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CDA *essentials*

The Canadian Dental Association Magazine

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Prevention or Detection?

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CDA *essentials*

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Embezzlement is a crime that plagues many small businesses, and dental offices are no exception. According to David Harris, the CEO of Prosperident, a leading dental embezzlement investigation firm, published statistics state that about 60% of dentists will be the victims of embezzlement at some point in their careers¹; however, “what we don’t know is how much embezzlement occurs and is never caught or even reported, so the true number is actually higher.”

Yet the safeguards many dentists rely on may provide a false sense of security, according to Harris. Most practice management software programs come with defences designed to prevent embezzlement, but Harris believes prevention is nearly impossible so these defences usually fall short. “Ultimately, the safeguards built into these systems aren’t terribly effective, because a thief has lots of options,” he says. “We’ve catalogued over 300 ways to steal, and we’re not done!”

Although there are many ways embezzlers can steal, Harris says they typically start by studying their environment. “In the case of a dental practice, they look at the doctor. What does this person look at? What don’t they look at? What are the weaknesses in their system?” As a team member, it is easy for them to observe the other staff and records without arousing suspicion.

Need or Greed

Embezzlers are generally motivated in one of two ways: by need or greed. ‘Needy’ thieves are in a position of urgency; their financial circumstances require them to take drastic measures to deal with debt or financial trouble. ‘Greedy’ thieves, by contrast, aren’t stealing because they have to, but because they want to. “Members of this second group, in my mind, are far more dangerous,” says Harris, “because their desire for money is insatiable.” For example, in one of the cases Prosperident investigated in the U.S., an embezzler was already stealing when she happened to win \$3 million in the state lottery, after which she kept on embezzling. “At that point, it wasn’t about the money,” says Harris. “She was getting some kind of endorphin rush from the act of taking a risk and getting away with it, the same rush people might get from skydiving.”

A thief will either target the expense side of the practice or the revenue side. Expense-side embezzlement involves stealing money leaving the practice, including tampering with payroll, supplier payments, and other regular office expenses. This method can be self-limiting, as at some level it will be noticeable to the practice owner. Revenue-side embezzlement, or ‘skimming’, involves taking money on its way into the practice. Skimming has a much higher potential, since there are new payments coming into the office every day. It is far more common, appearing in most dental practice embezzlement cases. And stealing is not limited to strictly cash transactions. “Thieves can find creative ways to convert almost any type of payment into money for themselves, such as taking a cheque payable to the doctor and cashing it, or hijacking credit card payments that people make to the office,” says Harris.

“Almost everybody I’ve encountered in the dental field believes that if we make it hard for people to steal, that it won’t happen,” he says. “I call this the ‘hard target fallacy.’” According to influential fraud theorist Donald Cressey, there are three things needed in order for embezzlement to occur: pressure (either need or greed), rationalization, and opportunity.² “What people assume is that if we diminish the opportunity, there will be less stealing,” says Harris. “It doesn’t work that way in reality. Opportunity is a binary variable; it’s either there or it’s not. And in a dental practice, it’s always there.”

Move from Prevention to Detection

Harris says it is important to shift the focus from prevention to detection. While it is nearly impossible to prevent embezzlement (and never a guarantee) the Association of Certified Fraud Examiners (ACFE)





reported that over 90% of embezzlers display at least one behavioural marker of embezzlement, and over 60% display at least two.³ Therefore, it is far more prudent and effective to be knowledgeable about detecting these markers.



Watch an interview with Mr. Harris at: oasidiscussions.ca/2015/07/08/emb

Unfortunately, many of the markers of embezzlement can resemble indicators of a remarkably dedicated staff member. Such patterns include not wanting to take sick days or vacations, coming into work early and staying late so that they can be in the office alone,

and not wanting to delegate duties or cross-train other staff for their job. Other more obvious markers include signs of financial stress, addictions or compulsive behaviours, reluctance to update software or hire consultants, and even small, suspicious habits such as minimizing windows on their computer screen when someone walks by.

Once a team member has been identified as a potential embezzler, Harris says, it is important that the investigation process remains discreet. Not only is it detrimental to relationships and trust if suspicions turn out to be false, but tipping off an embezzler that they may soon be caught can be problematic. "If you suspect somebody in your office is stealing, whatever else you do, do not let them know that you suspect them," he says. "If I think that I'm about to go to jail, the rules that normally restrain my behaviour probably won't apply."

Harris has witnessed occasions where dentists were less than stealthy with their investigation and the embezzlers took drastic measures to cover their tracks. One went as far as to burn down the office and all of the records, including backup media.

Harris stresses that if embezzlement is suspected, dentists should consider expert help in order to ensure their own safety and the safety of their business. Many dentists turn to the police, thinking that it is the responsibility of police to help them determine what has been stolen—but it isn't. "This is a case where you should consult professionals who understand both dentistry and how criminals think and act." ♦

David Harris is the CEO of Prosperident (dentalembzzlement.com). His company can be contacted at requests@dentalembzzlement.com or toll-free at 1-888-398-2327.

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Someone may be embezzling from you if they...

- don't want to take vacation or sick days
- come in at weird times so they can be in the office alone
- don't want to cross-train anybody to do their job
- don't want to delegate their duties
- don't want you to make changes or upgrades to your practice management software, banking or payroll arrangements, accounting or bookkeeping services
- appear to live beyond their means
- are under financial stress (e.g., frequent requests for pay advances, creditors calling the office, spouse losing their job, recent divorce, etc.)
- have addictions or other compulsive behaviours (e.g., gambling, drugs, alcohol, etc.)
- display suspicious or guilty/anxious habits, like minimizing windows on their computer screen when someone walks by

DON'T...

- assume you're safe because you've made yourself hard to steal from
- let a potential embezzler know that you suspect them
- focus too hard on prevention – if someone really wants to steal from you, they'll find a way no matter what

DO...

- have a reliable data backup system and keep a copy off-site
- look into purchasing insurance to minimize losses in the event that this should happen to you
- focus on detection and be on the constant lookout for the warning signs someone might be stealing from you or your office may be vulnerable
- get help from a professional if you think someone may be embezzling
- be discreet about your investigation