

“Embezzlement”



The majority of these Editorials will discuss issues that affect your personal pocketbook. Sometimes I will write about financial issues that affect Medicine in general, or in this case, your practice.

You are a hard-working, dedicated physician. You and your employees, some of whom have been with you for decades, take outstanding care of your patients. You know in your heart that your practice compares favorably to any practice anywhere.

Unfortunately, the facts are that *at least* 1/3, and probably one-half of physician practices suffer significant embezzlement. I'm not talking paper clips and rubber bands, but 5, 6, and even 7-figure sums. And here is what is going to break your heart, and sour you on humanity. It's not the new part-timer, or the disgruntled, constant complainer, who's stealing your hard-earned money, but your most trusted employee, because they have your signature stamp, they write the checks, handle the cash, make the bank deposits, order supplies, conduct your business, and deal with the insurance companies.

Opportunity is the other important issue. They have access to the money, and realize “I think I can steal a million bucks, and I don't think I'll get caught.”

Don't be naïve. This is not just another person's problem, but a very real chance it could be your problem. You are not only losing money, but you will inevitably run into problems with your patients, insurance payers, and “The Man” that is, Medicare. They don't like getting rebilled for something they've already paid for.

How are embezzlers tripped up? By casual comments, irregularities, or something doesn't add up.

- 1) Your secretary purchases a vacation home. You know what they make. Where did they get that kind of money?
- 2) Your spouse notes how hard you work, yet other physicians are making a lot more money.
- 3) Embezzlers don't like to take vacations, because it gives someone else access to the books.

If you suspect embezzlement, you need a forensic audit. Your regular accountant may not have sufficient expertise in this area. Whether irregularities are found or not, the accountant should recommend controls and procedures to prevent future problems. Forty-nine percent of embezzlement is due to inadequate controls.

If you suspect embezzlement, do not confront the employee until you have contacted the authorities. Let them investigate. If there has been embezzlement, should you prosecute? Ideally, yes. If there is a criminal conviction, you can receive restitution (Although note the reality is often different. These people are usually not careful with their [your] money. Good luck). A criminal conviction makes a subsequent civil case a slam dunk, and a criminal conviction will hopefully prevent this person from plying their trade elsewhere, which happens quite often.

Unfortunately, in the real world, it may be difficult, or more often impossible, to get the authorities interested. They are looking for real crooks, like a poor 16-year old who sticks up a liquor store for \$20, not white-collar criminals stealing from a (rich) doctor who makes \$400,000 per year. From your point of view, you must swallow your anger, embarrassment and feeling of betrayal, and view things dispassionately. What can you gain, or, are you best off just cutting your losses? The decision is up to you.

Embezzlement is just one more thing they didn't teach you in med school about the real world.

Disclosures

The author has no conflicts of interest to disclose.

Robert M. Doroghazi, MD*
The Physician Investor Newsletter, 115 Bingham Road,
Columbia, MO 65203

* Corresponding author: Tel: (573) 443-0893.
(rdoroghazi@yahoo.com).