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WHAT IS OCCUPATIONAL FRAUD AND ABUSE?

- The Association of Certified Fraud Examiners defines occupational fraud and abuse as:

“The use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.”

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TOTAL PROJECTED
GLOBAL FRAUD
LOSS*

- In 2019, the estimated Gross World Product was USD 95.52 trillion
- With a 5% loss estimate
- The projected total Global Fraud Loss would be USD 4.5 trillion

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*According to the 2020 Report to the Nations (ACFE)

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INTERNAL THEFT, FRAUD, AND ABUSE

- Is clandestine (done in secret).
- Violates the employee's fiduciary duties to the organization.
- Is committed for the purpose of direct or indirect financial benefit to the employee.
- Costs the employing organization assets, revenues, or reserves.

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FOUR ELEMENTS OF FRAUD

- A material false statement.
- Knowledge that the statement is false when it was uttered.
- Reliance on the false statement by the victim.
- Damages as a result.

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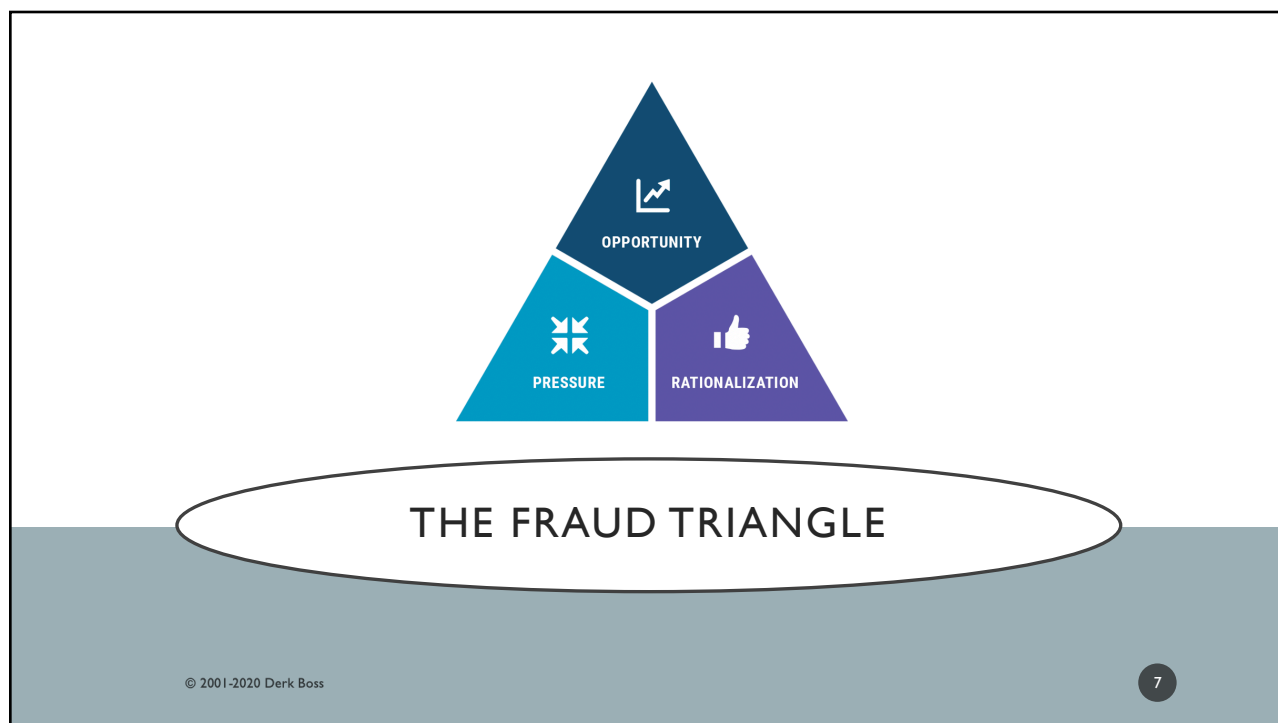
THREE MAIN CATEGORIES OF FRAUD

- Asset Misappropriation: Transactions or theft involving the organizations cash or check accounts, inventory, supplies, equipment, and information.
- Fraudulent Statement: Generally involve falsification of an organization's financial statements. (Player ratings, Check-out sheets)
- Corruption: To use your influence in a business transaction to procure some personal benefit not in the interest of the company. (Bribery, Illegal gratuities, Conflict of interest)

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MOTIVATORS AND OTHER PRESSURES

- Living beyond one's means
- An overwhelming desire for personal gain
- High personal debt
- A close association with customers
- Feeling pay doesn't commensurate with responsibility
- A wheeler-dealer attitude
- Strong challenge to beat the system
- Excessive gambling habits
- Undue family or peer pressure
- Drug/Alcohol abuse

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RATIONALIZATION AND INTEGRITY

- Personal integrity may be the most important factor in keeping a person from committing fraud.
- Rationalization is the excuse that the fraudster uses in order to justify his activity. This is the “end justifies the means argument” and it is their attempt to make themselves into the victim rather than the perpetrator of the criminal activity.

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RATIONALIZATIONS

- “I was only ‘borrowing’ the money.”
- “This is not much money; the company won’t miss it.”
- “Everybody does it.”
- “They owe it to me.”
- “I’ll stop once I get over the financial hump.”
- “The company mistreats me.”

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WHY DOES AN EMPLOYEE STEAL FROM THE COMPANY

- Because they can!
- They know their job better than anyone else
- They know where the system's weaknesses and vulnerabilities are
- They know what their supervisor will check and what they will not
- They know how to cover up their crime to prevent detection

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OPPORTUNITY

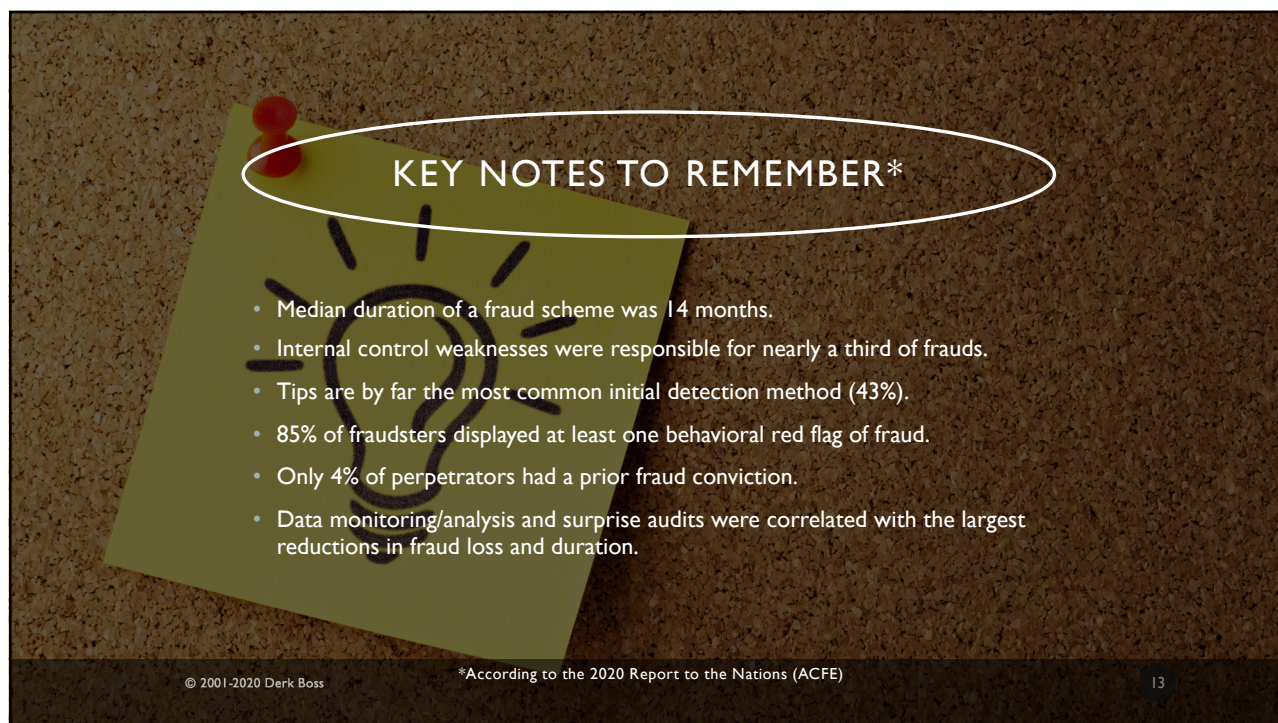
- Opportunities to commit fraud can arise when an employee reaches a level of trust in an organization OR
- When internal controls are weak or non-existent.

This is the part of the fraud triangle that management has the most ability to control.

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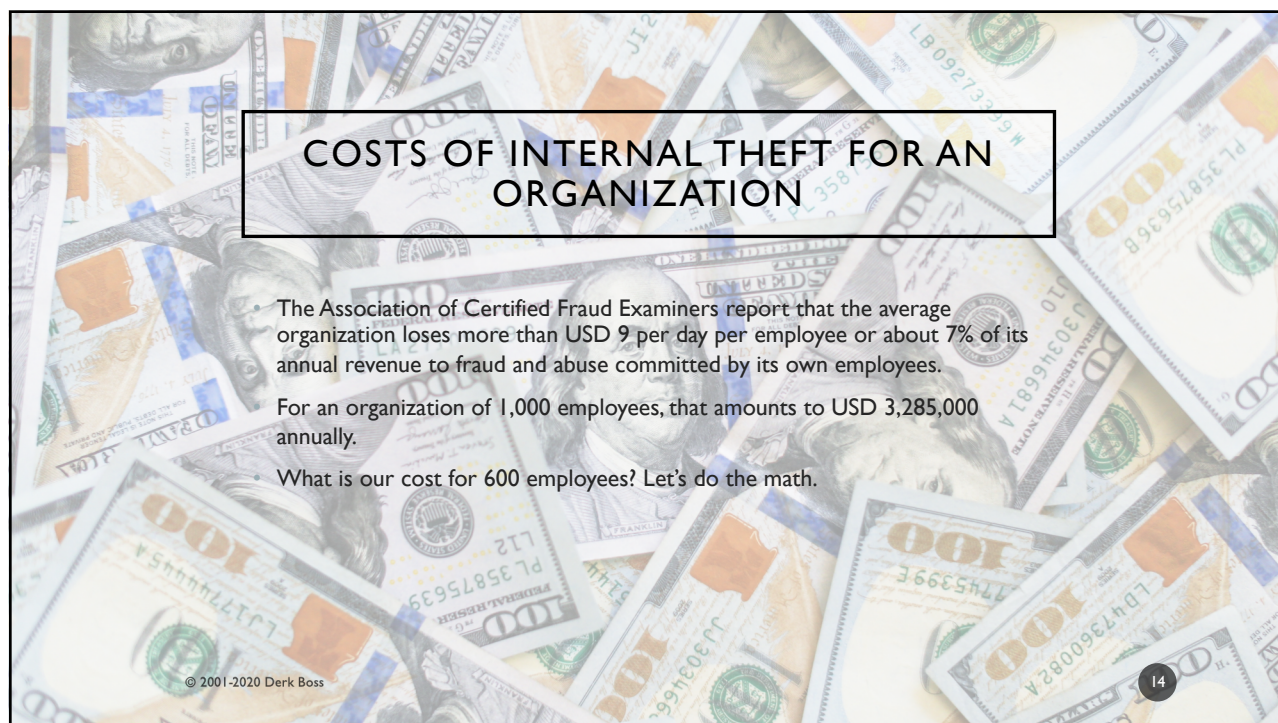


KEY NOTES TO REMEMBER*

- Median duration of a fraud scheme was 14 months.
- Internal control weaknesses were responsible for nearly a third of frauds.
- Tips are by far the most common initial detection method (43%).
- 85% of fraudsters displayed at least one behavioral red flag of fraud.
- Only 4% of perpetrators had a prior fraud conviction.
- Data monitoring/analysis and surprise audits were correlated with the largest reductions in fraud loss and duration.

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COSTS OF INTERNAL THEFT FOR AN ORGANIZATION

- The Association of Certified Fraud Examiners report that the average organization loses more than USD 9 per day per employee or about 7% of its annual revenue to fraud and abuse committed by its own employees.

For an organization of 1,000 employees, that amounts to USD 3,285,000 annually.

- What is our cost for 600 employees? Let's do the math.

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COSTS TO GAMING PROPERTIES

- Casinos are more vulnerable than other organizations as they deal primarily with cash that goes unverified for a large portion of the time that it is handled by employees.
- Gaming properties also have retail operations and have the same vulnerabilities as most retail businesses (estimated loss of 5¢ out of every dollar).
- Promotional/Marketing items such as players comps, database mail coupons, drawings, and other giveaways can and have been abused by employees.

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INDICATIONS OF THEFT/FRAUD IN RETAIL AND FOOD/BEVERAGE

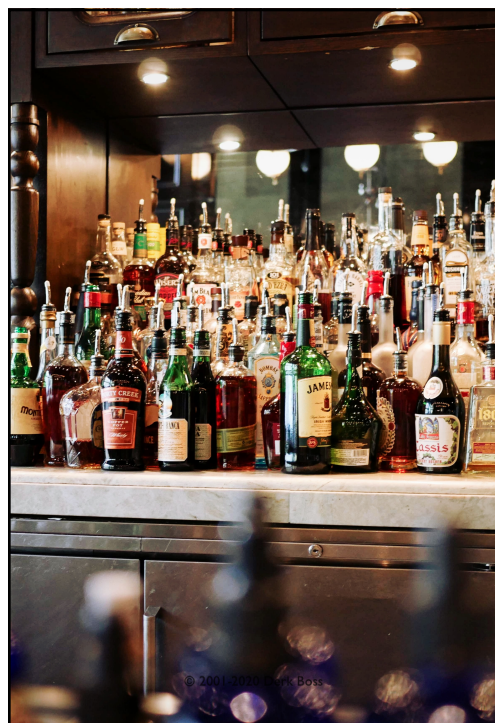
- The employee fails to enter the transaction or does so after the customer leaves. The employee will set the payment aside or will place it into their pocket.
- The employee does not issue a receipt. This could be because the transaction was cancelled in the system and the sale never recorded, or if the sale recorded, a void may be generated after the sale.
- Undercharges or does not charge friends or family.
- Voids legitimate transactions.



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INDICATIONS OF THEFT/FRAUD IN RETAIL AND FOOD/BEVERAGE

- Enters transactions as a “No Sale”.
- Sells customer an item at one price but rings it as a lower priced item and pockets the difference.
- Commingles company funds with personal money and/or tips.
- Frequently counts down and balances bank or register.
- Enters other than normal screen and makes unauthorized adjustments/changes.
- Unauthorized use of manager’s card or supervisory cards.

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INDICATIONS OF THEFT/FRAUD IN RETAIL AND FOOD/BEVERAGE

- Prints out receipts or reports detailing total sales for shift or day.
- Comps a non-playing guest.
- Alters comps for more than listed value.
- Counts their bank away from cameras, supervisors, and peers.
- Stores coupons, two for one offers, or comps for later use with a cash customer.
- Does not return from or is short when is sent to the cage or bank for cash transfers or exchanges.

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CASE STUDY

- A former bartender at Angel of the Winds Casino successfully obtained approximately \$250 over the course of a month utilizing multiple forms of fraud and theft.
- Originally discovered for accessing another bartender's check that had remained open for 3 days, the employee was placed on a close watch by Surveillance. During the investigation, Surveillance examined his actions from 6/18/20 – 7/20/20 and discovered a broad range of fraud from discount abuse to outright petty theft and pilferage.

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Primarily, the suspect would apply large discounts to checks that had paid full price in cash. This was accomplished through excessive check merges and combinations that would achieve up to a 100% discount applied to multiple parties checks that had already paid in cash. The cash was therefore not tendered and kept by the bartender.

These checks were often created hours apart from each other and left open until the opportunity arose where the bartender could apply a non-warranted discount. This happened at least one time for every day that he worked.

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Recreate Check
<DUPLICATE>

ANGEL OF THE WINDS CASINO
210 BREWING CO.
7/12/2020 14:21

210 Brewing Co
Check: 1446882 Table: 22
Server: BarryW Guests: 2
Terminal: 142

Combined into check #1446882

Regular Check	
1 210 Nachos	9.99
210 Carnitas	
No Jalapeno	
1 Brisket Burger	15.99
210 SeasonedFry	
No Sauce	
Subtotal	25.98
Tax	2.36
Total	28.34

Suggested Gratuity for your Convenience

<DUPLICATE>

ANGEL OF THE WINDS CASINO
210 BREWING CO.
7/12/2020 15:13

210 Brewing Co
Check: 1423469 Table: 3
Server: BarryW Guests: 1
Terminal: 142

Combined into check #1446882

Regular Check	
1 Pepperoni Pizza	11.48
\$210 Bacon [0.49]	
\$210 Hand Tossed [1.00]	
Subtotal	11.48
Tax	1.04
Total	12.52

Suggested Gratuity for your Convenience

20% Tip = 2.30
18% Tip = 2.07
15% Tip = 1.72

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210 BREWING CO.
7/12/2020 16:05

210 Brewing Co
Check: 1446882 Table: 10
Server: BarryW Guests: 5
Terminal: 142

Regular Check

1 210 Burger	11.99
210 SeasonedFry	12.99
1 Hawaiian Pizza	12.99
\$210 Hand Tossed [1.00]	
1 210 Nachos	9.99
210 Carnitas	
No Jalapeno	
1 Brisket Burger	15.99
210 SeasonedFry	
No Sauce	
1 Pepperoni Pizza	11.48
\$210 Bacon [0.49]	
\$210 Hand Tossed [1.00]	
Players Black	-62.44
Gross Sales	62.44
Discount	-62.44
Subtotal	0.00
Total	0.00

Cash 0.00

GRAND TOTAL 0.00

T142 C4920 7/12/2020 16:11

Suggested Gratuity for your Convenience

20% Tip = 12.49
18% Tip = 11.24
15% Tip = 9.3

Employee's own lunch


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CASE STUDY QUESTIONS

- What is the most important factor in keeping a person from committing fraud? Was it present?
- What red flags should other casino staff have seen and reported?
- What could management have done to deter or prevent this fraud?

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CASE STUDY #2

- See video/photos and discuss

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MANAGER AND SUPERVISOR DUTIES AND RESPONSIBILITIES


- The Managers/Supervisors in a department are the best defense against fraud. It is the duty of management to protect the assets of the company by deterring or rapidly detecting any waste, fraud, abuse, theft, or inefficiency of operation.
- Monitor and review exception information daily. In addition, statistical information should be analyzed, as that could be indicative of a potential problem.
- **KNOW YOUR NUMBERS! KNOW YOUR EMPLOYEES!**
- Fraudsters often employ more than one method to steal from the Company.
- **INSPECT WHAT YOU EXPECT!**

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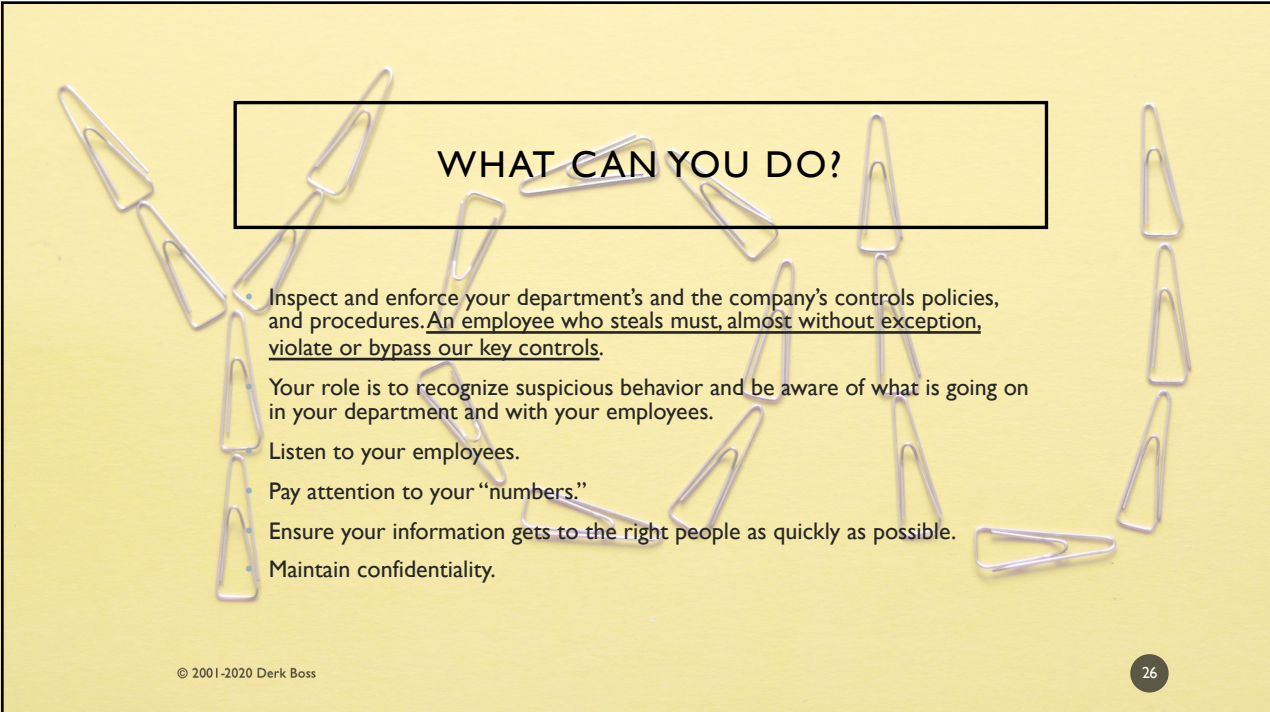
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TOP RED FLAGS FOR FRAUD BY EMPLOYEES

- Employee lifestyle changes (expensive cars, jewelry, homes)
- Significant personal debt and credit problems
- Behavioral changes (may be indication of drugs, alcohol, gambling, or just fear of losing job)
- High employee turnover, especially in those area which are more vulnerable to fraud
- Refusal to take vacation or sick leave
- Lack of segregation of duties in the vulnerable area

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WHAT CAN YOU DO?

- Inspect and enforce your department's and the company's controls policies, and procedures. An employee who steals must, almost without exception, violate or bypass our key controls.
- Your role is to recognize suspicious behavior and be aware of what is going on in your department and with your employees.
- Listen to your employees.
- Pay attention to your "numbers."
- Ensure your information gets to the right people as quickly as possible.
- Maintain confidentiality.

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DAILY CHECKLIST

- Open checks
- Voided checks
- No Sales
- Returns/Refunds
- Walk outs
- Print last receipt
- Discounts (including employee)
- Over/shorts
- Inventory of key items (cigarettes, gift cards, etc.)
- Failed credit card transactions
- Large tip percentage
- Low cash sales
- Merges/combines/Split tickets
- Open item use

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WHAT NOT TO DO

- Confront the suspect
- Discuss your suspicions with anyone without the absolute need to know
- Discuss your suspicions with anyone you feel may be involved

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**SEE SOMETHING,
SAY SOMETHING!**

- If you think it's wrong, you're probably right
- We want to know when you're concerned about anything you see or hear!
- It's the little things:
 - The smallest mistake or thing is usually the one that breaks the case. Remember: Murphy's Law works against criminals too!

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**SEE SOMETHING
SAY SOMETHING**

HEAR SOMETHING
SAY SOMETHING

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**PROTECTING THE RETAIL POS FROM EMPLOYEE
THEFT**

Tools & Techniques

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