

## Embezzlement in the Orthodontic Profession

*An Interview with David Harris*

**W**e recently worked with an orthodontist who turned out not to be your typical transition client. He was reaching the pivotal point in his career where he was planning to sell his practice and retire in the near future. He believed he had all his patient data up-to-date, financials in order and other vital records complete. However, it turned out not to be the case. Long story short, it was recently discovered that his office manager had been embezzling money out of the practice. He didn't realize what was happening until it was too late.

This ordeal made us think of David Harris, a licensed private investigator and Chief Executive Officer of Prosperident, who we recently heard speak at one of the fall meetings. The material he presented on embezzlement in the dental community was fascinating and quite eye opening. When thinking about our current client and his unfortunate situation, we wanted to learn more about dental embezzlement and help the readers of the *reSource* avoid this ever happening to them. Mr. Harris was gracious enough to allow us to interview him and we are excited to share his expertise.

**Q: Everyone says, "This will never happen to me." At what frequency does embezzlement occur in dentistry and what is the "average" loss?**

A: Several published studies, including one done in 2007 by the American Dental Association, suggest the lifetime probability of dentists being embezzled is between 52% and 60%. These statistics are necessarily understated because some embezzlement is never discovered, and some is discovered but unreported. While it isn't possible to quantify either of these numbers, my own best guess is that the lifetime probability is about 80%.

No practice is "safe". Many orthodontists believe that situational factors may make a practice more or less "prone" to embezzlement. I think that this belief reflects a misunderstanding of how criminals think - embezzlement happens simply because an employee decides that he or she has a higher right to your money than you do. This can happen in ANY practice, and doing things like paying your employees above the local market (which many orthodontists believe will deter their employees from stealing) has absolutely no correlation with embezzlement.

**Q: Are orthodontic practices at a higher risk for embezzlement than other dental professionals?**

A: There haven't been any orthodontist-specific studies done on the likelihood of embezzlement, so we don't know for sure. However, since the single biggest factor behind dental embezzlement is the (fairly low) probability of criminal tendencies among dental staff multiplied by the (fairly large) number of staff that a practice owner will have in his or her

career, we believe that the probability for an orthodontist is very similar to that of a dentist.

A persistent myth is that the predictable and regular nature of payments made by patients to orthodontists somehow makes it harder to steal from them. I don't believe that this is true. It's certainly easy to steal from an orthodontist, and even if it were true, for reasons I'll outline in a minute, I don't think it would be relevant.

**Q: Is one career stage (early career, late career) more prominent than others for embezzlement to occur?**

A: No, it isn't. Embezzlement has a lot more to do with the embezzler's situation and worldview.

**Q: What role does one's CPA play in protecting an owner from embezzlement?**

A: I think that most orthodontists believe that their CPA is taking a much more active role in monitoring for embezzlement than he or she really is. The normal year-end process performed by a CPA might uncover some of the cruder types of embezzlement, but most theft from orthodontic offices is done in a way that the CPA's work is unlikely to spot it.

**Q: I'm sure each embezzlement case is different; however, are there common signs a doctor should look for if he/she believes embezzlement is occurring?**

A: Definitely. I find that often doctors and their advisors fixate on looking for financial indicia of embezzlement. This is both a difficult and probably unproductive task.

The Association of Certified Fraud Examiners, in its 2014 Report to the Nations, found that 92% of embezzlers displayed at least one behavioral characteristic of embezzlement and 64% displayed two or more behavioral telltales.

Some of these indicators include living beyond their means, an unwillingness to take vacation, divorce or family problems, or a reluctance to share duties or cross-train another staff member.

This is supported by a 2007 American Dental Association study that asked embezzlement victims how they discovered that they were being victimized. The study reported that 68% of victims pointed to some behavior on the part of the embezzler as what tipped them off. Less than one third of embezzlement was uncovered by a financial inconsistency.

To help orthodontists identify and contextualize behavior that is suggestive of embezzlement, Prosperident offers our Embezzlement Risk Assessment Questionnaire on our website (available at [www.dentalembzzlement.com/store](http://www.dentalembzzlement.com/store)). As a special offer to *Bentson Clark reSource* subscribers, using

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the offer code BENSTONSENTE will give orthodontists a 50% discount from the \$79 regular price of this item.

**Q: If a doctor suspects that embezzlement is occurring, should the employee(s) be approached before obtaining professional advice? If not, what steps are recommended?**

A: In general I think confronting a suspect, before you are fully ready, is a bad idea. On the one hand, if you have reached an incorrect conclusion, you have irreparably ruined your relationship with an employee, and possibly exposed yourself to a lawsuit. In addition, if this person is stealing and is confronted prematurely, he or she may retaliate, which could include things like destruction of evidence. We have seen very drastic actions like arson and, in one notable case, a murder committed by embezzlers. My suggestion is that an orthodontist in this position needs a proper, stealthy investigation and legal advice.

**Q: Is there a common methodology used while investigating these types of cases? Can you tell us a bit about it?**

A: Because I don't want to help embezzlers improve their tradecraft, our counter-embezzlement methodologies are something that we don't discuss in a public forum like a newsletter. What I will say is that our methodology is stealthy (i.e. staff will not be aware that an investigation is taking place) and thorough. I'll also say that our process involves having an investigator with extensive orthodontic office experience looking for a series of patterns that are consistent with embezzlement.

**Q: Is it easy to prosecute an individual(s) found guilty in an embezzlement case and what is the common punishment?**

A: The decision of whether to prosecute is one that is made by the justice system, not the victim. The victim's role is limited to making a complaint - the police and government attorneys do the rest. While many orthodontic embezzlements involve breaking both state and federal laws, for various reasons it is often the victim's state that has control. Willingness to prosecute depends on many factors, including the priority accorded by that state to white collar crime, the overall workload of the justice and penal systems, the amount stolen and the desire of the victim for prosecution.

**Q: If an owner finds that embezzlement has occurred, what are the chances a doctor will recover what's been stolen?**

A: It is a rare occasion when full recovery is made, but almost every victim gets at least some recovery. While few thieves have the means to make restitution, most offices have at least some amount of employee-dishonesty insurance coverage, and sometimes there is a third party, such as a bank, that has some culpability giving a basis for the victim to make financial recovery.

**Q: Can a foolproof system (or something close to it) be put into place to avoid this happening all together? If so, how should it be structured and implemented?**

A: When I was growing up, my father said something that stuck with me. He told me that "foolproof" doesn't exist, and the reason is because "fools" are so ingenious. And having worked with criminals for much of my adult life, I've learned something else about embezzlers; in addition to being creative, they are also highly motivated.

I find that a lot of people mistakenly believe that, if they make it sufficiently difficult for a thief to embezzle, he or she won't try. This logic works well for crimes of opportunity, where the thief can choose his or her victim. As you might expect, when such a choice is possible, normally a thief will eschew a more difficult target for an easier one.

However, embezzlement is not such a crime because the victim is pre-ordained - it is inevitably the doctor. So the concept of "diversion" of a thief to a different victim won't work here, and efforts in this direction represent wasted motion.

I consistently see practice owners underestimating the abilities and determination of embezzlers, and it can cost them dearly.

There is something that orthodontists can do that will drastically improve their ability to combat embezzlement in their practice. I mentioned behavioral assessment earlier, and I'll simply make the statement that this activity is by far the best use of an orthodontist's time in combating embezzlement.

**Q: What is the strangest case you have dealt with or the weirdest piece of evidence you have discovered while investigating?**

A: We've definitely seen some interesting files. One scenario that surprises many practitioners is when we tell them about spouses embezzling from doctors (usually in the leading up to the spouse announcing that he or she is ending the marriage).

We also see situations where partners in a group practice embezzle from other members. Orthodontists have a well-defined code of ethics and they are invariably surprised when members of their profession behave unethically toward each other. And then there are the others that I can't talk about... 

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