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.

For 15 years Slayton worked for Dr. Bruce Burgan and medical lab.

A former money counter at the Mohegan

The couple

Simsbury Little League coach

The Little League in 2000 for their

Their league president Robi

It hit us Simms

"Her activities ruined our credit

Simsbury Little League

former employee accused of larceny

The former employee, Eric F. Sachri-

Wethersfield, was arrested

larceny and ar

Former OTB Manager

Charged With Embezzlement

By RICK GREEN

A former general manager at the now-closed F

track band was charged with

A former insurance claims handler is suspected of embezzlement

Carol L. Coady, 40, of Middletown, was

Embezzlement suspected

By CHRISTINE DEMPSEY

J.C. Penney

Accused Of Forger

leaders say they

According to court documents, Martin stole

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 on Thursday.

The federal judge also ordered Annelle

Martin, 51, to pay $415,796 restitution to

According to court documents, Martin stole

Montgomery County Advertising Inc. for 10

years. She worked there as a finance

Embezzlement

Coady worked as a claims handler for the

Travelers Insurance Group Casualty Co. between


Prosecutors said that during that time,

Coady wrote 31 checks to fictitious people,

which she later cashed. Most of the checks

ranged from $1,500 to about $9,800, with the

largest being $48,000.

The investigation was done by the Office of

the Chief State’s Attorney’s Health and Social

Services Fraud Bureau.

According to the 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.
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

A “Recipe” for Embezzlement

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
- Outsider Threats
- Insider Threats
- Your Practice’s Environment
Effective Internal Controls

Expectations

Adherence

Consequences
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.
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!

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
# Revenue Cycle

## Charges

## Collections

## Adjustments

## Aging

---

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Service Date</th>
<th>Amount Billed</th>
<th>Amount Not</th>
<th>Amount Covered</th>
<th>Coverage Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHD. Imaging &amp; Radiology LLC</td>
<td>11/14/11</td>
<td>53.00</td>
<td>27.60</td>
<td>24.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>53.00</strong></td>
<td><strong>27.60</strong></td>
<td><strong>24.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

---

*Explanation of benefits (EOB). This is not a bill.*

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*Revenue Cycle.*

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Revenue Cycle

Scheduling

Arriving
Revenue Cycle

Patient Seen

Charting
Revenue Cycle

Co-Payments Collected

Billing Completed
Revenue Cycle

Billing Submitted

Payments Received

[Image of a woman working at a desk with a computer and documents, and a close-up of a medical billing statement.]
Revenue Cycle

Payments/Adjustments Posted

Bank Deposit
Revenue Cycle

Patient Statements

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
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

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

Source: J&B Software
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
Revenue Cycle

Charges

Collections

Adjustments

Aging
Posting Adjustments

Who has access - payments and posting?

Adjustments

Tracked and monitored?

By reason, and by month?
Revenue Cycle

Charges
Collections
Adjustments
Aging
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

Monthly A/R Roll Analysis

<table>
<thead>
<tr>
<th>Sample Practice</th>
<th>Beginning AR Balance</th>
<th>Charges (%) ending AR</th>
<th>Collections (%) Change</th>
<th>Adjusted sales (%) Change</th>
<th>Ending AR Balance</th>
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<tbody>
<tr>
<td>Jan-00</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Feb-00</td>
<td>0</td>
<td>114,025</td>
<td>114,025</td>
<td>1.084</td>
<td>114,025</td>
</tr>
<tr>
<td>Mar-00</td>
<td>110,380</td>
<td>128,471</td>
<td>128,471</td>
<td>1.045</td>
<td>128,471</td>
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<tr>
<td>Apr-00</td>
<td>228,082</td>
<td>159,835</td>
<td>159,835</td>
<td>1.056</td>
<td>159,835</td>
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<tr>
<td>May-00</td>
<td>222,001</td>
<td>90,688</td>
<td>90,688</td>
<td>1.027</td>
<td>90,688</td>
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<tr>
<td>Jun-00</td>
<td>220,156</td>
<td>124,150</td>
<td>124,150</td>
<td>1.012</td>
<td>124,150</td>
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<tr>
<td>Jul-00</td>
<td>181,184</td>
<td>127,044</td>
<td>127,044</td>
<td>1.029</td>
<td>127,044</td>
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<tr>
<td>Aug-00</td>
<td>192,818</td>
<td>140,483</td>
<td>140,483</td>
<td>1.029</td>
<td>140,483</td>
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<td>Sep-00</td>
<td>270,012</td>
<td>106,351</td>
<td>106,351</td>
<td>1.034</td>
<td>106,351</td>
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<tr>
<td>Oct-00</td>
<td>185,750</td>
<td>144,325</td>
<td>144,325</td>
<td>1.033</td>
<td>144,325</td>
</tr>
<tr>
<td>Nov-00</td>
<td>185,066</td>
<td>121,304</td>
<td>121,304</td>
<td>1.035</td>
<td>121,304</td>
</tr>
<tr>
<td>Dec-00</td>
<td>238,043</td>
<td>169,020</td>
<td>169,020</td>
<td>1.057</td>
<td>169,020</td>
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<tr>
<td>Jan-01</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Feb-01</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Mar-01</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>May-01</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

YTD Average: 123,864

Number of Months Reported: 13

Charges, Collections & Adjustments

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### Excel – Monthly Aging Trends

#### Sample Medical Practice

**Accounts Receivable Analysis**

For the Period July, 2002 - July, 2003

<table>
<thead>
<tr>
<th>Sample Practice</th>
<th>Aging Trend Analysis</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>31-60</td>
</tr>
<tr>
<td><strong>2002</strong></td>
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</tr>
<tr>
<td>July</td>
<td>1,465,975</td>
</tr>
<tr>
<td>August</td>
<td>1,265,235</td>
</tr>
<tr>
<td>September</td>
<td>1,295,095</td>
</tr>
<tr>
<td>October</td>
<td>1,555,296</td>
</tr>
<tr>
<td>November</td>
<td>1,284,770</td>
</tr>
<tr>
<td>December</td>
<td>1,180,370</td>
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<tr>
<td><strong>2003</strong></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>1,583,851</td>
</tr>
<tr>
<td>February</td>
<td>1,402,671</td>
</tr>
<tr>
<td>March</td>
<td>1,412,763</td>
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<tr>
<td>April</td>
<td>1,399,999</td>
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<tr>
<td>May</td>
<td>1,370,028</td>
</tr>
<tr>
<td>June</td>
<td>1,351,971</td>
</tr>
<tr>
<td>July</td>
<td>1,441,956</td>
</tr>
<tr>
<td><strong>YTD Average</strong></td>
<td>1,383,751</td>
</tr>
</tbody>
</table>

#### Aging Trend Analysis 2002-2003

[Chart showing aging trend analysis for 2002-2003]
How is Medical Billing Like An EKG?
## Monthly Charges, Collections and Adjustments Analysis

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

<table>
<thead>
<tr>
<th>Entry Field</th>
<th>Beginning AR Balance</th>
<th>Charges (% ending AR)</th>
<th>Collections (% Charges)</th>
<th>Adjustments (% Charges)</th>
<th>Ending AR Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-12</td>
<td>0</td>
<td>642,200</td>
<td>215,914</td>
<td>42%</td>
<td>296,488</td>
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<tr>
<td>Feb-12</td>
<td>618,974</td>
<td>214,186</td>
<td>299,364</td>
<td>43%</td>
<td>318,746</td>
</tr>
<tr>
<td>Mar-12</td>
<td>674,136</td>
<td>261,304</td>
<td>291,578</td>
<td>43%</td>
<td>280,106</td>
</tr>
<tr>
<td>Apr-12</td>
<td>586,155</td>
<td>253,034</td>
<td>318,746</td>
<td>43%</td>
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</tr>
<tr>
<td>May-12</td>
<td>566,474</td>
<td>210,500</td>
<td>395,849</td>
<td>43%</td>
<td></td>
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<tr>
<td>Jun-12</td>
<td>486,643</td>
<td>278,192</td>
<td>341,085</td>
<td>43%</td>
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<tr>
<td>Jul-12</td>
<td>566,032</td>
<td>255,299</td>
<td>324,167</td>
<td>43%</td>
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<tr>
<td>Aug-12</td>
<td>661,116</td>
<td>245,181</td>
<td>347,236</td>
<td>43%</td>
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<tr>
<td>Sep-12</td>
<td>436,927</td>
<td>245,828</td>
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<td></td>
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<tr>
<td>Oct-12</td>
<td>545,935</td>
<td>254,809</td>
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<td>43%</td>
<td></td>
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<tr>
<td>Nov-12</td>
<td>506,411</td>
<td>173,216</td>
<td>254,313</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Dec-12</td>
<td>454,556</td>
<td>190,597</td>
<td>240,000</td>
<td>43%</td>
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<tr>
<td>Jan-13</td>
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<td>219,668</td>
<td>296,887</td>
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<tr>
<td>Feb-13</td>
<td>421,273</td>
<td>245,217</td>
<td>239,137</td>
<td>43%</td>
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<tr>
<td>Mar-13</td>
<td>470,164</td>
<td>269,188</td>
<td>284,083</td>
<td>43%</td>
<td></td>
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<tr>
<td>Apr-13</td>
<td>567,076</td>
<td>238,409</td>
<td>121,492</td>
<td>43%</td>
<td></td>
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<tr>
<td>May-13</td>
<td>280,695</td>
<td>88,824</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**YTD Average**  
- Jan-May 2013: 393,188
- Ending AR Balance: 217,301
- Collections: 162,966 (43%)
- Adjustments: 217,301 (43%)

*To be entered manually*
### Monthly Charges, Collections and Adjustments Analysis

<table>
<thead>
<tr>
<th>Entry Field</th>
<th>Beginning AR Balance</th>
<th>Ending AR Balance</th>
<th>Charged To Collections</th>
<th>Charged To Adjustments</th>
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</thead>
<tbody>
<tr>
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<td>215,914</td>
<td>292,486</td>
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</tr>
<tr>
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<td>214,186</td>
<td>293,564</td>
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<td>Mar-12</td>
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<td>261,304</td>
<td>281,073</td>
<td>55%</td>
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<tr>
<td>Apr-12</td>
<td>565,165</td>
<td>253,834</td>
<td>318,746</td>
<td>55%</td>
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<tr>
<td>May-12</td>
<td>565,474</td>
<td>210,390</td>
<td>280,186</td>
<td>55%</td>
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<tr>
<td>Jun-12</td>
<td>485,643</td>
<td>278,782</td>
<td>395,849</td>
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<td>245,826</td>
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<td>Oct-12</td>
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<td>54%</td>
</tr>
<tr>
<td>Nov-12</td>
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<td>254,313</td>
<td>54%</td>
</tr>
<tr>
<td>Dec-12</td>
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<td>190,587</td>
<td>291,088</td>
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<tr>
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<td>219,858</td>
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<tr>
<td>Feb-13</td>
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<td>245,277</td>
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<tr>
<td>Mar-13</td>
<td>478,184</td>
<td>269,188</td>
<td>298,807</td>
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<tr>
<td>Apr-13</td>
<td>567,076</td>
<td>238,409</td>
<td>284,083</td>
<td>54%</td>
</tr>
<tr>
<td>May-13</td>
<td>260,895</td>
<td>88,824</td>
<td>121,492</td>
<td>54%</td>
</tr>
</tbody>
</table>

**YTD Average**

<table>
<thead>
<tr>
<th>Entry Field</th>
<th>Beginning AR Balance</th>
<th>Ending AR Balance</th>
<th>Charged To Collections</th>
<th>Charged To Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-May 2013</td>
<td>393,186</td>
<td>217,301</td>
<td>76%</td>
<td>54%</td>
</tr>
</tbody>
</table>
## Monthly Charges, Collections and Adjustments Analysis

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

<table>
<thead>
<tr>
<th>Month</th>
<th>Beginning AR Balance</th>
<th>Charges (C)</th>
<th>Collections (C)</th>
<th>Adjustments (C)</th>
<th>Ending AR Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-12</td>
<td>0</td>
<td>642,200</td>
<td>215,914</td>
<td>126,286</td>
<td>298,408</td>
</tr>
<tr>
<td>Feb-12</td>
<td>215,914</td>
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**YTD Average**

|       | 303,188 | 162,956 | 217,301 |

**Jan-May 2013**

**To be entered manually**

---

**Charges, Collections & Adjustments**

**Why?**

**Monthly charges are trending downward. Why?**
Nice, direct relationship between Collections and Adjustments.
### Monthly Charges, Collections and Adjustments Analysis

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

<table>
<thead>
<tr>
<th>Month</th>
<th>Beginning AR Balance</th>
<th>Charges (C)</th>
<th>Collections (C)</th>
<th>Adjustments (A)</th>
<th>Ending AR Balance</th>
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**YTD Average**  
393,188  
162,066  
217,301

**Jan-May 2013**
To be entered manually

---

**Adjustments spiked in December, but not Collections. Why?**
**Sample Medical Practice**

**Billing Trend Analysis**

**January 2012 - November 2012**

**Monthly Charges, Collections and Adjustments Analysis**

<table>
<thead>
<tr>
<th>Month</th>
<th>Beginning AR Balance</th>
<th>Charges (C)</th>
<th>Collections (C Charges)</th>
<th>Adjustments (C Charges)</th>
<th>Ending AR Balance</th>
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**YTD Average**

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<td></td>
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<td>393,188</td>
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<td>217,521</td>
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**Jan-May 2013**

To be entered manually

---

**Adjustments down, yet Collections going upward. Why?**
Sample Medical Practice

Accounts Receivable Analysis
January 2000 - December 2000

Monthly A/R Roll Analysis

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<tr>
<th></th>
<th>Beginning AR Balance</th>
<th>Charges (% ending AR)</th>
<th>Collections (% Charges)</th>
<th>Adjustments (% Charges)</th>
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<td>61,019</td>
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<td>185,790</td>
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Number of Months Reported: 11

Charges, Collections & Adjustments
### Monthly A/R Roll Analysis

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<th>Charges (% of ending AR)</th>
<th>Collections (% of ending AR)</th>
<th>Adjustments (% of ending AR)</th>
<th>Ending AR Balance</th>
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<tr>
<td><strong>YTD Average</strong></td>
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</tr>
</tbody>
</table>

|       | 123,864               | 44,165                   | 58,834                      |

**Number of Months Reported:** 11

---

**Charges, Collections & Adjustments**

- **Charges**
- **Collections**
- **Adjustments**

**Why did Adjustments spike but not Collections?**
### Aging Trend Analysis

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<th>61-120 Days</th>
<th>Over 120 Days</th>
<th>Total All</th>
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<td>1,055,742</td>
<td>39%</td>
<td>595,852</td>
<td>73%</td>
<td>1,574,665</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,582,201</strong></td>
<td><strong>49%</strong></td>
<td><strong>427,748</strong></td>
<td><strong>73%</strong></td>
<td><strong>1,283,783</strong></td>
</tr>
</tbody>
</table>

**Number of Months in Analysis:** 13

**To be entered manually:**

### Accounts Receivable Aging Trend Analysis

![Accounts Receivable Aging Trend Analysis Chart](chart.png)
Piecing Together Financial Puzzles™
Piecing Together Financial Puzzles™

Sample Medical Practice
Billing Analysis
September 2009 - September 2010

Aging Trend Analysis

<table>
<thead>
<tr>
<th>Field for entry</th>
<th>Current</th>
<th>31-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>Over 120 Days</th>
<th>Total</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-12</td>
<td>1,464,209</td>
<td>46%</td>
<td>436,012</td>
<td>16%</td>
<td>385,571</td>
<td>15%</td>
<td>396,705</td>
</tr>
<tr>
<td>Aug-12</td>
<td>1,857,462</td>
<td>8%</td>
<td>603,254</td>
<td>16%</td>
<td>250,426</td>
<td>16%</td>
<td>1,338,288</td>
</tr>
<tr>
<td>Sep-12</td>
<td>1,469,441</td>
<td>45%</td>
<td>963,245</td>
<td>21%</td>
<td>311,945</td>
<td>8%</td>
<td>650,313</td>
</tr>
<tr>
<td>Oct-12</td>
<td>1,509,773</td>
<td>32%</td>
<td>538,718</td>
<td>16%</td>
<td>796,768</td>
<td>26%</td>
<td>0</td>
</tr>
<tr>
<td>Nov-12</td>
<td>1,404,324</td>
<td>34%</td>
<td>714,720</td>
<td>17%</td>
<td>390,927</td>
<td>16%</td>
<td>932,664</td>
</tr>
<tr>
<td>Dec-12</td>
<td>1,523,685</td>
<td>32%</td>
<td>673,828</td>
<td>16%</td>
<td>456,690</td>
<td>11%</td>
<td>1,433,285</td>
</tr>
<tr>
<td>Jan-13</td>
<td>1,515,542</td>
<td>32%</td>
<td>429,400</td>
<td>16%</td>
<td>355,634</td>
<td>8%</td>
<td>1,408,732</td>
</tr>
<tr>
<td>Feb-13</td>
<td>1,348,229</td>
<td>32%</td>
<td>544,951</td>
<td>13%</td>
<td>249,850</td>
<td>6%</td>
<td>1,073,079</td>
</tr>
<tr>
<td>Mar-13</td>
<td>1,962,272</td>
<td>48%</td>
<td>579,913</td>
<td>12%</td>
<td>343,493</td>
<td>8%</td>
<td>1,658,040</td>
</tr>
<tr>
<td>Apr-13</td>
<td>1,578,355</td>
<td>32%</td>
<td>1,223,422</td>
<td>22%</td>
<td>348,644</td>
<td>8%</td>
<td>1,583,584</td>
</tr>
<tr>
<td>May-13</td>
<td>1,742,110</td>
<td>32%</td>
<td>673,517</td>
<td>16%</td>
<td>800,677</td>
<td>16%</td>
<td>1,625,254</td>
</tr>
<tr>
<td>Jun-13</td>
<td>1,485,029</td>
<td>32%</td>
<td>785,567</td>
<td>16%</td>
<td>427,509</td>
<td>8%</td>
<td>1,036,528</td>
</tr>
<tr>
<td>Jul-13</td>
<td>1,685,742</td>
<td>32%</td>
<td>596,852</td>
<td>16%</td>
<td>499,653</td>
<td>13%</td>
<td>1,574,588</td>
</tr>
</tbody>
</table>

YTD Average

1,562,291   32%   1,223,422  22%   348,644   8%   1,583,584
668,018    16%   427,748     16%   314,528   8%   1,293,760

Number of Months in Analysis 13
To be entered manually

Accounts Receivable Aging Trend Analysis

Nice monthly trend for the most recent (current) receivables.
Sample Medical Practice
Billing Analysis
September 2009 - September 2010

Aging Trend Analysis

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>31-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>Over 120 Days</th>
<th>Total All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-12</td>
<td>1,484,309</td>
<td>46%</td>
<td>439,017</td>
<td>10%</td>
<td>388,517</td>
<td>10%</td>
</tr>
<tr>
<td>Aug-12</td>
<td>1,837,462</td>
<td>46%</td>
<td>603,254</td>
<td>10%</td>
<td>250,428</td>
<td>10%</td>
</tr>
<tr>
<td>Sep-12</td>
<td>1,469,441</td>
<td>46%</td>
<td>963,245</td>
<td>27%</td>
<td>311,845</td>
<td>9%</td>
</tr>
<tr>
<td>Oct-12</td>
<td>1,459,773</td>
<td>36%</td>
<td>538,718</td>
<td>10%</td>
<td>799,786</td>
<td>20%</td>
</tr>
<tr>
<td>Nov-12</td>
<td>1,414,324</td>
<td>36%</td>
<td>714,720</td>
<td>10%</td>
<td>669,007</td>
<td>18%</td>
</tr>
<tr>
<td>Dec-12</td>
<td>1,523,658</td>
<td>36%</td>
<td>671,823</td>
<td>10%</td>
<td>456,655</td>
<td>11%</td>
</tr>
<tr>
<td>Jan-13</td>
<td>1,951,545</td>
<td>36%</td>
<td>42,400</td>
<td></td>
<td>1,809,905</td>
<td>22%</td>
</tr>
<tr>
<td>Feb-13</td>
<td>1,368,229</td>
<td>36%</td>
<td>54,951</td>
<td></td>
<td>1,259,179</td>
<td>17%</td>
</tr>
<tr>
<td>Mar-13</td>
<td>1,961,272</td>
<td>36%</td>
<td>576,915</td>
<td></td>
<td>1,384,357</td>
<td>19%</td>
</tr>
<tr>
<td>Apr-13</td>
<td>1,526,356</td>
<td>36%</td>
<td>1,124,472</td>
<td></td>
<td>348,844</td>
<td>2%</td>
</tr>
<tr>
<td>May-13</td>
<td>1,742,115</td>
<td>34%</td>
<td>673,517</td>
<td></td>
<td>573,517</td>
<td>7%</td>
</tr>
<tr>
<td>Jun-13</td>
<td>1,465,058</td>
<td>34%</td>
<td>785,363</td>
<td></td>
<td>673,695</td>
<td>8%</td>
</tr>
<tr>
<td>Jul-13</td>
<td>1,655,742</td>
<td>34%</td>
<td>596,852</td>
<td></td>
<td>459,653</td>
<td>6%</td>
</tr>
</tbody>
</table>

YTD Average: 1,582,291

Number of Months in Analysis: 13
To be entered manually

**Accounts Receivable Aging Trend Analysis**

Good distribution of the receivables, with the most recent the largest portion.
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
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?
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
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!
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
Fraud-Related Writing:

- **Fraud 101**
  - Techniques and Strategies for Understanding Fraud
  - Stephen Pedneault

- **Anatomy of a Fraud Investigation**
  - Stephen Pedneault

- **Preventing and Detecting Employee Theft and Embezzlement**
  - A Practical Guide
  - Stephen Pedneault

- **Forensic Accounting and Fraud Investigation for NON-EXPERTS**
  - Third Edition
  - Howard Silverstone
  - Michael Sheetz
  - Stephen Pedneault
  - Frank Rudewicz

**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
Piecing Together Financial Puzzles

Physician’s Computer Company
PCC 2014 Users’ Conference

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

Questions / Discussion

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2389 main street
glastonbury, ct 06033
(860) 659-6550
steve@fasman.com
stephen a. pedneault