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**Embezzlement**  
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# How to Tell if Embezzlement is Happening in Your Office

by William Hiltz



I have been investigating frauds committed against general dentists and specialists for over a decade. Several years ago I was approached by a specialist at the trade show of a dental convention. He had attended my fraud presentation that day and wanted to talk. He regaled me with his determined effort to find the “smoking gun,” that irrefutable piece of evidence that would prove an employee was stealing. The specialist told me that he had spent over 80 hours self-investigating his practice. He detailed steps taken during this self-investigation and was confident that, after reviewing hundreds of transactions, his office was fraud free. I advised him that his conclusion may be wrong.

In a confident way, he challenged me to show him why his self-investigation could be flawed. I think he believed he had handed me an impossible task, because he was expecting me to need to review financial reports, audit logs and computer data from his practice and all of that information was located several hundred miles away. Instead, I told him

that I could assess the likelihood of fraud by asking a series of questions. I proceeded to ask those questions and based on his responses, indicated that it was likely he had an embezzler. When I explained to him the basis for these questions and the meaning of the answers, I was quickly asked to conduct a fraud examination of his practice.

On the next work day, I telephoned the specialist and arranged access to his practice management software. My company, Prosperident, conducts virtually all investigations without visiting the practice; investigations are conducted remotely, covertly and using secure communication methods. Within a few hours, I had found “the smoking gun.” Within 24 hours, I had identified the employee responsible and promptly had her terminated “for cause.” Fortunately the fraud was in its early stage and the amount stolen was less than \$50,000; had it been allowed to continue, this doctor’s losses would have mounted.

How was I able to confirm in just a few hours, what the specialist failed to do in 80 hours? The answer is simple;

knowledge, skill and experience. Do-it-yourself investigations may overlook fraud, or can create false positives such as “confirming” that an employee is stealing, when in fact they are not. Neither of these results is desired; overlooking fraud allows the embezzler to continue stealing while falsely “confirming” fraud can ruin the employer-employee relationship.

How was I able to assess, with relative certainty, that this specialist was being embezzled with only a few questions? The secret was to ask him whether certain “red-flag” behaviors were observed. However, before I tell you about these telltales, you should understand the dynamics of embezzlement. How common is it? How does it begin and continue? Why are red flags present in virtually all fraud cases?

Dental office fraud is common. You may have already heard the alarming statistics. More of you will be stolen from during your careers than not. It doesn’t matter whether you practice solo or in a group, rural or urban, general dentist or specialist; the odds are that at some time

an employee with access to your money, will steal and accessing your money is easier than you think.

Clever employees will find ways to understate charges and payments or cause transactions to be falsified or voided. From pocketing co-payments, to forging your signature, to unauthorized use of your credit card, any employee who is intent on taking your money will find a way. Many will use more than one way to steal. In a recent investigation, I discovered that one clever embezzler used at least six different theft modalities. (I am grateful that she was unaware that there are actually hundreds of ways.)

Embezzlement starts when an employee decides it is appropriate to steal your money. The thefts typically begin “low and slow.” The thief initially misappropriates a small amount of money then waits a week or more before stealing again. When the theft goes unnoticed, the employee repeats the process with increasing frequency and larger amounts. This period of increasing frequency and quantum is what I refer to as the “acute phase” of embezzlement.

During the acute phase, which may last up to a year, the embezzler will adapt and refine their schemes. During this phase the embezzler is sensitive to being caught and will exhibit red flag behaviors that are indicators of their dishonesty.

After the acute phase, the employee is comfortable with embezzling and is settling into a long-term parasitic relationship. Stealing becomes just another part of their “job.” During the chronic phase, theft becomes regular with losses usually between 3% and 10% of gross revenue. The chronic phase continues until the embezzlement is detected or the

employee is fired. During this phase, the employee’s goal is to maintain control of the situation in order to ensure they are not detected. This requires maintaining the appearance of “balance and order.” Maintaining such control and the illusion of honesty requires the embezzler to be alert at all times. This alertness will also cause the embezzler to exhibit other red flag behaviors.

***The key to early detection is to monitor employee behavior.***

What I’m about to tell you may seem like a blinding flash of the obvious. In part, that’s the reason why this fraud assessment tool has such appeal; it is intuitive and easy to use. It requires only a few minutes to complete and can be done privately. The assessment questions were derived from a plethora of published fraud articles, surveys conducted by dental associations and our own investigative experience.

In over 90% of my investigations, the perpetrators are first-time criminals whose feelings of guilt or concern about being caught cause them to behave erratically and unpredictably. Research shows that for seven out of ten embezzled dentists, fraud was uncovered by an observance of one or more of these red flag behaviors.

The following paragraphs contain a sample of the red flag behaviors that dentists should be aware of (taken from our “Observables” questionnaire that Prosperident developed). If you want a copy of that questionnaire, email me and I’ll happily oblige.

**Observable red flag behaviors:**

- An employee with known financial issues. This may be a result of visible factors, such as gambling, alcohol or drugs, marital problems or an

extramarital affair, calls from collection agencies at work, large medical bills or a spouse who lost their job.

- Employees who frequently spend time alone in the office after hours to complete work and have “legitimate” reasons for doing this.
- Larcenous employees may refuse to take vacation or will only take vacation a day or two at a time or when the office is closed. Watch employees who come to work when visibly ill; this is a big red flag.
- A stealing employee will often become “jumpy” when someone tries to assist with their duties. Embezzlers will resist training other employees and can be very territorial about their duties.
- Be aware of an employee who is unreasonably resistant to change; after all, embezzlers want consistency, particularly in things such as practice management software, bookkeeping, accounting and consulting services.
- Some embezzlers may respond to information requests slowly. The report you asked for today may not show up until tomorrow. Embezzlers may become annoyed when asked reasonable questions about financial transactions or insurance claims. Watch for employees who display inconsistency when responding to questions about bookkeeping, payments and insurance.
- Embezzlers will try to present themselves as ideal, hard-working, loyal employees. After all, they have a lot to keep track of in order to avoid suspicion. Pay attention when a “model” employee

*Continued on page 54*

## Feeling Shipwrecked? *continued from page 31*

practice you increase the patients slipping away through the back door.

Eliminating production blockages can be scary. It almost always involves investment in people, technology, equipment, supplies and/or facility. If the blockage is correctly identified and the correct strategy is used to solve it, the investment pays off rapidly. If the blockage diagnosis is incorrect, the treatment is less likely to be effective and the payoff is negligible or none. Having expert help identifying and addressing blockages is extremely beneficial.

To overcome blockages we teach an 11-step process, The Productive Practice Mindset, to improve productivity and maximize clinical accuracy and efficiency through expertise

from practicing dentists, hygienists and team administrative leaders helps dental professionals navigate challenging waters.

Practices that utilize these strategies are not worried about survival. Instead, they are thriving! Despite economic challenges, they are realizing record productivity. Their practices are growing, their teams are engaged and excited about serving their patients and this provides a tremendous benefit for the doctor. Productivity brings profitability. Profitability often produces peace of mind.

*You can download Dr. Meis' ebook: "The Hard Times Dental Success Manual," by visiting their website: [www.theteamtraininginstitute.com](http://www.theteamtraininginstitute.com) or by calling them at 1-877-732-2124.*

## Embezzlement *continued from page 37*

jokingly complains about their job or quarrels with other employees.

- Hard working embezzlers will attempt to cover up their actions by showing that they are one step ahead and by making a pretense of keeping you informed at all times. This perception of organization is essential to maintaining the bond of trust required for them to steal.
- Other employees with less organizational fanaticism will keep you in the dark by telling you repeatedly, "Don't worry about the front desk, it's your job to take care of the patients."

All of the behaviors listed above have been found to be regularly present with employee dishonesty. When you observe one or more behavioral red flags, there is probably

cause for concern and this may warrant a consultation with a dental fraud examiner.

We suggest assessing for red flag behaviors at least six times a year. When a red flag is observed, you can then take appropriate action quickly to minimize loss.

This article outlines just a few of the telltale behaviors that dentists should watch for on a regular basis. A complete checklist of behavioral (and non-behavioral) red flags can be obtained by contacting the author.

*William Hiltz BSc MBA CET is the Chief Fraud Examiner at [redacted] company specializing in the detection and investigation of embezzlement committed against dentists. You may request the "Observables" checklist by sending an e-mail to [redacted] You may contact the author by calling [redacted] or email: [redacted]*

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