



# Fraud Prevention

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In the inaugural edition of *The Progressive Dentist*, we published an article authored by private investigator David Harris about dental office embezzlement. Based on the popularity of the article, we wanted to dive a bit deeper into how he came to focus on this particular service for dental practices, and help our subscribers better understand what you can do to manage this very real threat to your practices.

**TPD:** David, tell us about your background and how you became the Dental Fraud Guru.

**DAVID HARRIS:** I became an investigator of dental frauds by accident. Before I founded Prosperident, I had worked in a number of jobs including doing investigation work and some military service (where one of my most interesting jobs was to test the security of “secure installations” by breaking into them — gave me great insight into how criminals think). In 1989, I left my job, and soon after, I got a call from a dentist friend. He thought an employee was stealing, and didn’t know where else to turn. I helped him find the fraud and terminate the employee. A few weeks later, I was going to an appointment at my own dentist’s office when, from outside the office, I

saw that the same woman was now working for my dentist! I vanished before she could see me, and called my dentist from a payphone. (Again, it was 1989 and there were no cell phones at the time.) When I told him why I wasn’t coming for my appointment, the panic in his voice was clear, and he asked me what he should do about this situation. I started outlining some steps to take, and he quickly hired me. And thus, a career was born.

**TPD:** It seems that you were in the right place at the right time in both situations! In your experience, how likely is it that a dentist will be a victim of embezzlement by a team member, and on average, how much money is stolen?

**DAVID HARRIS:** The probability is high, but how high depends on which studies you read. There were several surveys done in the mid-2000s that suggested the lifetime fraud probability for a dentist is about 60%. The ADA did a study in 2009 in which 18% of dentists had been fraud victims that year, which suggests a higher lifetime percentage. I'm not sure what the exact answer is, but I think that all published statistics are understated — a lot of fraud is never detected, and some that is found is, for various reasons, never reported.

The average amount stolen is pretty consistently identified as \$150,000; considering remediation costs and lost time, the true cost to the dentist is more like \$200,000.

**TPD:** Theft frequency in dentistry seems high compared with other businesses. Why is that?

**DAVID HARRIS:** Many “experts” suggest that it's because dentists are inattentive to their practices or inherently poor businesspeople. While I don't dispute that there are dentists who exhibit one or both of these traits, we also see many thefts involving astute, involved dentists who keep a close eye on their businesses. While the “lazy or stupid” hypothesis is convenient and has intuitive appeal, the real answers probably lie elsewhere. I think a few things differentiate dentistry from other industries:

- The vast majority of dental care is paid for by third parties (with no firsthand knowledge of the treatment provided)
- Consumers' knowledge of the products is minimal (How many patients can tell how many surfaces their new filling has?)
- Dentists work with small numbers of administrative staff, which often makes separation of duties difficult.
- The altruism that most dentists apply to their clinical environment works poorly when dealing outside the clinical framework.

There are thousands of fraud pathways in a dental office, and no dentist can monitor them all.

**TPD:** Are there certain dentists or types of practices that are more likely to be victims than others?

**DAVID HARRIS:** I get asked this question frequently. Fraud happens because an employee (usually with severe financial problems) decides that stealing from you is their best solution. Once this decision is made, they have all the advantages — they know your habits, and can normally design a fraud that deftly navigates around your scrutiny. I should emphasize that there is no control system that I have seen that will prevent fraud — all any control system accomplishes is to “channel” fraud away from certain sectors. Thieves are clever, motivated and resourceful and will find a way.

The existence of this “needy employee” is a random event; it can happen in any office. A myth I have debunked is while that fraud is a problem for general dentists, specialists are immune.

(Editor's note — David also has an article in the current edition of our sister publication *The Progressive Orthodontist* where he discusses fraud cases against orthodontists.)

I have also heard from many dentists that fraud is an urban problem, and yet we have seen spectacular frauds in small towns with a single dentist. (Editor's note — David also has an article in the current edition of our sister publication *The Progressive Orthodontist* where he discusses fraud cases against orthodontists.)

**TPD:** You're saying that theft can't be prevented and all dentists are destined to be victims at some point in their careers?

**DAVID HARRIS:** While I wouldn't go so far as to say that fraud will strike every dentist, I completely agree with the first part of your question. This statement flies in the face of most writings on this subject — many articles suggest that prevention is possible by somehow making your office a “hard target.”

Dental office embezzlement is not a crime of opportunity. It is carried out in a premeditated fashion by someone driven by powerful forces. Additional controls do not relieve the employee's pressure — they simply force more ingenuity.

**TPD:** Are you suggesting that members of the dental staff are not trustworthy?

**DAVID HARRIS:** Absolutely not. The majority of dental staff have incredible integrity and are horrified when someone steals from their employer. However, since a dentist may have 40 or 50 staff members in their career; chances are high that, in that number, there will be one or two who become financially desperate.

I also don't agree with the prevalent view that careful background investigation when hiring will prevent fraud. The majority of fraudulent activity we see is perpetrated by employees with eight or more years of seniority and no previous “history.” Proper background checking is an excellent idea for other reasons — it just won't prevent fraud.

**TPD:** So if fraud can't be prevented, and it happens frequently, what can our subscribers do to protect themselves?

**DAVID HARRIS:** We emphasize early detection, which is much easier than people realize. As I mentioned, embezzlers display considerable ingenuity — almost weekly an employee of mine visits my office showing me a creative methodology they have uncovered. Because of the many forms fraud can take, financial analysis or some type of do it yourself “internal audit” are unlikely to find it.

On the other hand, how fraudsters behave is fairly consistent, and once the dentist is attuned to what fraudulent behavior looks like, it is usually easy to spot. A full discussion of embezzlers' behavior would make a good future article, but some of the observables are:

- Employees frequently working alone in the office
- Their refusal to take a vacation
- Unreasonable resistance to change
- Refusal to update dental software.

By being cognizant of how fraud behavior presents, early detection is possible.

My company offers a service that complements this “behavioral monitoring” where we periodically review the practice management software for evidence of fraud. Most of our dentist clients who have been victimized opt for this protection.

**TPD:** What should a dentist who is using such a monitoring program tell their staff?

**DAVID HARRIS:** While this is ultimately up to the dentist, our recommendation is that monitoring programs not be disclosed. Visible deterrence works when a thief has several possible targets – a burglar alarm on your house will normally convince a thief to break into some other house. However, dental office thieves have no alternative option (i.e. there is no other office from which they can steal) and therefore deterrence is ineffective. Accordingly, it is better to have staff underestimate the protective measures in place (which may facilitate their making careless mistakes) than to put their guard up.

**TPD:** What should a dentist do if they suspect fraud?

**DAVID HARRIS:** Unfortunately, many dentists do exactly the wrong thing. They rush around like bulls in china shops – asking for extra reports, sometimes confronting the suspect, and generally acting unusually. Sometimes they call the police or their CPA to assist – normally, neither of these parties can offer much assistance at this juncture.

The single most important thing a dentist can do when fraud is suspected is to be stealthy. Prematurely revealing your suspicions may result in evidence being destroyed (often with considerable collateral damage) or the thief leaving town. Also, if the suspicion is not valid (which occasionally happens), revealing your suspicion will irreversibly destroy a relationship and could expose you to legal action.

It is our practice to conduct stealthy investigation even when the suspected staff member is no longer working at the practice – it is possible, for example, that the wrong person was suspected.

Fraud investigation is a job for experts, and I recall many situations where the dentist or a well-intentioned advisor botched the initial steps and ultimately made our job more difficult.

**TPD:** What are the best and worst parts of your job?

**DAVID HARRIS:** Most of the dentists I have met are great people, and I absolutely love being able to work with them. I particularly love the speaking engagements I do. However, I

will confess that nothing beats the excitement you feel when you uncover a particularly ingenious fraud.

The worst part is dealing with how dentists feel when they find that someone whom they have chosen to trust (and often welcome into their family) has used that trust against them.

**TPD:** Where can our subscribers get more information on your fraud prevention and your services?

**DAVID HARRIS:** Your best bet is probably to keep reading our articles in TPD. Another good place to go is our web site, [www.prosperident.com](http://www.prosperident.com). While a lot has been written about fraud, I find most of it well-intentioned but misguided. Most authors are frequently broad-based consultants (where fraud investigation is a small part of what they do), CPAs (who with very few exceptions have no experience dealing with this type of fraud) or other dentists, with experience limited to a single fraud that occurred in their office. We are involved in hundreds of dental frauds annually, and this gives us insight and perspective that no one else can claim.

**TPD:** Thank you, David, for providing us all with a valuable reality check. How can TPD subscribers contact you for more information, or if they feel that they need your assistance?

**DAVID HARRIS:** Our toll-free number (staffed from 8 a.m. to 4 p.m. Eastern Time) is 888-398-2327. We also have a priority email address, [fraud@prosperident.com](mailto:fraud@prosperident.com), that is checked on evenings and weekends by our on-duty investigator.

When communicating with us by any of these methods, a dentist should give us the following information:

- Private email address
- Best time for us to call back and a “safe” number to call – for security reasons we will not call the general office number of a dentist with concerns; we want to call a cell phone, private office line or home number
- Is the employee still working at the practice?
- Practice management software in use (Dentrix, Eaglesoft, etc.)

