



EYES WIDE SHUT

Is practice fraud being committed right under your nose? **Hanya Oversby** recommends giving your processes an audit and implementing secure systems.



Hanya Oversby is director of **SPECIALIST CONSULTING** a firm providing practice management solutions.

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It's 6.30pm and Dr Greenwood's last patient has been escorted to the reception desk to settle his account with Sue, the receptionist. Dr Greenwood goes back to his consulting suite, sits down at his desk and breathes a sigh of relief after a busy day. He tends to his paperwork and emails before heading home.

Meanwhile, back at reception, the ever-efficient Sue secretly smiles to herself because the patient is paying in cash. Sue processes the full amount, giving the patient a receipt to take to Medicare the next day. She bids a polite farewell then quickly turns her attention to reversing the receipt. She re-issues a receipt for \$50 less than the original amount then pops the \$50 into her handbag, along with a copy of the receipt.

For Sue, the last patient has been accounted for, with no harm done. She buzzes through to Dr Greenwood to say she has closed off for the day. Dr Greenwood is relieved that all administration duties are so efficiently performed by his faithful secretary.

After seven years of working for Dr Greenwood, Sue has to resign when she and her family decide to move interstate. Dr Greenwood buys her a thoughtful gift and takes her and the other staff members out for a lovely farewell dinner. He has really appreciated her loyalty and doesn't know how he is going to run his practice without her.

Six months after Sue's departure, Dr Greenwood notices his income has inexplicably increased by 20 per cent. He calls in his accountant to help him account for the increase. The discovery is not pleasant, and chasing up the missing funds proves a difficult and unpleasant process.

This scenario is fictitious, but fraud isn't uncommon. The good news is that it can be avoided if the correct systems are implemented early on and monitored regularly.

THE FACTS ON FRAUD

Medicare Australia defines fraud as 'Any deceitful or dishonest conduct, involving acts or omissions or the making of false statements, orally or in writing, with the object of obtaining money or other benefit from, or evading a liability to the Australian Government'.

Medical practitioners are subject to the Medicare Australia Act 1973, which allows Medicare Australia to:

- Issue a notice requiring a person to give information or produce documents.
- Enter premises with the consent of the occupier and conduct a search for the purpose of monitoring compliance and regulatory requirements.
- Enter premises, conduct searches and seize evidential material under warrant.

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With such strict guidelines, most medical practitioners are keen to set up the billing in their practice correctly from the outset. In fact, most patient-management systems are designed to ensure that correct billing is simple to perform and works in conjunction with the rules of the Medicare system.

Medicare regularly monitors this billing and, via its audit processes, will pick up whether appropriate item numbers and amounts are being used by each practitioner.

Unfortunately the same audit processes do not usually apply in a medical practice with regards to money coming into and going out of the practice. And as demonstrated at Dr Greenwood's office, fraud is most commonly committed by those you trust. The key here is to establish systems within your practice that will not provide any opportunities for fraud to be committed.

PREVENTING LOSS

According to Andy Matthews at Genie Solutions, which provides software for appointments, billing and medical management, the first step toward fraud prevention is taking a good look at those in a position to make changes that may result in fraudulent activity.

For example, you may allow staff members to delete invoices where a mistake has been made. This could potentially lead to a situation whereby a staff member may delete a receipted invoice, recreate the invoice for a lesser amount and pocket the difference.

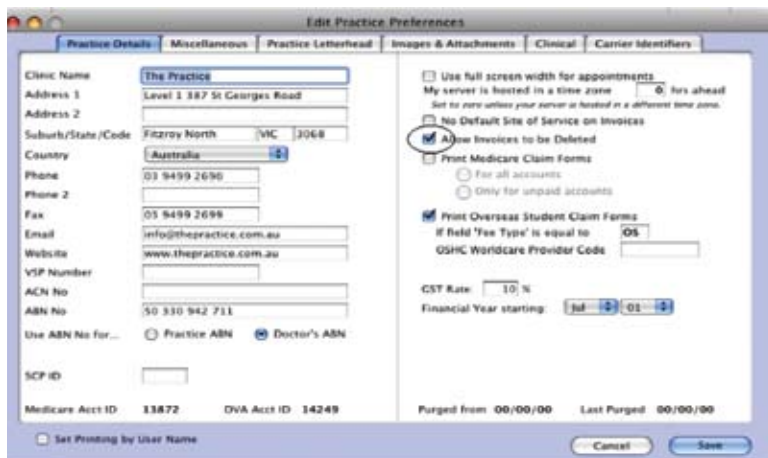
In your Specialist Practice software, you should have several settings active to prevent such acts. Firstly, there should be a setting in practice preferences that either allows or disallows invoices being deleted (as seen in Figure 1).

Further to this, administration or management rights should be allocated to a senior staff member – all other users should then have a preference setting that prevents them from having the right to modify saved invoices. This basically means that if a staff member attempts to modify or delete an invoice, they are restricted from doing so (see Figure 2).

In a practice situation, whereby saved invoices may have to be modified, only a trusted staff member should be given authority to do so. This staff member should obviously not be the same person who needs to make the modification.

Finally, your software should be capable of reporting suspicious activities. This type of report would normally be found in FILE>MAINTENANCE AND REPORTS>ADMINISTRATOR. Here you can do an

Figure 1



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BEHAVIOURAL SIGNS

A change in behaviour is often a strong clue to fraudulent activity. If a staff member does not stick to the practice systems, doesn't want anybody else to do their job or feels threatened by being asked to produce financial reports, they may have something to hide. Another cue may be if a staff member is living a lifestyle that doesn't fall in line with his or her income.

Figure 2



audit to review reversed sales and payments, and report on suspicious transactions (see Figure 3). If there are a number of suspicious entries, you'll generally find they can be explained. Regularly monitoring these types of transactions can help to prevent fraud and embezzlement in your practice.

CHECK IT OUT

In my experience as a practice management consultant, I have found that the key to minimising risk is to have well-set-up daily, weekly and monthly checklists. Helen Pemberton, a partner at accounting, planning and business advisory firm Patrick Rowan & Associates, endorses this approach.

“Having the right systems, procedures and controls in place is important as it minimises the risk of fraud within your business. However, you need to remember that any procedure is only of value and worthwhile if it is followed,” she advises. “Regular checks of adherence should be performed to ensure the business is operating as it should.”

Pemberton, who works with many medical professionals, also recommends that you never take your eye off the cash: “In every business it is critical to know where your cash balances are at all times and to have a good idea of all cash due within each period. If the actual amounts are different from what you expect, do some research or get your accountant to have a look.”

If you put the effort in to audit your processes and have systems in place that allow staff members to trust each other, you can get on with the business of taking care of patients. ©

Figure 3

Orig Date	User	Patient	Provider	Amount	GST Amt	Reason
09/03/04	Dr A Demo	Carr, Paul	D Speight	45	0	Payment Deleted
09/03/04	Dr A Demo	Carr, Paul	D Speight	-25	0	Fee changed from \$45 to \$20
11/03/04	Dr A Demo	Verdel, Adrianna	Dr A Demo	100	0	Payment Deleted
11/03/04	Dr A Demo	Verdel, Adrianna	Dr A Demo	-50	0	Fee changed from \$100 to \$50

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A SYSTEMATIC APPROACH

Suggestions for effective management systems include:

- Being involved in the setup of your systems and understanding the reports able to be produced by your software. Don't leave this job entirely to others.
- Ensuring that the person doing the bookkeeping is not handling the cash at the practice.
- Authorising key staff members to sign off or authorise payments or reports. The staff members chosen for this role should not be the same as those issuing the payments or reports.
- Following a complete transaction through your practice management system, so you can identify any areas that could be tampered with.
- Making sure all staff members are aware that you check on the systems regularly.
- Having your accountant drop in unexpectedly now and again to review your procedures and/or review your management-system reports on site.
- Checking all fees invoiced on a daily or weekly basis – it is always easier to pick up on discrepancies when the timeframe is short.
- Randomly checking cash transactions during the day.
- Randomly asking for cash transactions printouts from administration.
- Matching up cash transactions to the amount banked on a weekly basis.
- Asking to see transaction exception reports.
- Ensuring your business keeps the same float daily, for example \$200. The balance should be banked regularly.
- Investing in a bookkeeper to reconcile the financial transactions at the practice at regular intervals, for instance either fortnightly or monthly.