

Mountain State Insurance Agency News

How to Avoid Being the Next Victim of Employee Dishonesty

Have you ever heard one of your fellow physicians talking about an employee dishonesty situation that took place in their office? What were you thinking as they laid out all the details? Perhaps “how could you not know something was going on” or “that would never happen to me, I have an amazing staff” was going through your mind. Well like you, I am sure this physician had the same thoughts.

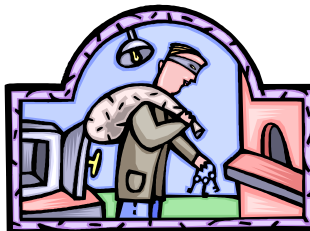
Don't be fooled into thinking these things just happen in large companies. Smaller businesses are the most vulnerable to occupational fraud. The average scheme in a small business causes \$127,500 in losses, while the average ploy in the largest companies cost \$97,000. In some situations small businesses suffer such severe financial damage that they are forced into bankruptcy. Although no business owner wants to conceive of the idea that their faithful employee could steal from them, it is important to be prepared for the situation.

The two steps that employers can take to protect themselves from this risk are a) establish loss prevention procedures and b) obtain employee dishonesty insurance.

The following are ideas that

could be put into place to prevent occupational fraud:

1. **Select Employees Carefully.** Employers should use background checks that will inform them of the employees prior criminal record.
2. **Supervise Employees on a Regular Basis.**
3. **Improve the Business Accounting System.** Separate accounting tasks, do not assign accounts payable and accounts receivable to the same employee.
4. **Conduct Surprise Audits.**
5. **Establish Specific Guidelines for Dealing with Employee Theft.** By having written outlined rules, employees will clearly be able to identify the consequences of theft.



In addition to the above preventative steps, physicians should also purchase Employee Dishonesty Coverage. This type of insurance pro-

fects employers from financial losses due to the fraudulent activities of an employee or group of employees. In order for the loss to be covered, the employer must suffer financial loss and the employee must either obtain financial benefit from the act or direct financial benefit to another person or organization. Coverage would include the theft of money, securities, or other property of the employer. In most cases it is written on a per loss, employee, or position limit.

What is Covered Under an Employee Dishonesty Policy:

1. Forgery or Alteration
2. Funds Transfer Fraud
3. Computer Fraud
4. Credit Card Fraud
5. Money Order and Counterfeit Fraud.

While employers cannot eliminate employee dishonesty completely, they can take the definitive step to mitigate or eliminate their losses, as outlined above. If you are interested in learning more about Employee Dishonesty Coverage please contact your Mountain State Insurance Agency representative today.

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Special Points of Interest:

- *Employee Dishonesty in the Workplace*
- *Loss Prevention Procedures*
- *Employee Dishonesty Insurance Coverage.*