12	1,837,462	54%	603,254	18%	250,428	7%	338,230	10%	376,326	11%	3,405,700
Sep-12	1,489,441	41%	963,246	27%	311,945	9%	193,210	5%	650,313	18%	3,608,155
Oct-12	1,459,773	38%	538,716	14%	756,766	20%	245,845	6%	805,766	21%	3,806,866
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Number of Months in Analysis **13**
To be entered manually



Nice monthly trend for the most recent (current) receivables.

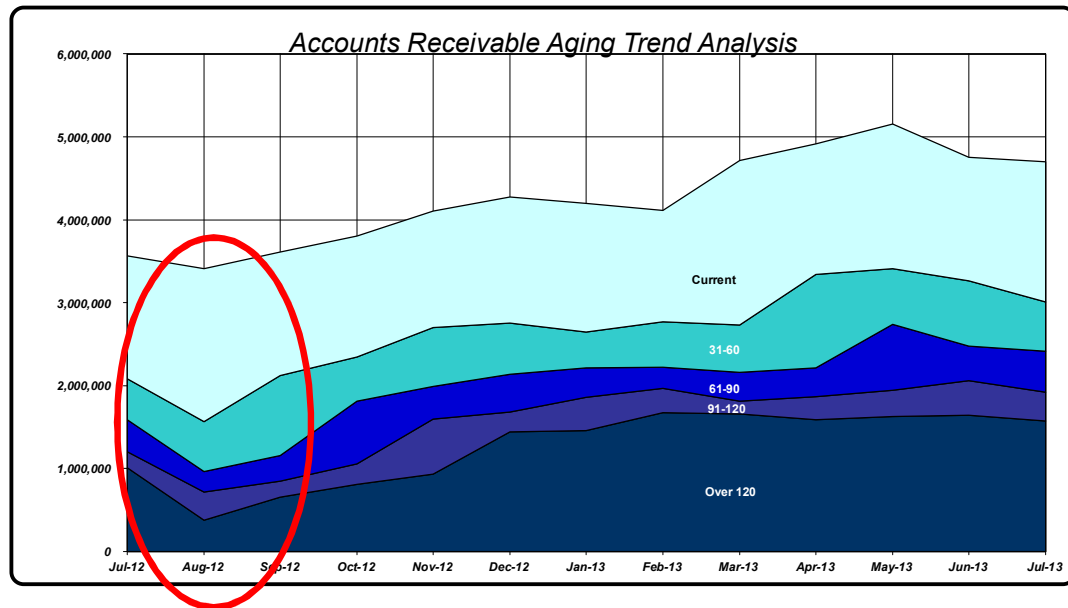
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Number of Months in Analysis **13**
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**Good
distribution of
the receivables,
with the most
recent the
largest portion.**

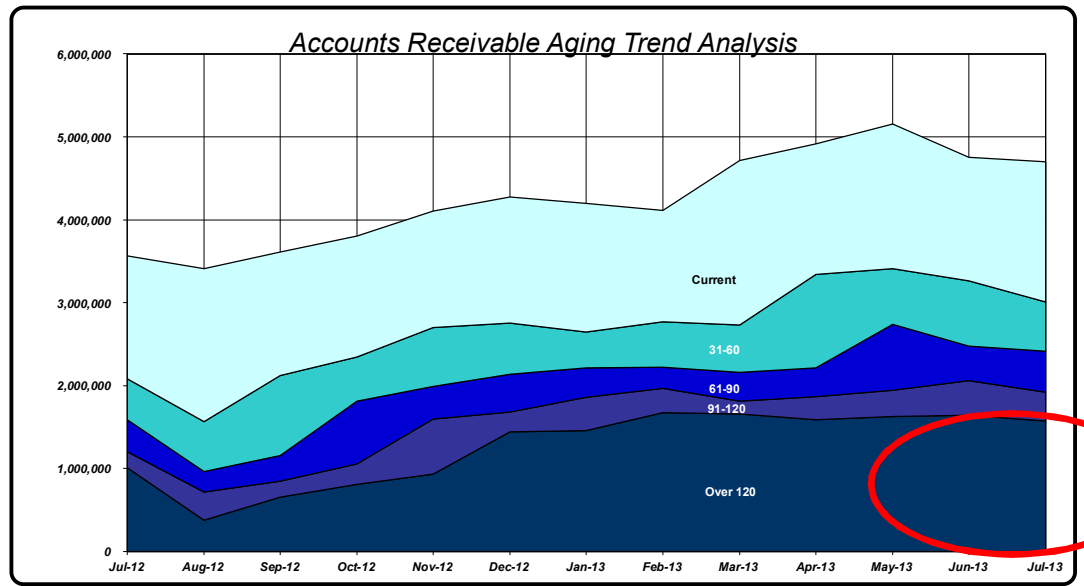
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Oldest unpaid accounts are becoming large portion of the receivables. Why?

Flash Reports

Weekly Summary

- **Cash (Bank) Balances / Lines of Credit Balances**
- **Receivables: Insurance / Private / Credit Balances**
- **Charges, Collections, Adjustments**
- **Major Payables (Bills Due)**



Management Reports

Monthly Summary

- **Cash Balances**
- **Line of credit balances**
- **Accounts Receivable Aging**
- **Charges, Collections, Adjustments**
- **Major Unpaid Payables (Bills Due)**
- **Accounts Receivable credit balances**
- **Upcoming Payroll**
- **Supporting reports from billing system**



Key Financial Indicators

- **Cash Balances & Lines of Credit**
- **Accounts Receivables / Aging**
- **Charges**
- **Collections**



PHOTO: THINKSTOCK

3 Step Approach to Fraud:

I. Prevent fraud from occurring

II. Detect it as soon as possible

III. Obtain adequate insurance coverage -
employee dishonesty or employee crime.

Patient Refunds

Who prepares the requests?

What is required to support each refund request?

Who reviews the refunds?

What account are refunds paid?

Product Sales & Cosmetic Procedures

(Dermatology, Veins, Hair Removal...)

**What controls can be implemented
for these “retail” areas?**

Supplies

For patients use only?

Tracked?

Access restricted to those authorized

How are these safeguarded?



On-Line Banking?



What are the controls?

Where will you find the evidence?



On-Line Banking?



How about now?



On-Line Banking?



How about now?



Cash Disbursements

Who writes the checks?

Who signs the checks?



Who reviews the bank statement?

How secure is your check information?

Employee Expense Reimbursements

What are your policies?

Do you require original supporting receipts ?

Who reviews it?

How can you be fooled?



Budget		EMERGENCY BREAKDOWN NUMBERS	
Head Office: ATHLONE ROAD, ROSCOMMON. FREEPHONE Tel.: (090) 66 27711. Fax: (090) 66 2774 1 After 6 p.m.: (01) 8445150. E-mail: info@budget.ie Website: www.budget.ie		Fiat/Alfa	1800 667788
Budget Car Rental		Daewoo	1800 535005
		Hyundai	1800 667788
		Nissan	1800 264264
		Toyota	1800 741700
		All Others	1800 667788
Cork Airport	(021) 4314000	Galway City	(091) 566376
Knock Airport	(094) 9367577	Galway Airport	(091) 564570
Dublin Airport	(01) 8445150	Killarney	(064) 34341
Dublin City	(01) 8379611	Shannon Airport	(061) 471361
		Kerry Airport	(066) 9763199

-- ESTIMATED CHARGES --			
ITEMS	QTY	RATE	CHARGE
Quoted Rates:		30.00	
Rental	1 Day @	23.33 #	23.33
Unlimited Miles			
Total Time/Mileage			23.33
08/09 APT SCHGE	1 @	22.03 #	22.03
EXW	1 Day @	11.50 #	11.50
Taxable Charges Sub-total			56.86
V.A.T.		13.500%	7.68
3RD PTYINS	1 Day @	3.52 #	3.52
Fuel			75.00
Total Estimated Charges			143.06
Less Deposits paid			-143.06
BALANCE DUE FROM HIRER(S)			# 0.00

Compensation Structure

How do your employees get paid?

How do your physicians and other providers get paid?



Payroll

Who handles your payroll processing?

Who reviews it?

Who is on your payroll?

Net versus Gross

Earnings Statement ADP

CO. FILE DEPT. CLOCK NUMBER
MCB 216543 02470383 0

XYZ Corporation
100 Corporation Crt
New Town USA 10000

Social Security Number: 999-99-9999
Taxable Marital Status: Married
Exemptions/Allowances:
Federal: 3,625 Additional Tax
State: 2
Local: 2

Period ending: 00/00/0000
Pay date: 00/00/0000

JANE HARPER
101 MAIN STREET
ANYTOWN, USA 12345

Earnings	rate	hours	this period	year to date
Regular	10.00	32.00	320.00	16,640.00
Overtime	15.00	1.00	15.00	780.00
Holiday	10.00	8.00	80.00	4,160.00
Tuition			37.43 *	1,946.80
Gross Pay			\$ 452.43	23,526.80

Deductions	Statutory		
Federal Income Tax	-	45.22	2,351.44
Social Security Tax	-	29.83	1,551.67
Medicare Tax	-	6.98	362.89
NY State Income Tax	-	17.37	903.24
NYC Income Tax	-	8.23	427.96
NY SUI/SDI Tax	-	0.60	31.20
Other			
Union Dues	-	5.00	100.00
401(K)	-	28.85 *	1500.20
Stock Plan	-	15.00	150.00
Life Insurance	-	5.00	50.00
Loan	-	30.00	150.00
Adjustment			
Life Insurance	+	13.50	
Net Pay			\$ 273.66

* Excluded from federal taxable wages
Your federal taxable wages this period are \$386.66

Other Benefits and Information

	this period	total to date
Group Term Life	0.51	27.00
Loan Amt Paid		840.00
Vac Hrs Left		40.00
Sick Hrs Left		16.00
Title	Operator	

Important Notes
EFFECTIVE THIS PAY PERIOD YOUR REGULAR HOURLY RATE HAS BEEN CHANGED FROM \$8.00 TO \$10.00 PER HOUR.
WE WILL BE STARTING OUR UNITED WAY FUND DRIVE SOON AND LOOK FORWARD TO YOUR PARTICIPATION.

XYZ Corporation
100 Corporation Crt
New Town USA 10000

Payroll check number: 02470383
Pay date: 00/00/0000
Social Security No. 999-99-9999

Pay to the order of: **JANE HARPER**
This amount: **TWO HUNDRED SEVENTY-THREE AND 85/100 DOLLARS** \$273.85

SAMPLE NON-NEGOTIABLE VOID VOID VOID VOID AFTER 180 DAYS

THIS IS NOT A CHECK

0 2470383 :004330162?@ :0008448402*

Time Tracking

How are employees paid?

How do you track their days and time worked?

Where are the weaknesses?



Fixed Assets

Business use only?

Tracked and monitored?

What's on the hard drives?



In Summary:

- **Know your employees**
- **Evaluate vulnerabilities to outsiders**
- **Evaluate vulnerabilities to employees**
- **Consider having an outside review of your internal controls and procedures**
- **Remain vigilant!**



forensic accounting services, llc

piecing together financial puzzles™

860.659.6550

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Welcome to Forensic Accounting Services, LLC

Your strategic resource for *resolving* complex financial matters.

Embezzlement. Fraud. White collar crime. Business Litigation. They are an inevitable part of the fabric of today's business environment. Investigating them requires experience, integrity and determination to get to the truth no matter what it takes.

We are your partners in that pursuit. With over two decades of experience in forensic accounting behind us, we know how to dig into the facts and get to the truth you need to deal with your case.

Our working relationships with attorneys, law enforcement professionals, CEOs, CFOs, business owners and nonprofit executives is built on four principles:

- ▶ Dedication to integrity
- ▶ Dogged determination to master the details
- ▶ Obsession with uncovering the facts



Our clients turn to us for:

- ▶ [Forensic Accounting](#)
- ▶ [Litigation Support](#)
- ▶ [Probate & Fiduciary Matters](#)
- ▶ [Fraud Investigations](#)
- ▶ [Fraud Prevention](#)
- ▶ [Employee Embezzlement](#)
- ▶ [Internal Controls](#)



When to call:

Call as early as possible for the most impact on a case. The earlier we get involved, the more we can add. We'll add value when we work together on:

- ▶ Initial Consultation on a New Matter
- ▶ Identification of an Initial Strategy
- ▶ Interrogatories
- ▶ Document Requests
- ▶ Depositions
- ▶ Expert Testimony



News & Events

The State of Affairs Regarding Employee Embezzlements ... [Read more](#)

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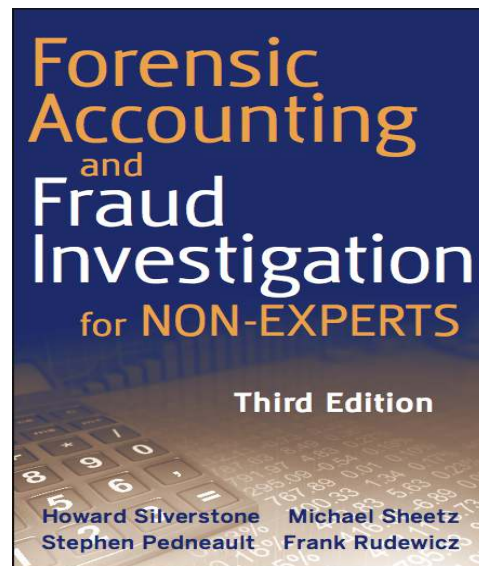
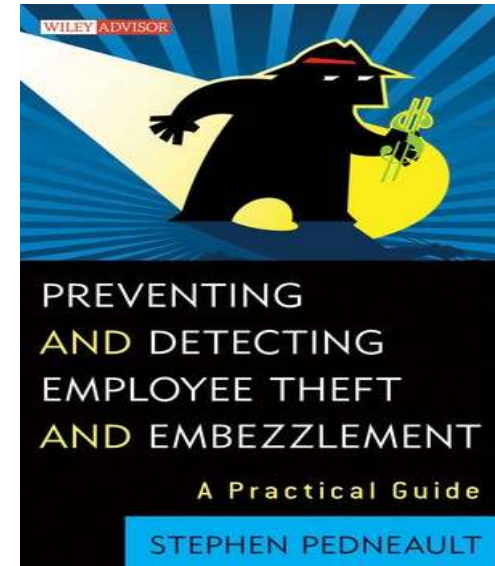
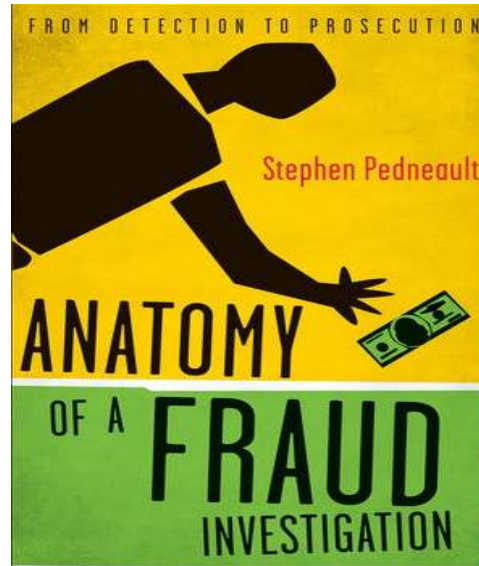
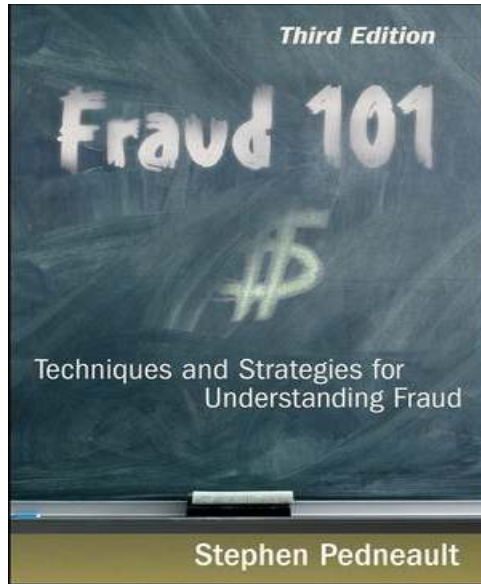


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Fraud-Related Writing:



Coming Early 20??

**Preventing/Detecting
Employee Theft
and Embezzlement
within a
Medical Practice**

MGMA



Piecing Together Financial Puzzles®

Stephen Pedneault, CPA/CFF, CFE

Forensic Accounting Services, LLC

2389 Main Street

Glastonbury, CT 06033

860-659-6550

steve@fasman.com



Physician's Computer Company

PCC 2014 Users' Conference

Safeguarding Your Practice's Fiscal Health (from undetected fraud scheme)

Questions / Discussion

forensic accounting services, LLC



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stephen a. pedneault