

# MANAGEMENT & MARKETING

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*(Editor's Note: This quarterly JCO column is compiled by Contributing Editor Howard Iba. Every three months, Dr. Iba presents a successful approach or strategy for a particular aspect of practice management. Your suggestions for future topics or authors are welcome.)*

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Hiring and firing employees is a fact of life for any business, including orthodontic practices. Hiring smartly and firing well reduces costs, not only financially, but emotionally. By using time-tested interview techniques, periodic performance reviews, and effective communication, a practice can usually achieve a high level of success in both hiring and firing.

As John McGill points out in this month's column, however, more than 15% of all dental practices will experience embezzlement at one time or another. The loss is often not discovered until well into the act, which can make monetary recovery virtually impossible. Therefore, any extra time and expense devoted to preventing this crime is always a wise investment. The three strategies presented here can help reduce the chances of embezzlement in your practice.

There will also be times in a practice when, regardless of the effort made, a disgruntled employee will leave or an acrimonious termination will occur. The 10 steps listed by Mr. McGill would be an excellent checklist for protecting your practice on such occasions.

HOWARD D. IBA, DDS, MS



Dr. Iba

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## Hire Smart to Prevent Embezzlement Loss

**O**ne out of every six dentists will be embezzled during their careers. Despite the fact that most embezzlement losses run into the thousands of dollars, and some into the hundreds of thousands of dollars, most practices never implement the safeguards necessary to prevent this loss. Utilizing the three strategies discussed below can help prevent your practice from hiring a potential embezzler.

Recently a long-time client called us to advise that she had been the victim of a huge embezzlement in her office. An audit by her CPA firm put the loss, which occurred over a three-year period, at more than \$300,000. After the case was turned over for criminal prosecution, our client then discovered that the embezzler had prior convictions for check forgery and theft that were not discovered in the hiring process.

Why do so many orthodontists fall prey to embezzlers? Many yearn only to practice and leave the management duties to front-desk staffers without establishing any internal controls or periodic reviews. An even greater problem, however, is the tendency for doctors to shortcut the hiring process by failing to test prospective

employees' integrity and do basic background and reference checks. As a result, it's all too common for dentists to hire "serial embezzlers" and other poorly qualified candidates for front-desk positions.

*Conomikes Reports*, an excellent medical practice management journal,\* recently recommended the following three steps to "hire smart" and thereby avoid potential embezzlements.

1. *Use integrity testing as part of the interview process.* These prepackaged tests should be given to all front-desk applicants to screen for organizational delinquent behaviors, including a tendency toward stealing, sabotage, substance abuse, absenteeism, lying, unreliability, immaturity, or insubordination. Candidates who do poorly on these tests are people who will likely cause problems in your practice. The following organizations produce these paper and pencil tests, which can be easily scored in the privacy of your own office:

- Employee Reliability Inventory  
Wonderlic Personnel Test, Inc.  
(800) 323-3742
- Stanton Survey  
Secure Point  
(800) 438-5959
- Personnel Selection Inventory  
Pearson Reid London House, Inc.  
(800) 221-8378

2. *Perform reference checks with the three most recent employers.* We are amazed at the number of embezzlers who, when detected in one practice, simply move on to work in another nearby dental office because references are not checked. While it's important to check references on all employees, it's absolutely imperative in hiring front-desk staff in positions of financial responsibility. Many former employers are wary of lawsuits, and will only reveal dates of employment and not much more. If you are able to talk with an employer, verify the dates worked and also

ask about tardiness and absenteeism, an important gauge of reliability. If the reference is not forthcoming, ask the following question: "Would you hire this individual today if you had an opening?" If the response is anything other than an unqualified "yes", quickly eliminate the candidate before he or she turns your practice's financial condition into a mess far worse than an Arthur Andersen audit of WorldCom.

3. *Consider background checks.* A number of companies now offer a comprehensive review of a prospective employee's driving record, credit history (including prior bankruptcies), and criminal record. High levels of personal debt and other symptoms of family economic distress are often classic signs of a potential embezzler. Under the law of most states, you must receive permission from the candidate to perform this background investigation. Some companies that provide background checks are:

- ADP Screening and Selection Services  
(800) 367-5933
- Employment Screening Services  
(800) 473-7778

Doctors should avoid hiring any applicant who does not score well on the integrity test, whose references do not check out, or whose background check reveals a past criminal record or dubious credit history. By making a small investment of time and money required to perform this due diligence, doctors can avoid potentially huge embezzlement losses.

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\*Conomikes Associates, Inc., 12233 W. Olympic Blvd, Suite 116, Los Angeles, CA 90064, (310) 571-4177; [www.conomikes.com](http://www.conomikes.com).

## Ten Steps to Protect Your Practice When Firing an Employee

**F**iring a staff member is such a traumatic experience that many doctors neglect to attend to the necessary end-of-employment details. Unfortunately, this neglect can prove quite costly. Following the 10-step checklist set forth below can protect your practice against loss whenever this distasteful situation arises.

Recently a long-time client called and relayed a real horror story. Despite a significant investment of his time and energy, a long-term staffer had “gone bad” and was no longer fitting in. Owing to her long-term affiliation with the practice, the doctor informed the employee that things were “not working out” and that she had two weeks to find another position.

During this two-week period, the employee retained full access to the doctor’s office and all computer and financial records. Only after the employee finally left did the doctor realize the extent of the damage done to his practice. Following the employee’s termination, but during her two-week job-finding period, the employee had sabotaged the doctor’s computer system, made unauthorized purchases using practice credit cards, and embezzled funds by establishing a new practice checking account and depositing patient payments into it with the employee as the sole signatory.

The doctor could have prevented the resulting financial loss and embezzlement by firmly announcing that termination of employment was immediate and following the 10-step checklist outlined below:

1. Reclaim any office keys and building passes from the terminated employee.
2. Change the office locks.
3. Revoke the employee’s computer access, and change passwords.
4. Change the burglar alarm code.
5. Revoke any check-writing or other financial authority.

6. Recover any practice credit cards or phone cards.

7. Have the employee remove all personal belongings from the office and return all cell phones and pagers.

8. If the employee has the power to order supplies by phone, notify suppliers that it is revoked.

9. Finalize all payroll and benefit details:

- Give the employee the last paycheck. Although a few states have no law governing how quickly doctors must pay employees who quit, most require that an employee receive the final paycheck by the next regular payday. However, many states have different laws for voluntary resignation and involuntary termination. Because many states impose administrative penalties or attorney fee awards for failure to pay terminated employees on time, a small amount of money can turn into a big headache. Accordingly, make sure you confirm your state law and abide by it.

- If it’s your policy, include pay for accrued but unused vacation and/or sick leave.

- Have appropriate health insurance forms ready for COBRA or state law continuation coverage, if required.

- Get an address for the final W-2 form.

- If the employee is vested in the retirement plan, provide the plan termination materials or advise the employee as to when they will be available, in accordance with the plan requirements.

10. If severance pay will be provided, consider having the employee sign a release form to protect your practice from liability.

Following the checklist in the order set forth above will make sure that all security-related items are completed before you issue the employee’s final paycheck. Keeping this checklist as a handy reference, and using it whenever an employee termination occurs, can help safeguard your practice against unnecessary loss.

JOHN K. MCGILL, MBA, JD, CPA