

5 Embezzlement Red Flags

QUESTION: My practice is busier than ever, but I'm not seeing an increase in profits. My front office assistant seems competent in handling the financial matters and I really don't like that part of the practice. Is this something I should I be concerned about?

ANSWER: While nobody wants to think that a trusted employee may be embezzling, it does happen.

According to the law firm of HeplerBroom, there are five red flags for embezzlement you should consider:

1. Billing Staff/Administrator Refuses Help

People who embezzle have a need to be “hands on” with their financial work. Sometimes there may be a sense of paranoia that comes along with having someone else find out. Requiring another staff person to cosign checks and review statements is essential.

2. Unexpected Financial Hardship or Addiction Issues

If you hear about someone’s spouse losing a job or a major illness in the family, etc., be a little more aware of what is happening at your practice during that time. Major financial losses or addiction issues, such as alcoholism or gambling, tend to be a trigger for embezzlement.

3. Displays of Wealth/Living Beyond Means

If you see a staff member displaying a level of wealth that is inconsistent with past behavior, this may be an indication or a sign of embezzlement. Similarly, if you see someone who lives beyond their means, that is an indication that they do not know how to manage their personal finances appropriately. They may engage in embezzlement to remedy the imbalance.

4. Financial Inconsistencies

Keep an eye out for diminishing cashflow when practice collections show strong numbers. This includes bank deposits that do not match posted collections; increasing accounts payable or higher accounts receivables than normal; and more adjustments to reconcile journal or ledger entries than normal. This is another reason to have a different member of the team cosign checks and review statements as a double check.

5. Unusual Relationships

Watch for unusually close relationships with vendors, such as nutritional companies, durable goods products, orthotics or even local purchases (especially if you are seeing more invoices from a particular vendor).