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A Thief in the Family



Three in five dentists will be embezzled by a staff member at some point in their career. Here's why it happens so often — and what you can do to improve your odds.

WE'VE ALL EXPERIENCED the emotional rollercoaster of having a friend betray our trust. It can take time to recover mentally, but with a solid support system, we typically end up getting back on our feet.

What if one of your employees commits the betrayal, though? Nobody wants to imagine that — which is exactly what an embezzler is counting on. What makes embezzlement different from other theft is that an embezzler is in a position of responsibility and trust over what he steals. The very word calls to mind a rogue's gallery of almost swashbuckling Hollywood criminals. Reality, unsurprisingly, is different.

American Dental Association research suggests, astonishingly, that more than 60 percent of dentists will fall prey to staff embezzlement at some point, often suffer-

ing losses of \$100,000 before they realize it. Why such a high incidence rate? One, dental practices operate on a business model different from most professions'. Many companies can avoid delegating administrative oversight to just one or two people, but most practices generate sizeable revenues with a small workforce. An ADA survey from 2010 showed that 53 percent of dentists had between three and nine staffers, and average gross monthly revenue of \$122,000. Particularly in solo practices, weighty ownership responsibilities often leave little time for managerial tasks.

Another complication: the fact that so much of what dentists do is paid for by third parties. Billing of this sort removes one of the only means of control most businesses can rely on: the involvement of the customer in the transaction details.

Modern practices get paid in innumerable ways: cash, checks, debit and credit cards, insurance-company remittances and direct deposits from parties including patient-financing firms. One traditional method of fiduciary control for practices has been "day-end balancing," in which total funds received each day must equate to the amount deposited in the bank. This was once simple, but "delayed processing" — payments not received at the same time they're recorded as received by accounting software — makes it impossible to know with certainty on a given day whether that day balanced properly.

The evolution of practice-management software has helped mitigate these problems to some degree. Yet dentists now are unable to see a tangible representation of their practice's transactions and are increasingly reliant on software reports. By their nature, such reports are abstractions — and therefore susceptible to manipulation.

With computers in every home and virtually any image or graphic available

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online, it's never been easier to forge authentic-looking documents. It would be nice to sleep easy knowing that the safeguards of old were as effective as ever are preventing embezzlement, but technology is always changing — so your protection strategy should too.

Some dentists feel secure because each member of their team has been assigned a user ID and password that restricts their permissions based on their duties. This is an important gatekeeper, but never underestimate the ability of a determined ne'er-do-well to get past the guard at the drawbridge. Worse, practice bookkeeping is typically split between practice-management software (which tracks revenue, collections and assets) and a separate computer ledger (which handles accounts payable, expenses and payroll). It doesn't require much imagination to see how this could be abused.

What, then, should you do if you suspect the worst? Five key things.

1. CONSIDER THE CRIME — AND THE CRIMINAL. Embezzlement is tricky because it's usually a result of one of two powerful forces: dishonesty or desperation. Either way, an embezzler knows what he's doing is illegal, but his greed, resentment or hardship is stronger than his fear of punishment. You can't talk sense into such a person. Don't confront anyone without an investigator present.

2. BE PROMPT. If you have enough evidence to identify a suspect, place him or her on leave immediately to guard against evidence tampering. Back up and copy your computer files to keep a timeline of

your discovery of the chicanery. Reclaim control of all passwords to financial records and e-mail.

3. DON'T CONTACT THE POLICE RIGHT AWAY. Get them involved only once you've determined the extent of the loss and have documentation to give your charges validity. Once you've brought in the law, though, let it do its job. Mishandling your case gives your thief a pretext to play the victim, claiming defamation, invasion of privacy and more.

4. DON'T EXPECT TO GET ALL YOUR MONEY BACK. Most victims get some back, often from employee-dishonesty coverage in their business insurance. Full restitution is rare, mainly because embezzled funds are almost always quickly spent.

5. DON'T DESPAIR. Your sense of betrayal will be severe. But your other employees will likely be the support system you need to make your practice whole again. Keep your guard up, but don't forget why you love the job in the first place.

Finally, what are some methods you can use so the technological changes that make embezzlement easier can also help you reduce its likelihood?

1. CONSIDER THE SOURCE. Unless a given piece of paper is generated by you personally, or you received it directly from an outside body, it's not 100 percent reliable. Virtually any document can be forged. Think about reports from your practice-management software: Whoever prints the report has considerable control over its contents.

2. LOOK OUT FOR NO. 1. For that reason, generate all your own reports. We

sympathize with those who find practice-management software vexing — but relying on reports printed by others is perilous.

3. ELIMINATE THE MIDDLEMAN. Be sure you get financial statements of any kind directly from third parties. Have all of them mailed to your home or e-mailed to your personal, private address.

4. EMBRACE DEFERRED BALANCING. When monitoring collection and deposit activity, delay verification for a few days to be sure all money generated by a given day's activity is accounted for. It's a good idea to compare deposits with information online, not a paper deposit slip — even one that appears to have been stamped by the bank.

The Web has ushered in a new era in which you can find pointers on embezzlement and concealment of theft as easily as recipes or appliance-repair tips. No system can offer 100 percent protection against a determined thief. But it's certainly doable to organize your practice to make it much less likely — and to recover from this colossal betrayal as quickly as possible. ■

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