

# Don't Let It Happen To You

BY DAVID HARRIS,  
MBA, CMA, FICB, CD, TEP

I am a private investigator with an MBA and professional accounting designation. For over 20 years, my company Prosperident has specialized in investigating embezzlement committed against dentists. We investigate hundreds of frauds annually.

A year ago I met the dentist who I will refer to as Martina. For reasons that will become evident, Martina asked that her real name not be used. Martina is an embezzlement victim. While this puts her in the majority of dentists, it is the way that she was stolen from and by whom that makes her story remarkable. When I met her and she told me her story, my immediate thought was that it needed to be told, and she eventually agreed.

## LET'S LET MARTINA TELL US WHAT HAPPENED...

**[M]** After I completed my DDS, I took an associate position in a practice in my hometown. In 2000, I bought the equipment and goodwill, and agreed to pay him over time. The former owner and I reversed roles, and he became my associate. The former owner's wife, who was his office manager, continued in this role on a part-time basis.

As a practice owner, life continued as usual. My story really starts about four years after my purchase, when my receptionist left a note saying that my checking account was nearly empty. I was alarmed, because I had no idea that anything was amiss in my practice.

**[DH]** A common first indication of fraud is when the unaware dentist gets a call from the bank because of an overdraft.

### WHAT HAPPENED NEXT?

**[M]** Upon seeing her note (which I still keep as a reminder of how wrong things can go) and looking for an explanation, I quietly started to probe through paperwork at the front desk after the office closed. I was scheduled to leave for a trip the following week. After quiet deliberation I decided to cancel my trip and investigate my own office.

Later that week, I called a brief staff meeting at the end of our workday. I announced that I canceled my trip and that our office needed assistance in understanding its administration. I said I would be bringing in an outside auditor to evaluate our situation and I asked my staff if they had any input. They looked at me with blank faces and I started to sense that I was very much alone in that room.

The following morning it happened. On Friday, February 13, 2004 everyone except the office manager quit. The hygienist taped a note on my computer. The receptionist left a voice message, and my assistant of eight years arrived but started to cry and told me she was finished and couldn't explain. This was when I knew that my problems were deeper than money woes.

Indeed, by noon that day I was alone in the office. And I was stunned.

**[DH]** We don't see this very often – it is common for one thieving employee to do a “runner” and not show up for work one day, but a whole office? To me, this says that probably more than one employee was culpable, and that your staff was a particularly (and probably dysfunctionally) cohesive group.

**[M]** You are right on both counts – in fact, when they quit, they all went to work at the same practice. Interestingly, their new employer had no interest whatsoever in what may have happened at my office.

**[DH]** What did you do next?

**[M]** I started to look more closely at the papers at the front desk, review the appointment book, browse through the computer, etc. I called my CPA (whom the receptionist had recommended to me). He sounded distant and was not helpful on the phone. I asked if he would make a visit and he grudgingly agreed.

I stayed in the office into the evening. Driving home, I knew I had a severe mess on my hands and was starting to suspect embezzlement. I continued investigating the next morning. I found insurance checks that were never deposited, insurance claims showing different Taxpayer Identification Numbers than mine, bank statements in my name that weren't mine, and a post office box in the practice's name I hadn't known about.

My CPA was of relatively little help. This might be because I called him during his busy tax season, that he probably had no experience investigating embezzlement, or that he was a friend of the departed receptionist. He visited the office but was unable to resolve anything, and then he simply let the matter drop.

**[DH]** There are many dentists who turn to their CPA for embezzlement assistance. Sometimes CPAs can't provide meaningful help, for all the reasons you mentioned. Since they may have no experience working with dental practice management software, particularly when revenue is being stolen (as was the case in your theft) there are often some real limits to what they can accomplish. Also, I have seen over my career that many CPAs have great difficulty adopting a criminal thought process. While overall this is probably a good thing, it may limit their effectiveness in chasing thieves.

**[M]** You are right and I found this out the hard way. Where were you when I needed you in 2004?

Here's the bombshell. The previous owner of the practice was my father and his second wife (not my mother) was the office manager. When I bought the practice, my father and I flip-flopped roles. As the practice owner, I was to keep all revenue and pay my father a percentage of collections for his associate services, plus a monthly amount against the purchase price.

In my digging, I found that treatment being done by him was being paid to his own bank account instead of mine.

**[DH]** Wow! We don't see this situation every day. Do you think your father was actively involved in the embezzlement?

**[M]** I would like to think that he had no knowledge of it, and that his wife was stealing on her own, but I will never know for sure.

I approached my father and his wife with my findings. My father did not want to discuss any of the issues, and his wife was, for the first time in our history, quite hostile to me. I then made the decision that nobody, including them, was coming into the

building until I had resolved what had happened and knew how to fix it. I also stopped paying both of them and changed locks and passwords.

That day, I hired a consulting company to help me upright my business. The owner came quickly to review my situation. She examined the computer records, the TINs and the checks, and agreed that embezzlement was taking place and was quite pervasive, although she couldn't yet pin it on a specific employee.

I spent the next month hiring a new staff, seeing my scheduled patients, and tearing the office apart. I found a tremendous amount of damning evidence.

Next I contacted my insurance carrier. I showed them some of my evidence. They quickly sent me to the local FBI office. The whole thing felt like an out-of-body experience.

I also thought my career was ruined. In an effort to divert attention from themselves, some of my former employees launched a completely baseless complaint about me to my state's Dental Board (which the Board took seriously and fully investigated, even given the circumstances). The IRS even made an appearance at my office.

**[DH]** Thieves do two things when they feel cornered. Some try to destroy evidence, and some try to give you problems that are far bigger than their theft.

Securing your premises protected the evidence (however, we did see one situation where a thief burned an office down in an attempt at evidence destruction – there was a slightly silver lining for the dentist because arson is a far more serious crime than embezzlement), so the Board complaint was their only option.

We anticipate such frivolous complaints and proactively gather sufficient evidence to allow the Board to properly contextualize the complaint as tainted.

So how did these events affect you financially and emotionally?

**[M]** The bad feelings I had about this situation made working in the office space that had been my father's incredibly unpleasant. Fairly quickly, I found myself looking for a new office.

After the relocation, I finally had time for some introspection. I decided that trying to resolve what had happened was financially and emotionally unproductive, and that I needed to focus on the future. I told my new accountant to cease working on the fraud.

My patients all wanted to know what happened and I told them that I wanted to progress technologically with digital equipment and computers and my father simply did not care to join me.

Because of my decision to close the books on this matter, I will never know how much money was stolen. I suspect that the

theft started proximate to my buying the practice and continued until I started investigating. It's safe to say that I lost hundreds of thousands of dollars. The investigation I did do, the costs of rebuilding and relocating my office and dealing with my state's Board probably were at least another \$100,000.

That's only money. The true costs were emotional. My relationship with my father was destroyed. We still have not reconciled as I write this. I lost many hours of sleep, and probably some stomach lining, dealing with what had been done to me by people I trusted, from the very real threat to my ability to practice my chosen profession due to the Board complaint, and by the alienation of my father. This was the most horrible experience you could imagine, and I wouldn't wish it on anyone.

**[DH]** So how did you recover from this?

**[M]** I put my energy into building my practice into a special place where I feel happy working, and to developing own interests within dentistry. I am once again comfortable with my life and myself.

While I value my staff tremendously, I will never again grant them the blind trust that I extended to my father's wife and my staff. I implemented safeguards to prevent this from happening so easily again. Do you know who the new office manager is? Me! I understand every part of my front desk operation and walk behind it regularly.

All the accounting and the banking is done outside of the clinic. I spend one hour after all the patients have left on Friday to open up all the mail. I am the only person who touches the mail. I count up the money and deposit it into my bank. My statement goes to my house.

Eight years after the fraud, I am in a much happier place emotionally and have finally reached the point where I am comfortable telling my story and hope that I can prevent others from experiencing what I did.

**[DH]** Martina's story is one of the most heart-wrenching fraud cases I have ever seen. While we have seen every element of Martina's fraud before (involvement of former owners, theft by family members, botched investigations, groundless professional complaints, enormous financial and emotional costs), it is the occurrence of all of these actions against a single person that make her story so ... Shakespearian.

I admire her tremendously for being able to rebuild her career and life after these events; many of us faced with the same situation could not. Thank you, Martina, for telling your story publicly. I know this wasn't easy for you.



For more about **DAVID HARRIS** see his full bio on page 5.