



Don't Shoot The Messenger

BY LORRAINE GUTH AND DAVID HARRIS, MBA, CMA, FICB CD, TEP

Lorraine Guth...

If you suspected your friend's spouse of cheating, would you tell? What if the signs of the deceit were fairly clear, but you couldn't be sure? It's a tough question, and most of us really don't know how we would respond until actually faced with the decision.

As consultants, one of our most difficult challenges is bringing evidence forward when we believe a dentist-client is the victim of fraud.

Follow me as I recount an experience. It was the end of the first day of observation and coaching in Dr. Simpson's practice. I watched and learned from the doctor and team members. Something didn't seem right. I began my mental organization of findings and started to dig deeper. Dr. Simpson's favorite and most dedicated employee seemed to be holding back. Was it resistance to the consulting process, or was she hiding something? The "show me" questions began. Requests for reporting were stonewalled and Angie the Administrator was edgy and temperamental. She clearly didn't enjoy demonstrating accountability. She saw this as insulting to her years of service and dedication.

Angie questioned whether the consultative process was necessary. Dr. Simpson clearly valued her opinion. Was this a veiled threat, fear of change, or did she have so much pride and investment in her work that she could not consider that there may be more profitable alternatives to managing the practice? If I pushed past her concerns in a respectful way, and doctor's favorite employee became upset, would the doctor be angry with me or relieved I took the risk to point out issues of concern?

As a consultant, sometimes it's hard to define how you arrived at the gut feeling that a fraud investigation is needed. It's a tremendous risk in some practices to even suggest there may be a problem. Just engaging with the doctor to discuss this possibility can be gut wrenching. A fraudster is often very likable, and appears dedicated to the practice. This person will likely be a favorite employee. They always arrive early and stay late. They rarely take vacation, and handle most tasks independently with little oversight. To you, they are sometimes your Most Valuable Player and will position themselves in a way that makes it difficult to even suggest a concern.

What if I am wrong in my suspicion? Irreparable harm can occur. What if this is occurring and I don't share my findings with the doctor? Irreparable harm can occur. Suggesting a fraud examination is a risky endeavor for any consultant. It's really much easier to just provide training and leave.

In this case, my "gut instinct" was based on a host of clear concerns.

- Resistance to producing reports while I was watching her. These reports can be altered by changing input parameters. ("Here, just look at these. I already printed them and I don't have time to do it again.")
- Unwillingness to demonstrate processes.
- Not allowing other team members to learn how to post charges and payments. ("They always make mistakes that I don't have time to fix.")
- Resistance to sharing the deposit responsibilities. ("They always make mistakes.")
- Avoiding using dental practice management software for certain calculations.
- Keeping the administrative area in a certain level of chaos. ("It's too busy to...")
- Insistence that it makes no sense to have a bookkeeper manage the payables. ("That costs too much money and I handle it fine.")
- Tendency to get upset and hurt when questioned regarding responsibilities and showing tangible results of work. ("I have spent 20 years building this practice. I thought this process was intended to help the rest of the staff. They always make mistakes and don't do what I ask. I have list of their problems. Why aren't we working on that?")
- Control freak. ("I am a perfectionist.")
- Unwillingness to allow a consultant or the owner access to the drawers and files. ("Don't you trust me?")
- Tendency to perform certain tasks after hours or remotely, such as deposit and posting payments. ("I just can't get these things done during the day.")
- Resistance to giving patients printed receipts on a regular

basis. ("My patients don't want another piece of paper.")

- Lots of adjustments and payment plans.
- Intimidating to other team members.
- Personal money issues or living beyond her means.
- Accounts payable and receivable documentation in chaos.

As a consultant, it's my job to protect the confidentiality of the practice, doctor, and team members. This is a difficult position. If I raise too many red flags about an employee, and they are stealing, they can damage the database or destroy evidence. Sounds crazy, but it happens.

It was time to talk to an expert. I called David Harris and shared my findings without divulging the practice identity. "David, if you were in my shoes and these were the circumstances you observed, what would you think and do?"

David Harris...

Before I discuss the specific behaviors Lorraine saw and wanted to discuss with me, I should make a couple of observations about Lorraine's analysis and approach.

First, Lorraine correctly focused on Angie's attitude and behavior. Lorraine does not suffer from the misconception that many dentists and generalist consultants have about fraud -- they conclude that weak control systems and uninvolved dentists cause embezzlement. Embezzlement is a result of an employee deciding that he or she has more entitlement to the practice's earnings than the dentist; this can happen in any practice. Controls are merely the challenge the thief must overcome.

One of the ironies of embezzlement is that the actions of the embezzlers, both in the course of their stealing and in their attempts to cover it up, make them appear to be employees with tremendous work ethic. Embezzlers also tend to possess intelligence beyond what is strictly necessary for their duties. These factors cause dentists to peremptorily refuse to consider that this apparently perfect employee is stealing.

The American Dental Association published the results of an extensive embezzlement survey in 2008. In analyzing the findings about discovered fraud, only 32% of fraud was uncovered by what I categorize as financial clues (unbalanced daysheets, suspicious audit trail transactions, accountants or bookkeepers noticed fraud, etc.), and the remaining 68% was unearthed by behavioral indicators along the lines mentioned by Lorraine.

The other thing I appreciate about Lorraine is that she resisted the temptation to do something that many consultants and dentists with fraud concerns do – start digging into the software audit trail and elsewhere trying to find the fraud that they “know” exists. At best, this is likely to be an unproductive and with the large number of transactions in a typical office, self-directed investigation will likely miss the fraud. This activity can also be dangerous – an inexperienced investigator is almost certain to tip off the suspect. This may result in the destruction of evidence, and quite possibly “collateral damage” as well.

Lorraine is both an accomplished practice management consultant and a skilled observer of human behavior. When she called me to discuss her unnamed client and told me what she saw, I agreed that Angie’s behavior was totally consistent with stealing. I also understood the professional risk that Lorraine would take to approach Dr. Simpson and tell him she suspected his favorite employee’s hand was in his pocket.

In addition to agreeing with her approach, analysis and conclusion, I made two additional points to Lorraine . Assuming that our mutual suspicions were correct, Lorraine’s effectiveness in making any progress with the practice would be nil. If Angie really was stealing, she would ensure that Lorraine’s involvement with the practice was both short and ineffective. Given her position as Dr. Simpson’s favorite employee, Angie’s chance of success was excellent.

The other thing that I asked Lorraine to point out to Dr. Simpson was that we have the capability of carrying out a stealthy investigation when warranted; we do not step inside the practice, but conduct a completely remote investigation. This prevents the “collateral damage” that I referred to, and if there were some other explanation for Angie’s untoward behavior, avoids her knowing that Dr. Simpson questioned her loyalty. By making this clear, I was hoping to show both Lorraine and her client that the “costs” if we were wrong would be minimal.

The phrase that I suggested Lorraine use with the doctor was “I hope I am wrong about this, but I fear that I’m right”. Lorraine had the difficult conversation with Dr. Simpson. I don’t know exactly what was said , but he quickly contacted us and engaged us to investigate.

You have likely guessed how the story ended – we were able to find the fraud fairly quickly and get Angie out of the practice (thankfully before she caused major damage). The risk that Lorraine chose to take was rewarded both with appreciation on the part of her client and increased respect for Lorraine’s abilities. Lorraine and I continue to discuss and collaborate on clients where she suspects fraud.

Lorraine Guth...

As a practice management consultant, I hope I never need to consult with David again, although I do expect it will happen. This is part of a consultant’s job that never becomes easier or less complicated. We hold the doctor’s future and the team member’s reputation in our hands every day. It’s not a responsibility to be taken lightly.

Every team member (including the owner) has a duty of accountability. Even a trusted team member must be accountable for their activities and actions. If any team member bristles at demonstrating accountability, teach them why is it important. Review and randomly test your team members in their tasks.

Recently, I was speaking with an owner of practice that generates \$1.5 million a year in revenue. She had some concerns about whether the investment to engage in a fraud investigation was warranted. My response was that it was a small investment to learn more about how revenues were truly being handled, especially in light of the some specific issues about some activities in their administrative area.

As a business owner, you have a responsibility to your patients to effectively manage the resources of the practice. If you avoid this responsibility, you diminish the patient care. An employee who steals takes much more than money. They cause conflict with other team members, and create division that prevents even a great practitioner from delivering high level care. The emotional cost of embezzlement is incalculable. A fraudster left unchecked will always mold a practice to serve their personal goals even at the cost of the practice’s overall health and the needs patients. It’s a recipe for disaster.

Finally, remember that if someone either boldly or trepedaciously suggests there may be concern, be grateful. It’s always easier for someone else with no emotional attachment to your practice to see the signs that you may be rationalizing away. It’s risky for them to tell you what they see but it might be the kindest favor anyone ever does for you.

