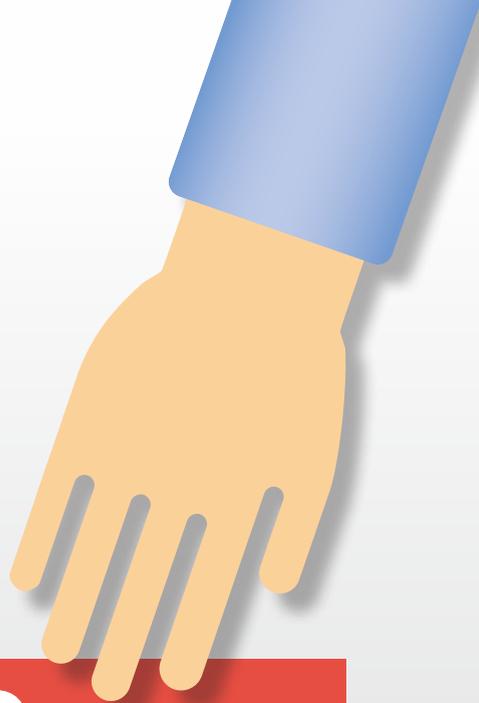




Embezzlement in the Orthodontic Practice

A certified fraud expert shares **3 things to do** if you suspect someone is embezzling—and **the 1 thing *not* to do**



Peer coaching, group sharing and learning through others' experiences are valuable assets of social media. Our colleagues can be simply a keystroke away with the answers to our most daunting questions. Yet, in a mythical land of know-it-alls, there's often a lack of sound expert advice.

A young doctor searching for peer advice recently posted the following excerpt on social media: "Just found out today that my former office manager did some pretty sneaky 'money hiding.' ... Thousands and thousands of dollars just disappeared! She made those reports look so damn good. ... Anyone have similar experiences? I'm all ears." The victim was emotionally distraught and met with sentiments of support and encouragement.

Unfortunately, the victim was also met with dangerous advice from the land of well-intentioned novices. The most popular comments, understandably driven by anger, said things like, "Call her new job immediately and get her fired," "Throw her in jail," and "Sue her for every penny she has." Such ideas aren't part of a responsible fraud response plan—if the young doctor had chosen to follow such advice, she would've found herself steeped in litigation and spiraling out of control.

How it all begins

As a certified fraud examiner who specializes in fraud and embezzlement in the orthodontic office, I've investigated hundreds of orthodontic businesses. I've witnessed firsthand the drive, dedication and intelligence of my colleagues in the orthodontic industry.

Operating at an advanced level does not mean our beloved industry is immune from the embezzlement epidemic; unfortunately, it means that the embezzlers are more advanced in their theft methodologies.

Three out of every five dentists will be the victim of embezzlement during their practice career. We don't have current studies or statistics of incidences of theft specific to orthodontic offices, so I'll share insight from personal investigation experiences:

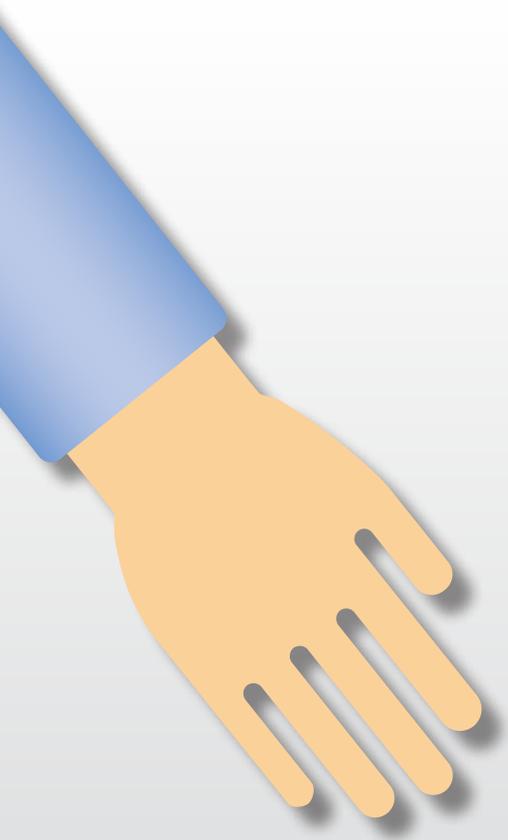
- Most thieves are first-time offenders; less than 15 percent are serial embezzlers.
- The average scheme extends over a two- to five-year period before being identified. The resulting loss is more than \$100,000.
- The average employment tenure is five years.
- There is an inverse correlation

by Wendy Askins, BS, MBA, CFE



In addition to an MBA and undergraduate studies in psychology and criminology, **Wendy Askins** has more than 25 years of experience in the dental industry. Askins' encyclopedic knowledge

of orthodontic practices and strong academic background have helped her expose complex theft schemes committed by employees or business partners. She is a certified fraud examiner for Prosperident, and a member of the Association of Certified Fraud Examiners. Contact: wendy@dentalembezzlement.com.



between tenure and perception of exposure. In a recent investigation, a trusted, 20-year tenured employee stole \$500,000 over 11 years.

- The average hourly compensation rate for the employees found to be embezzling is \$16–\$25.
- Thieves can cannibalize 3–5 percent of monthly collections without being detected.
- Cash is the main target, but theft of patient checks (personal and insurance) is increasing dramatically.
- The average theft encompasses a minimum of three schemes.
- Manipulation of transactions can occur during all financial phases of treatment from new-patient to retention.
- The most identifiable theft transactions are located in adjustments, deposit tampering and deposit payment substitution.

If you haven't been a victim of embezzlement yet, you likely will be in the future. One of my greatest frustrations is speaking with orthodontists who believe it could never happen to them and spout reasons such as, "My team has been with me for more than 20 years," "We attend team-building CE all the time," or "I pay my staff way above average." Once a team member recognizes a need (or greed) in his or her life and rationalizes theft as a justifiable act, the employee will pounce on any weaknesses of systems and lack of oversight in a hyperdelegation environment. To believe you're immune to embezzlement is to believe that you can control the thoughts, motivation and rationalization of another human.

What do you do?

If (and when) you find yourself in this unfortunate situation, please follow the advice of an expert:

1. Maintain behavioral characteristics.

Consistency in behavior is key! Under normal circumstances, we are very trusting individuals. Trust is the cord that binds our orthodontic families together, and when it is severed, disconnection occurs and we begin to unconsciously self-protect. Do everything you can to avoid alerting the suspect of your suspicions until you have proof of wrongdoing and are emotionally prepared.

Typically, embezzlers have three to five years of seniority when they begin stealing. These thieves know you and your habits better than you know yourself, so changing your behavior will cause them to sense your suspicions of employee dishonesty.

Many are sensitive to indicators that they've been caught. If thieves believe you've uncovered their scam, they'll take action to cover their tracks by destroying incriminating evidence. Resist the temptation to begin asking for additional reports, multiple questions or changing the software authorization levels, along with abruptly changing procedures.

As one client said, "I was a thespian in college, but I deserve an Academy Award for my acting performance since I first became suspicious."

2. Preserve records as evidence.

If an employee has been brazen enough to steal money from you and your team while looking you in the eyes with a smiling face, to what lengths would the employee be willing to go to avoid being exposed?

After one victim of embezzlement unceremoniously confronted the thief about his suspicions, the suspect went straight into her office and erased the entire practice database before storming out of the building. The database couldn't be restored, because guess who was in charge of performing the backups? You guessed it—the thief, who had intentionally neglected to secure the database records as part of her exit strategy if she were caught.

Most embezzlement involves the use of practice management software for the execution of a scheme. Personally perform a database backup, and remove the backup medium from the premises. If your practice management software is cloud-based, contact the manufacturer to inquire about the data restoration process in the likelihood data is lost.

Records are *crucial* to the eventual outcome of an investigation. Generate an “audit transaction log” report from your practice management system. The transaction log is a computerized record of every single financial transaction that occurred in the software. If your practice management system doesn't offer a financial transaction log, generate the adjustments and deleted payments reports. Generating these reports for a 12-month time period will have chronicled thousands of transactions, so the reports will need to be saved in a digital format (Excel, if possible) and

placed in a secure folder on your computer, with restricted access.

Ensure historical daily close reports and day sheets are secure, because they may contain valuable evidence that can't be retrieved by regenerating documents via the practice management system at the current date. Locate and secure any payment receipt books, bank deposit slip books, bank receipts of deposit, third-party payment statements and security camera video footage if the employee's workspace is visible.

Lastly, snap photos of the suspect's work area to capture clues that may be advantageous in exposing the theft modality. Desks, drawers, counters and suspicious files often will hold valuable notes or lists of manipulated accounts that need to be surreptitiously balanced. The same applies to workstation computer files.

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3. Get help.

The legal and accounting issues related to an investigation are insurmountable. *Fraud investigation is not a do-it-yourself project!*

When embezzlement is first suspected, it may be more serious than it initially appears. Trying to “go it alone” or getting assistance from well-intentioned advisers (who may have excellent professional credentials, but in an area other than fraud investigation) can make the situation worse. Certified public accountants and attorneys are invaluable; however, unless they have special investigation skills and have direct access to examine the transactions in your practice management software, they most likely can’t identify theft patterns.

Certified fraud examiners (CFE) are specialists in identifying evidence of illicit financial transactions and confronting the suspect. They also know how to preserve and catalog the evidence and, if needed, share how to explain the transactional theft to your insurance company, attorney or law enforcement authorities.

An experienced CFE can help you formulate and properly execute a fraud response plan that will be crucial in obtaining restitution and protecting yourself from possible future litigation.

One client consulted her CPA and the computer software company before finally consulting a CFE. After a

\$12,000 investment, the CPA’s response was, “We know money is missing, but we don’t know how.” I was able to identify specific theft transactions and methodologies within two days because of experience in orthodontic accounting, specialized audit training and the ability to think like a thief.

Finally: *Don’t panic.*

Embezzlement is frightening, and can catapult you into immeasurable consequences that are out of your control.

When you’re blinded by rage and emotion, it’s natural to want to react rashly by confronting or firing the suspect immediately. But if your suspicions of embezzlement are not well founded—and occasionally this does happen!—you may have destroyed working relationships, possibly exposed yourself to litigation and compromised your public professional reputation.

As difficult as it may be, remain calm and act rational. Surround yourself with a team of experienced experts who can create a step-by-step fraud response plan that is personalized for your specific situation and who can knowledgeably walk beside you during its implementation.

Remember, there are others who have traveled the same path and emerged successful on the other side. ■

