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Internal controls key to preventing fraud, theft

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Published: March 27, 2009

Time posted: 12:00 am

Tags: [fraud](#), [Stockman Kast Ryan](#), [theft](#)

During tough times, there is often more incentive for internal fraud, and even long-term, trusted employees could be tempted to steal, if their personal finances are at risk.

"That's no different for a medical practice, than it is for any other business," said Steve Hochstetter of Stockman Kast Ryan and Co. accounting services. "Doctors who are in individual practices can sometimes have one person do all the billing, all the payments, everything. And that can be dangerous."

Employee theft and fraud always rises during a recession, Hochstetter said. That's where internal controls can make a big difference to the bottom line.

"Doctors should always review the canceled checks themselves," he said. "The person signing the checks should not be the person reconciling the bank account. If that person is tempted to steal by writing checks they aren't supposed to, it will be easy to check if someone else is looking at the bank statements."

Segregating duties is one way to ensure fraud doesn't occur. And electronic banking is one way to control fraud — but only if practices control access.

"If an employee needs to go online to look at a transaction, they shouldn't have the ability to transfer money, except within certain accounts," said Penny Sayre, an accountant at Stockman Kast Ryan. "Only one person should be able to withdraw money from the account."

Mandatory vacations and criminal background checks on new employees are other ways to halt inter-office fraud.

"Limit check signing to one or two people," Hochstetter said. "The person who signs a check can only do so if there is an invoice attached. And the bill must be from an approved vendor."



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