

Are you working harder but earning less?

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by **Pat Little**, DDS, FAGD, CFE



While dental embezzlement is a touchy subject for many doctors, it is a growing problem that cannot be ignored. You spend a lot of time and resources training your team and getting them to "buy in" to your vision of delivering quality patient care. We become close to our teams and, in many cases, they become like extended family. How would you feel if you discovered a valued team member has been stealing from you?

If you have been a victim of embezzlement, you already know how it feels! Many of us think it is unimaginable that someone we trust could resort to embezzlement. We spend most of our time delivering patient care and must rely on our team members to handle most of the patients' financial transactions. The combination of these factors provides an opportunity for an employee to embezzle. In this article I will explain the challenges you face, and how you can mitigate the financial and emotional burdens that invariably result from being victimized by an embezzler.

Over the past few years a plethora of articles have been published in dental journals discussing embezzlement. The prevailing theme is that by implementing a series of processes called internal controls, doctors can block opportunities for employees to commit embezzlement. Some of the articles suggest that as few as four or five internal controls are sufficient. At the other end of the spectrum, I read one article that listed over 100 internal controls.

Unfortunately, most of these articles are missing an important point -- doctors, accountants, and consultants think like doctors, accountants, and consultants! Most of us lack the ability to think like a thief. Embezzlers, on the other hand, think and act like criminals who are not interested in following our rules. The sad reality is that embezzlement cannot be prevented by simply establishing and monitoring internal control procedures. I understand that this concept is counterintuitive to what many of you have heard, but I strongly urge you to consider my reasoning behind this statement.

First, let me make it clear that I'm not suggesting internal controls have no use in our practices. Indeed, internal controls serve several useful functions, most notably detecting unintentional mistakes. Consistent monitoring of established internal controls assists us in managing and documenting our business processes. Moreover, each internal control procedure may increase the difficulty to commit embezzlement in that particular area, and may allow earlier detection if embezzlement does occur. What internal controls cannot do is prevent embezzlement from occurring in the first place.

To understand this concept, we need to consider what leads an employee to commit embezzlement. Our experience has shown that embezzlers fall into two categories -- dishonest and desperate. Dishonest embezzlers are determined to commit embezzlement as soon as they walk in the door. They are basically self-entitled sociopaths who care only about their own self-enrichment and will invest great time and effort to steal from you. Dishonest embezzlers often move from one job to another because their former employers may not have filed charges, or they may still be moving through the legal system. This process may take years for a resolution. Additionally, many of these individuals are not properly vetted during the initial hiring process. What the doctor doesn't realize is that during the interview, it is actually the doctor who is being interviewed by the soon-to-be embezzler! From the outset, the dishonest embezzler looks for ways to circumvent any internal controls that might be in place. It is only a matter of time before dishonest embezzlers begin to steal.

Potentially, the most dangerous embezzler falls into the desperate category. These are otherwise honest people who typically have been employed in the practice for several years. They are valuable members of the team who often have assumed additional responsibilities over time. At some point, something occurs that places them under enormous pressure, often financial, and they decide that stealing from the doctor is the best solution. Over time, as the pressure builds, they begin to rationalize and justify why it is OK to steal from the doctor. Once they make the decision that it is in their best interest to steal, embezzlement becomes imminent.

As an investigator, my observation is that visible internal controls are not very effective in these situations because the employee is already familiar with the internal controls. Doctors simply do not have the resources to "plug" every weakness in their business processes. Because embezzlers know the doctor so well, they easily identify and adapt to any new controls the doctor may implement. Think of the game Whac-A-Mole. There are simply too many ways to

steal from a doctor for internal controls to be effective in preventing embezzlement. As I conduct investigations, I am continually amazed at how imaginative embezzlers can be.

I mentioned that doctors, accountants, and consultants think differently from embezzlers. The embezzler sees internal controls as a set of rules that can be challenged and circumvented. A common example (and there are many) is the internal control where the doctor requires every check to be stamped "FOR DEPOSIT ONLY." Just because the doctor requires checks to be endorsed in this manner, does that mean the thief must comply? The thief simply removes the check he or she wants to steal and does not stamp it. (Yes, it is relatively easy to steal a check made out to the doctor.)

Consider the internal control that requires all cash-paying patients to receive a receipt from a sequentially numbered cash receipt book. Why would an embezzler do that? Why not issue the cash receipt from an alternate booklet or print a receipt from a software program outside of the practice management software? Unfortunately, there is a way around most internal controls when the thief becomes sufficiently motivated. In fact, the chances of a doctor being embezzled are more related to the employee's motivation, and not the internal controls that are in place.

I want to emphasize again that I am not suggesting throwing out your internal controls. They are a necessary part of standard business practice. Nor am I suggesting that there's nothing the doctor can do to manage the devastating effects of embezzlement. What I am suggesting is that you consider my argument that an over-reliance on internal controls will provide a false sense of security. My company, Prosperident, has been conducting dental embezzlement investigations for many years, and I wish I could say that in all cases our clients who were victimized had no internal controls in place or were not enforcing the controls they had implemented. Unfortunately, many of our clients had well-managed practices with above-average internal controls in place, but they were embezzled anyway.

I would also like to refer you to a 2007 ADA survey on dental embezzlement. Dentists were asked if they have ever been a victim of embezzlement in their dental practices. Of the dentists who responded "yes," the survey asked how the embezzlement was detected. Of all the reasons given, only about a third were detected by established internal control processes. A significant majority of the reasons embezzlement was detected actually related to the embezzler's behavior.

While I hope I have established that a truly motivated employee cannot be prevented from committing embezzlement, there are methods to detect embezzlement earlier in the process. The fact is, while there are many ways to embezzle, there are certain consistent behaviors that arise when an employee commits embezzlement. It is these behavioral clues that provide early warning signs. Some examples are employees who attempt to gain control or authority, are very territorial, resist change, shift blame to others, become defensive when challenged, or resist involvement with outside advisors. Additionally, many of our investigations have confirmed that two very significant warning signs are employees who work long hours during evenings or weekends, and who refuse to take vacations unless the entire office is closed.

For an embezzler to be successful, he or she must maintain certain behavioral characteristics. By recognizing these behavioral warning signs, doctors are in a better position to detect embezzlement while still in the acute stage. Prosperident has developed a complimentary "Embezzlement Risk Assessment Questionnaire" that identifies many of the behavioral warning signs associated with embezzlement and assigns them a numerical value. Doctors should review this checklist regularly and take swift action if a sufficient number of warning signs is evident. Obtain this questionnaire by emailing requests@dentalembezzlement.com or calling 888-398-2327.

While internal controls have an important role in managing our practices, it is vital to recognize that a sufficiently motivated and desperate employee will likely commit embezzlement. Maintain your internal controls, but more importantly, recognize the warning signs of embezzlement through behavioral characteristics. By doing so, you will be in a better position to detect embezzlement earlier, and to minimize the economic and emotional burdens that accompany this crime.

References available upon request

Pat Little, DDS, FAGD, CFE, is a former practicing dentist who advises dentists on matters related to fraud and embezzlement. He is an accountant, certified fraud examiner, senior fraud investigator, and speaker for Prosperident, the world's largest dental embezzlement investigation firm. He can be reached at 706-383-6341 or pat@prosperident.com.