

# Dentistar, inc

Finance



(Assignment) Dentistar, Inc. Introduction Dentistar, Inc is an organization that offers dental and orthodontic services to members of prepaid dental plans. The firm operates in four regions and its headquarters and central region offices are situated in Pittsburgh. The other three regional offices are located in West Region (Los Angeles), South Region (Atlanta), and East Region (Boston). Under the company's management system, each regional office has the ability to issue manually written checks for operating expenses when there is no sufficient time to get the required funds from the home office. This paper will critically evaluate various strengths and weaknesses of company's existing procedures. Subscriber Termination Procedures Many pitfalls can be identified in Dentistar's subscriber termination refunds system. According to Lord and Winiarski, the company processes subscribers' refund request in response to their phone calls. This practice seems dangerous since it does not provide any refund request evidence to the regional offices. As a result, it may raise further legal complications and conflicts if the subscriber files a suit against the company. Therefore, it is recommendable for the firm to issue the refunds for unused portion of subscribers' premium payments if and only the company receives a refund request in writing. The request in writing would assist the company to defend future disputes. While approving subscriber letter and request for payment adjustment; Sally Trusts, West Regional Director of Administration, does not review the information online in the Dentistar subscriber tracking system in order to ensure the accuracy and reliability of the presented data. Sally must scrutinize this data so as to avoid errors and frauds. Similarly, the check signing machine may help Tom Swindler to prepare fake checks with Sally's signature. Hence, it is necessary to establish some control systems that

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would verify the reliability of mechanically issued checks; it would eliminate the chances of misrepresentations. The Information System Group permanently deletes a subscriber from the providers' list of subscribers as soon as the refund issue is made. It is not a sound practice as it averts the chances for quick future references. Therefore, it will be better for the Dentistar to give some special marks to subscribers who receive refund payments. However, it is observed that Dentistar maintains a good internal check system, which does not allow any person to deal with a transaction from beginning to end; it minimizes the chances of errors and fraud.

Dentistar's subscriber tracking system is also a competitive advantage of the company as it assists the managerial persons to easily identify status of the subscribers' policy and payment history. Expedited Operating Expenditures

Some weaknesses have been identified with the company's expedited operating expenditures cycle also. The company's policy indicates that some non-emergency expenses like advertisement expenses and other promotional costs are also paid at regional level. This practice may reduce the firm's profitability as it gives an opportunity for the regional level officials to take unfair advantages of this provision. Hence, the company management must not allow the regional offices to issue manual checks for any purpose other than for meeting office expenses. As Lord and Winiarski points out, all west region personnel have the authority to request a manual check in payment of a regional operating expense. This policy weakens the operational structure of the company since all the employees may not have efficiency to handle operating expenses profitably. It is recommendable for the company to appoint specific persons so as to identify day to day operating expenses. This strategy would assist the company to reduce

unnecessary spending and thereby increase profitability. The company prepares budgets for a stipulated period of one year by considering different growth factors and expected inflation. However, it is identified that a financial forecast for one year is an impractical concept in the modern days as a result of frequent global market fluctuations. These changes in market trends may considerably increase or decrease inflation levels which in turn mitigate the efficacy of the framed budget. It would be better for the Dentistar to prepare quarterly budgets to help the organization to revise the budget terms once in three months. The firm does not use the cancelled checks in the bank reconciliation process. This practice may lead to severe security issues in future even though the cancelled checks are separately placed in the general accounting storage at the headquarters. The internal check system in operation is one of the potential strengths of expedited operating expenditures cycle also. Since Dentistar prepares monthly profit and loss statements for each region, the company can frequently regulate its business operations efficiently. Works Cited Lord, Alan T and Winiarski, Robert J. “ Dentistar, Inc”. AICPA Case Development Program, Case No. 97-05.