

This article was originally published in Sally McKenzie's The Dentist Network July 2020. September 1, 2020, Sally suddenly passed away and since then, access to the numerous articles she published over the years has been dissolved.

We miss you Sally. Here is the article in its entirety.

Are Your Hard Earned Dollars Walking Out the Back Door?

The phone call was full of emotions – anger and tears and grief. Yet another dentist discovered a trusted long-time employee had stolen from them...for years.

In 2018, as a Special Consultant to the ADA Council of Dental Practices, I had the honor of working on the **Survey on Employee Theft in the Dental Practice**. The ADA had previously conducted a survey on a random sampling in 2007 and it was time for new data.

The ADA initially emailed the survey to 19,991 professionally active licensed dentists (random sampled), but 1447 emails bounced. Of the 18,544 dentists who received the survey, 751 responded (4.05%).

If you have not had an opportunity to review the survey results, it is available for download on the ADA's website by ADA members only. There is so much material to digest as a result of this survey, but let's look at what I believe the more significant observations, in order to encourage you to put systems in place to protect your practice.

Observation #1.

The ADA survey was the best shot at getting real statistics regarding embezzlement in a dental practice. Everyone else who does a survey cannot do a **random sampling** of the professionally active dentists, therefore the results are skewed. The common response of "60% of practices having been embezzled" is a guesstimate based on the embezzlement cases coming across the fraud examiner's desks. Of the 4.05% of the ADA's random sampling, 48.64% have experienced employee theft in the practice.

It could be higher based on the ones that chose not to respond but had a theft or it could also be lower based on the ones that did not respond that did not have a theft.

My conclusion? **If you own a practice for 30 years, someone will steal from your practice, whether it be time, money or product.** To think otherwise is negligent. To work as if it could never happen to you is not running a business with sound wisdom.

Observation #2.

54.32% experienced an embezzlement, 22.84% experienced two embezzlements, 4.94% experienced three embezzlements, and 17.9% experienced 4 or more embezzlements.

Read that again. Apparently practices fail to put systems in place after the first embezzlement to help protect their practice OR fail to prosecute to deter future embezzlements. In all fairness, there is absolutely nothing an owner can do to 100% prevent embezzlement from happening. However, to make it easy by not implementing valuable systems will be the compost an embezzler needs to cultivate fertile grounds for embezzling.

64.5% fired the employee but only 23.21% prosecuted the embezzler. 30.38% gave the employees warning or did nothing. It is possible that by not doing anything, it sets precedence for future embezzlement in the practice. After all, with no consequences, other team members may decide to also steal, since it is easy money with virtually no consequences.

Observation #3.

Several responders stated they did not prosecute because they were told they would not get the embezzled money back. 48.87% of the embezzlements were investigated by the doctor and spouse but 22.83% had gathered no evidence at all, which will have an effect on the amount of money that the respondents stated was embezzled.

Also concerning was 15.43% stated that another employee investigated. It is probably not a great idea to have another team member determine how someone has embezzled from the practice, therefore, teaching the investigating team member the lack of systems in the practice and how to embezzle.

Many times when speaking at a convention or study club, an audience participant states they reported the theft to law enforcement but nothing came of it. Because of dual software intricacies involved in the dental practice accounting, practice software (A/R) and accounting software (A/P), and that most practices do not have systems in place to have a back-to-back accountability, it is difficult for law enforcement to do a thorough investigation without assistance. For that matter, it is difficult for the practice owner to oversee, hence continued embezzlement.

When evidence is gathered by a professional and submitted to law enforcement, typically the court prosecutes. Restitution is then combined with sentencing, to repay the practice. It does depend on the total amount of the embezzlement. Some courts will not prosecute unless it is a felony, over \$10,000.00. If the embezzler does not have a prior record, probation sentences are likely. Some of my cases have also been able to get the judge to order the embezzler not have a job handling money for the duration of the probation.

Why would I not recommend a doctor and/or spouse or team member investigate an alleged embezzlement? Most times they gather their own evidence because they cannot believe the team member stole from them. It has a danger of becoming an obsession, taking away from what the practice truly needs to focus on: patient care.

Too often I remind my clients that gathering evidence of embezzlement is what I am trained to do, just as they are trained to see patients. That evidence is then professionally prepared for court.

Observations Summary

The ADA's Survey on Employee Theft in the Dental Practice is truly an interesting read. Look past the obvious statistics. If there was ever a time to pay attention, it is now. What are the obvious things for you to put in place?

1. Create a back-to-back accountability between both software for easier oversight. Create payment types in the practice software for how it is deposited into the bank (i.e. Cash, Checks, Insurance Checks, CareCredit, EFT Insurance, Credit Card, etc.). Create income accounts the same in QuickBooks/CPA. Now when you create reports for the same date range between both software and deposits are different from collections, you will see it quickly.
2. Embezzlement starts with timecards and evolves to cash. From the survey, 62% of what was stolen was cash. Stop offering a cash incentive. This has played well with several of my embezzlement cases. With the pandemic, there is an extra incentive to not take cash at all. Communicate with your patients that due to the germs paper money retains, you will be only taking credit cards or checks for payment, in an effort to not spread the virus.
3. Pay attention. Review your reports. Listen to conversations. Watch behavior. Trust wisely, not blindly. If you do not know what systems to implement, I suggest my book [Money In, Money Out](#) that is full of systems to help protect your practice.

Since the pandemic shutdown, I have had numerous calls from frustrated practice owners reviewing their finances. They don't understand their QuickBooks reports. They don't know why they made less in 2019 compared to other years. The pandemic has forced practice owners to review their revenue and expenses. I can help you.

I have also had quite a few phone calls from those suddenly suspecting embezzlement because they reviewed their finances. The [Ask The Expert](#) call gives you an opportunity to see your practice finances through my eyes, as well as potential problems in your existing protocols. Let me help you see what you need to protect your practice!

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