

## Ep #139: David Harris - Is Your Practice Leaking Money?



### Full Episode Transcript

With Your Hosts

Dr. David Phelps and Evan Harris

You are listening to the *Dentist Freedom Blueprint* podcast, with David Phelps and Evan Harris. Navigating you through the uncharted waters of a turbulent economy with straight-forward advice to, transform your practice into a self-sufficient cash machine, compound your net worth assets, and multiply, multiply, multiply your passive cash flow streams.

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## **Ep #139: David Harris - Is Your Practice Leaking Money?**

David Phelps: Good day everyone, this is Dr. David Phelps of the Freedom Founders Mastermind Community and the Dentists Freedom Blueprint Podcast. I got what's going to be a very interesting, and I think very helpful, podcast interview today with a gentleman who's been really a huge influence and really someone who's helped out in a great deal in the financial arrangements of our practices. Something that we don't like to talk about, but we'll get into it because it's something that's important to talk about, and it happens more frequently than we think. We're going to talk a little bit about embezzlement in dentistry. My guest today is Mr. David Harris. David, how are you doing sir?

David Harris: I am doing well David, good to be with you.

David Phelps: David is Prosperident's Chief Executive Officer. He's become dentistry's embezzlement expert, he founded the company that became Prosperident in 1989, the worlds largest firm specializing in the investigation of financial crimes committed against dentists. Prosperident's team of specialized investigators is consulted on hundreds of frauds annually committed against both general dentists and dental specialists. David is a certified fraud examiner and a licensed private investigator. He has a graduate degree in applied mathematics and a CPA. David also belongs to several organizations for dental consultants and speakers. He's been interviewed on the subject of embezzlement by every leading dental publication, including now, the Dentists Freedom Blueprint Podcast, I'm happy to say we're on that list. He's also a prolific writer and authors a dozen or more articles annually that appear in major dental publications. He's lectured at universities in three countries in the faculties of business, law, and dentistry.

In addition to his investigative successes, David is in considerable demand as a speaker, he normally speaks to dental audiences 50 or more times per year. Has been described as a highly entertaining and engaging speaker who draws on a vast amount of experience in his field. David says that his favorite moment is hearing the noise that a prison cell door makes when it clicks shut on an embezzler. David Harris, good for you man.

**[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris**

## Ep #139: David Harris - Is Your Practice Leaking Money?

Again, this is a topic, being in private practice myself for many, many years, it's always in the back of one's mind. But we always think David, "It's not going to happen to me. I'm a good guy, I take care of my people, I got people that like me, people that have been with me. Sally, or Mary, or Sue, they've been with me for many years, it happens to other people." Dog gone it, you know, and you're going to tell us here in a minute really what the stats are, it's far far more frequent than anyone would like to acknowledge, correct?

David Harris: Absolutely. You're absolutely right as well David, that people get this idea that they're immune. They will point to factors, and you listed some. Another one I hear sometimes, just to give you an example of the way people think about this is, "I live in a small town, and really embezzlement's an urban problem. It happens in big cities and where people don't know each other as well. But the person who works at my front desk who lives right down the street from me, who I've known since she was a patient at my practice, no way it's going on." What that type of analysis ignores is that embezzlement relates a lot to the situation of the embezzler, and very little to the situation of the victim. We all come up with reasons why we're immune, but none of those are really even thought about by the embezzler.

David Phelps: Let's talk about what happens, because as a dentist, you work with dentists, you know dentists very, very well, they're your chief clients. I have to say that for the most part, dentists, we really do care, we care about people-

David Harris: Absolutely.

David Phelps: We want to be surrounded by people, our patients, and staff, who like us, that we have a reciprocating trust back and forth. We want to have that. How can I as a dentist, as an owner of a practice, how can I have trust when I've got to be, "Checking up," on my financial arrangements and the people that are handling the money? How does that

## **Ep #139: David Harris - Is Your Practice Leaking Money?**

work? How do you set that up so that you still have a framework of trust, but you also are verifying that things are being done properly David?

David Harris: The first component is realism, what you have to say to yourself is, "As a dentist I want to believe the best in everybody." Fair enough. But I also have to understand that everybody's ethics have a breaking point. There's a certain set of pressures that will cause anybody to break the rules. You have, for example, a staff member who's going through a divorce, and what they're finding out all of a sudden is that the two incomes that used to support one household can't keep two households afloat, especially given that we're each now experiencing a whole bunch of attorney bills. I have a staff member who's in a situation where more is going out than what's coming in, and most people can sustain that for a period of time, but if that period becomes protracted then they can't. I'm not saying by any stretch that somebody in that situation will embezzle, but I'm saying that they're under a pressure, and that the response of some of those people to that pressure is to steal.

David Phelps: David, again, you help me out here, I'm just kind of thinking out loud here. Is it fair to say that most of the people that might come under a doctor or a dentists employ are not coming in with a criminal mindset? That most are coming in to actually come in and perform duties, and that circumstance, you just mentioned circumstance change in one's life, and then there becomes some kind of a justification or rationalization. Maybe it starts at a small point where, "Hey, I'm just going to take a loan. I'm going to take some money, somehow, I don't know how they do it, I'm going to take some money-"

David Harris: "And I'll put it back."

David Phelps: "I'll pay it back, I'll pay you back next week." Tell us about that, versus someone who just actually comes in to a practice to gain employment because that's totally on their mind, like professionals? What's the ratio there? If there is one at all.

## Ep #139: David Harris - Is Your Practice Leaking Money?

David Harris: There are two groups, and the second group you described I call the serial embezzlers. These are people, for whom their real profession is stealing and they found out that dentists are relatively easy marks. We've seen some who have been in as many as 15 different dental offices and stolen from them. Then, you've got the other group who, as you say, start out for all the right reasons and somewhere along the way they get put in a situation where their ethics become pliable and their response is to steal. If I had to give you a breakdown between those two groups, probably 15% of our investigations involve the serial embezzlers, the people where this is their career. The other 85% are people who, it's exactly as you say, they probably had no plan to steal when they started.

To be clear, some of them steal to address a financial itch, there are others who steal because of emotional pressures. For example, they see all the people they were in high school with who now are making more money than they are and are kind of progressing faster financially and that bothers them. There are different types of pressure, but at some point along the way these people respond to that pressure by stealing.

David Phelps: What would you call or define as some of the conventional prevention strategies for embezzlement in a dental office? I'll throw one out, and this may not be one, but it's like don't have just one person handling the money, break it up in different ... Is that a conventional prevention strategy? Would you call that kind of a conventional one that people would say, "Oh, I've got that in place so I should be pretty good?"

David Harris: What I'm going to say about embezzlers is that once they get the idea that stealing is what they should do, they're going to find a way. What you mentioned as the conventional strategies, and I'm glad you brought that up because I want to deal with that issue specifically. The analogy that I used with somebody the other day, and this kind of made a lot of sense, it's kind of like you're having your two year old nephew over to your house. What you do first is you go around and you take everything you have that's valuable or breakable and you put it out of reach. The idea is, "If we just take opportunity away from the two year old nephew we

## Ep #139: David Harris - Is Your Practice Leaking Money?

should be fine." You're right, until the nephew realized that there's a chair that he can drag over to wherever you put this stuff and now he's got it.

In other words, moving it out of his reach doesn't eliminate his desire to have it, it just makes it temporarily inaccessible to him. That's a bad way of thinking, yet, that's exactly what people do. "If I can just put things out of people's reach, so I'll divide up duties," or, "I'll take the deposit to the bank myself," or, "I'll restrict what people can do in the practice management software by how I setup their passwords and user accounts." Please don't take me out of context here, those are all good ideas, but none of them are going to stop a motivated embezzler. Let's take the practice management software as an example because I see that one written a lot. I see a lot of articles written, and in the title of that article is Five Things You Can Do To Prevent Embezzlement In Your Practice. As soon as somebody says prevent, I know that they don't get it. There is no prevent.

You can spend all the time you want setting up people's passwords, if I'm a thief and I'm working in your office and it's my user account in your practice management software that's what's holding me back from stealing, what do you think my workaround in going to be? "Well, I need to get somebody else's password." How hard is that in a dental office? I'm not going to educate the embezzler who might be tuning in by telling them how, but what I'll say is, if I want your password I'll get it. The separation of duties, great advice, but the question you have to ask is, "If I'm working in an office where duties are divided up between me and somebody else, do I still have some opportunity, some small ability, to complete the steps I need to steal?" The answer is almost certainly, "I do."

David Phelps: You're inferring to me that embezzlement will happen as long as there is any one person in an office at any given time that has the need or justification to do so, that they will find a way, it's going to happen. Is that basically it? You can take all these steps to try to prevent it, but if their goal is to do that, someone with that kind of mind can find a way?

## **Ep #139: David Harris - Is Your Practice Leaking Money?**

David Harris: That's right. To ask you a question David, how much time do you think the typical doctor spends per week or per month thinking about this problem?

David Phelps: Little or none, you just keep your fingers crossed and hope there's still money going into the bank account every month that's left over after paying all your bills.

David Harris: Let's say generously that you might think for two hours a month about this, how much time do you think the average embezzler spends thinking about the same problem?

David Phelps: I guess if that's their focus, that's where their time is.

David Harris: A lot. I don't care how much intellect and education the dentist has, or what sort of intellectual advantage they might have over the embezzler, the embezzler's putting a lot of time into this. And, they have a further advantage, they know you, they know how you think, they know what you look at, they know what you don't look at, which is probably more to the point. It's a very unequal battle. Where I'm going with this is they're going to win. The real controllable, and the thing where I think dentists could, in general, be more prepared than they are, the controllable is in how long the average embezzler gets away with it before they're caught. To give you a number, it's almost two years.

David Phelps: Wow.

David Harris: The typical embezzler steals undetected for two years.

David Phelps: Give me some stats David on what your belief is the percentage of embezzlement that goes on in dentistry today, known versus unknown? In other words, you're called in to deal with this when people are aware of it or maybe they're trying to be preventative about it, so you get that vantage point. But there's a whole lot going on that no one's even touched on yet. What do you think the stats are on that?



## **Ep #139: David Harris - Is Your Practice Leaking Money?**

David Harris: I can give you a couple of numbers. The first one is that based on what we know, and as you point out there are clearly unknowns here, but based on what we know there's about a 60% chance that a member of your audience will be embezzled at some point in their career. We get people who come to us in three different contexts. There are some who have already found embezzlement and they need us to help them understand what happened and get as much money back as they can, and things like that. Obviously, in those cases the issue's not in doubt. We also get people who contact us and there's something going on in their office that shows them that they're at higher risk.

They have a staff member who's acting like they're stealing, or they have inconsistencies in their reports, or something like that. In those cases, they're right about 70 to 80% of the time. Then we also get the third group who come to us, and I'll take a word out of the dentist lexicon, prophylactically. They say, "I see the statistics, I don't really have any reason to believe I'm at risk but I just want to know that I'm not." We find embezzlement about 20% of the time. An answer to your question about what the undetected chances, to me, that's where it sits.

David Phelps: I know this is going to hurt, it's going to hurt me to hear this, but what's the number? Give me low, high, or medium range of the amount of money that's been embezzled?

David Harris: From the last time we looked at our case files, which was a couple of years ago, the average embezzler successfully stole \$109,000 before they were caught. I know you're a numbers guy and a retirement guy, so you can easily-

David Phelps: Extrapolate that.

David Harris: Roll out what would happen if a 35 year old dentist lost 109,000 after tax dollars?

David Phelps: Exactly.



## **Ep #139: David Harris - Is Your Practice Leaking Money?**

David Harris: In terms of the range, well, a couple of things there. We have something called the million dollar club, these are people who stole a million or more dollars from their dentist. I think last time I looked there were seven of them. The biggest number I ever saw in a dental embezzlement case was over two million dollars. At the low end it could be pens or toilet paper from the restroom. But as one rather celebrated fraud investigator said once, "There's no such thing as a small embezzlement, there's just a big one that got caught early." In other words, people who will take your pens and toilet paper have already decided that being dishonest is okay. The real question is, when they get to the point where they start taking your money.

David Phelps: David, how can a dentist determine whether or not they're being embezzled? As you said a minute ago, you hit three categories, someone who finds out something and, "Something's going on, we don't know what the depth of it is," but they call you in. Then there's the other one who thinks something's going on, but not sure, they can't put a finger on it and they call you in. Again, the advice that I would give people is no matter what business you're in, we're talking about dentistry here, you need to have a David Harris come in and set this up because the stats just show that it's needed. If someone hasn't called a David Harris in yet, are there other things they should be looking for that might give them some signs that something's going on?

David Harris: Here's the money part of my talk, there are a lot of different ways that people can steal and we've seen hundreds of different permutations. What comes out in almost every file we touch is that certainly when the doctors look back with the benefit of some knowledge that they might not have had at the time that embezzlement was going on, they see the warning signs. The warning signs are predominantly behavioral. If somebody's stealing from you it may be that they're reluctant to take vacation because perpetuating whatever game they're playing requires their presence, and if they're gone for two weeks some other staff member may realize there's a problem and go to the doctor.

## Ep #139: David Harris - Is Your Practice Leaking Money?

Or another one that we know is embezzlers want to do at least part of their concealment of the stealing that they're doing when nobody else is around. They will come in early, or they'll stay late, or they'll come in on Saturdays to catch up. But they want alone time in the office. They will be territorial about their job, they don't want to give up any of their duties to anybody because that may make what they're doing harder to perpetuate. They don't want to cross-train anybody else to do their job, they don't want outside advisors involved. We get a lot of referral from consultants, I got a phone call a couple of days ago for example, from somebody who said, "I'm working in an office right now where there's a certain person who really, really doesn't want me there. I'm thinking there may be more to this than simply she's worried that I'm going to expose her incompetence."

A lot of behavioral manifestations of embezzlement. One thing I'll mention is that we have something that we sell on our website called the Embezzlement Risk Assessment Questionnaire, and it's a way for people to be a little more focused about how they evaluate staff behavior. It's something we normally sell on our website, and David we didn't talk about this earlier, but I'm happy to offer it for free to your audience because I know that they are people who are going to use that kind of knowledge properly. Maybe afterwards I'll give a link and if you want to share it with your folks you can.

David Phelps: Well thanks, yeah, we'll do that. We'll put a link on the show notes today, so thank you for that David. I know there's some things, some do's and don't's, some things that an owner, a doctor should do and what they shouldn't do if they suspect embezzlement's going on. Can you share some of those things David?

David Harris: Yeah, and I'll take the do not's down to one. If you suspect embezzlement in your practice do not do anything that will let the suspect know that they're a suspect. Desperate people will do desperate things. If somebody thinks they're about to go to jail the normal limits that apply to civilized human behavior probably will not apply to theirs. The best example I can give you of this is a rather tragic story. There was a dentist in

[Dentist Freedom Blueprint](#) with Dr. David Phelps and Evan Harris

## **Ep #139: David Harris - Is Your Practice Leaking Money?**

Maryland who somebody was embezzling from him. She thought that the doctor was about to catch her and she came back one night to his office when she knew that the doctor would be there alone catching up on some paperwork. This person also brought her cousin with her for some muscle, and the two of them dragged the dentist, your audience is free to google this, Dr. Albert Rowe was his name, dragged him into the staff restroom and beat him to death. In case I need to make this story any worse, the amount that she had stolen from him to this point was \$17,000.

It is vital that if a member of your audience becomes suspicious, that they not alarm the suspect. The problem unfortunately is that this is kind of an area where I'm thinking most dentists have very little expertise, and it's easy to tip them off. The kinds of mistakes that people make, one that they do is they call the police. A couple of things, it's premature, I mean you don't really have answers to the questions the police are going to ask you. The second thing is, they'll send a couple of folks with bullet proof vests and loud radios to your office. If I'm a staff member and I see that happening, I know that I'm about to get caught. Or you ask a staff member for a whole bunch of reports that you've never asked for before and then you go in your office and close the door and phone your CPA. The staff member who's stealing is hyper perceptive, they're looking at you every day and asking, "Does she know that I'm stealing?" It's a challenging and yet vital activity to keep your suspicions from being telegraphed.

David Phelps: David, let's talk a little bit about how you and your company, Prosperident, work within offices. If I'm still in practice right now, or I'm thinking about any of our audience that's listening today and being in practice, and I haven't done anything, maybe I don't even suspect anything. But I'm listening to this, I'm going, "Okay, stats are, chances are if I'm not embezzled now, I will be at some point. So I want to do something about this, I want to be prophylactic, I want to be preventative." How's that work? Again, I'm thinking about, "I've got an office right now, it's running pretty darn well, everybody like everybody to a great extent, now I'm bringing in Prosperident," and they go google David Harris, and, "Oh, oh." Now, even

## Ep #139: David Harris - Is Your Practice Leaking Money?

though something's not going on, what's the conversation that I as the owner have with my staff as to why you're coming in David? Help me with that.

David Harris: That's a great question because that conversation is one that shouldn't happen. We do our work typically remotely, and it is intended to be and almost always is 100% stealthy. Staff will have absolutely no idea that you've asked us to ensure that nothing untoward is happening. We work at a distance, we even have a company setup with a different name so that when somebody pays us, that the name Prosperident doesn't show up on a credit card bill because I don't know who in the office might see that bill or might become aware of our involvement. So we work very hard to maintain that stealth. I think in the last 15 years there have probably been two occurrences when stealth somehow could have been compromised, and fortunately it wasn't. After each one we changed out procedures so that it would never happen again. The only situation that poses a lot of difficulty for us, David, is if somebody's not computerized and they're still using pegboard. There's probably an office or two in the US that still are, and we have to kind of adapt our procedures there, but otherwise, no, you're not going to have that conversation.

David Phelps: You're not setting up the doctor to begin some new procedures in auditing, asking for extra reports, that kind of thing? Or is there something that the doctor needs to be doing? Again, from a stealth mode, something you've coached or counseled on. What part does the doctor have in this I guess is really my question?

David Harris: Absolutely. Our work kind of falls into two categories. The first thing we do is auditing, we audit for people who are at elevated risk or of course who have already found embezzlement, or want a prophylactic audit. We also have people who want us to look at their procedures and make recommendations. Again, we can do that stealthily, the point where that kind of becomes a little more overt is when the doctor goes back to his staff and says, "All right, we're going to change a couple of things going forward." If a staff member asks why, then the doctor has to do one of two

## Ep #139: David Harris - Is Your Practice Leaking Money?

things. Either say, "Well, I got somebody to look at it and this is what they recommended," or maybe they're a little more covert about it and they say, "Well, I was reading a book, or I was reading an article online, or David Phelps gave me some good ideas."

I mean, they can come up with some rational that doesn't involve, "Well, I'm kind of concerned you were stealing from me so I went to hire an expert who made recommendations." But we do have a service where we will review a doctors procedures. We look at everything from how they screen people before they hire them, to what the doctor looks at at the end of each day, to what's set up in their practice management software. I mean, we do a pretty good thorough look and make recommendations. But then we need to think about how to present recommended changes to staff and embezzlement might not be the thing to key in on.

David Phelps: Here's a question I've got David, how do you feel about the use of security cameras in a dental office?

David Harris: I think they're a great idea for other things, and they are completely useless for embezzlement.

David Phelps: Okay.

David Harris: Here's why. Let's say you're still in practice and your office is open 36 hours a week. If you needed two cameras to capture the activity at your front desk, what that means is you're taking 72 hours of video a week. When are you going to watch it? I mean even sped up five to one, that's like 14 and a half hours of video to watch every weekend. Cameras are great for activities when the time of that activity could be pinpointed. If you're a male dentist treating female patients, I would want operatory cameras, because sooner or later some patient is going to claim that you groped them. In that case, it's easy because you know what time they were in and you can get that video footage and you can prove that, "No, my hands never went below the bib."

## Ep #139: David Harris - Is Your Practice Leaking Money?

But for something that could happen any time, like embezzlement, cameras aren't a lot of value. I can say, I've been at this for 30 years, and in fairness, in the first 20 of those years cameras of the type that you're talking about weren't really accessible to most people. But even in the last decade the amount of embezzlement I've seen caught on film is maybe five occurrences. You have to be a pretty stupid thief to get caught on camera, and you have to be a pretty lucky dentist to catch it.

David Phelps: You talked about working remotely and not having to have the conversation with your staff as to bringing in the auditors and all this. Is there another side of that where it would be to the advantage of the owner/doctor to have their staff know that there is constant auditing and monitoring going on by an expert firm? I'm just asking the question, does that help at all?

David Harris: That's an interesting question, I'm not sure there's a right answer. Our recommendation normally is to not to disclose to staff that that monitoring is involved, for two reasons. The first is, I don't want to tell embezzlers that they have to be at the top of their game, because then they will be. In other words, I'd rather them think that they're under less scrutiny than they are because then if they make a mistake it's likely to be caught. The second part of that is I'm not sure that many doctors are going to have the comfort zone in saying, "You know what staff? I trust you, but just in case I don't mean that, there's also a monitoring program in place." I think most dentists, who tend to be as you say, altruists, and healers, and anti-confrontational, are going to have trouble with that message. I think for a couple of reasons it's better just to have your doubts in private and have those doubts resolved in private.

David Phelps: Yeah. Good, good. You alluded to this but I think it's also important to bring out, because of your private investigator background you also counsel, consult on hiring practices, you alluded to that. But that plays, again, a huge role in so many respects, not just embezzlement, but many other respects into a practice that is going to have fewer issues, fewer problems. We both know that it's not just dentistry, it's all small business

[\*\*Dentist Freedom Blueprint\*\*](#) with Dr. David Phelps and Evan Harris



## Ep #139: David Harris - Is Your Practice Leaking Money?

owners, their hiring practices are usually relatively full of holes. We hire quickly and we fire slowly. Again, I think this is another area where everybody could do better, and again, it's preventative, it's prophylactic. If you have a problem, you're going to have to deal with it on the backside, but if you can prevent more of them life would be a lot better, right? Is that essentially what you would say?

David Harris: It is. If I want to make an audience squirm, if I have a live audience, I'll ask them a really simple question, I'll say, "I want you to think back to the last person you hired, whether they were clinical or administrative, doesn't matter. I just want you to think about the last person you hired and I'm going to ask you one very simple question, did you ask them for photo ID? Did you check their driver's license?" Is there such a thing as a forged driver's license? Absolutely, but the majority of people who will show up in a dental office and claim to have some identity other than the real one won't go to that step. Most of the dentists in the audience will be sitting there saying, "No, I never asked for that."

Then my follow up, because they're already uncomfortable and I want to make it worse, is going to be, "Okay, let's recap this for a minute. Your dental office is a pretty important place in your life. It's the source of your livelihood, it is full of confidential information of course, there's a lot of money that flows through there, and access to controlled substances. Even with all that, you have no sweet clue as to the true identity of the last person you hired." A basic statistic you may have seen before, 65 million American adults, so one in four adults has a criminal record. I've read various studies on this, some of them suggest that as high as 70% of resumes have some level of falsification involved. It is a truly dangerous world when you go out to hire somebody. Some basic precautions, far more than most of your clients take, are really, really important.

David Phelps: Well, for me it takes just a few stories and I know you've got many of them, just a few stories to impart the need for that kind of prevention, to take those steps because it's so much easier on the front end than to have to deal with it on the back end.

[\*\*Dentist Freedom Blueprint\*\*](#) with Dr. David Phelps and Evan Harris



## Ep #139: David Harris - Is Your Practice Leaking Money?

David Harris: It is. Let's be clear that checking somebody's driver's license is not anything close to a full employment screening, but even that basic, basic, simple step does not occur to a lot of dentists.

David Phelps: Yeah. I know, I am one. I've been there. You're making me squirm a little bit right now David Harris, so I'm certainly not immune to any of this-

David Harris: Sorry about that.

David Phelps: No, that's why I like to have this opportunity to talk to, interview, and pull some of the best of the best practices from experts like you. Mr. David Harris, Prosperident.com. I would highly suggest ... We'll put the link to the audit that you suggested people take a look at, and I'd highly suggest, anybody listening, if you haven't done so already, look at your current practices and consider these statistics that David brought about today. You very well could be one and not even know it right now.

David Harris: Absolutely.

David Phelps: David, thank you so much for your time today, it was a lot of fun.

David Harris: Thank you, good to chat with you.

You've been listening to another episode of the *Dentist Freedom Blueprint* podcast with David Phelps and Evan Harris. The place to be to create your freedom lifestyle with more time off, security and peace of mind. Please subscribe, download the podcast, and share it with others who want to create real freedom in their lives and practices.