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Expo



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IAAPA ATTRACTIONS EXPO 2015

Conference: Nov. 16-20, 2015 • Trade Show: Nov. 17-20, 2015

Orange County Convention Center • Orlando, Florida, USA

www.IAAPA.org/IAAPAAttractionsExpo



Fraud Detection & Prevention

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A Different View

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November 17, 2016



Learning Objectives

- Recognize why employees commit fraud
- Gain insight into types of fraudulent activity to look out for and how they can be committed
- Consider what controls, tools and practices that can assist in prevention and detection
- Take stock of current environment – are you doing enough?



Today's Agenda

- Explore why people commit fraud
- Review onsite theft/fraud survey results
- Walk through case studies of onsite fraud
- Wrap-up



Psychology of Fraud & Theft

Difference between
Fraud & Theft?

Theft: stealing (shop
lifting)

Fraud: stealing with
secrecy (embezzling)



Psychology of Fraud & Theft

Why do people commit fraud?



Donald Cressey's Fraud Triangle

Psychology of Fraud & Theft

1. Physical Needs: feed the family
2. Addictions: drugs, alcohol, gambling, etc.
3. Excitement: “can I get away with it?”
4. Vindictive: “I want to teach them a lesson”
- 5.

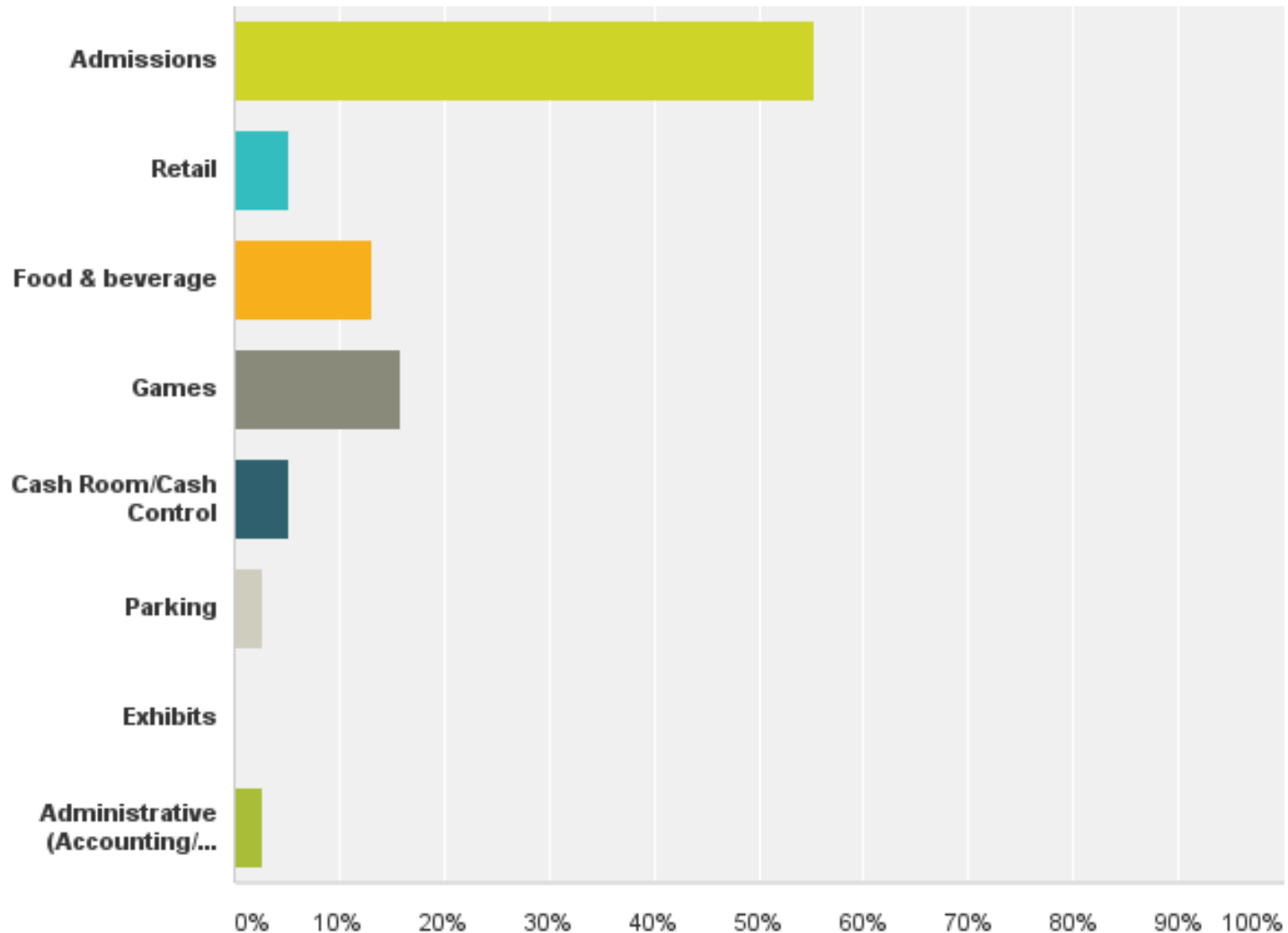


A QUICK LOOK

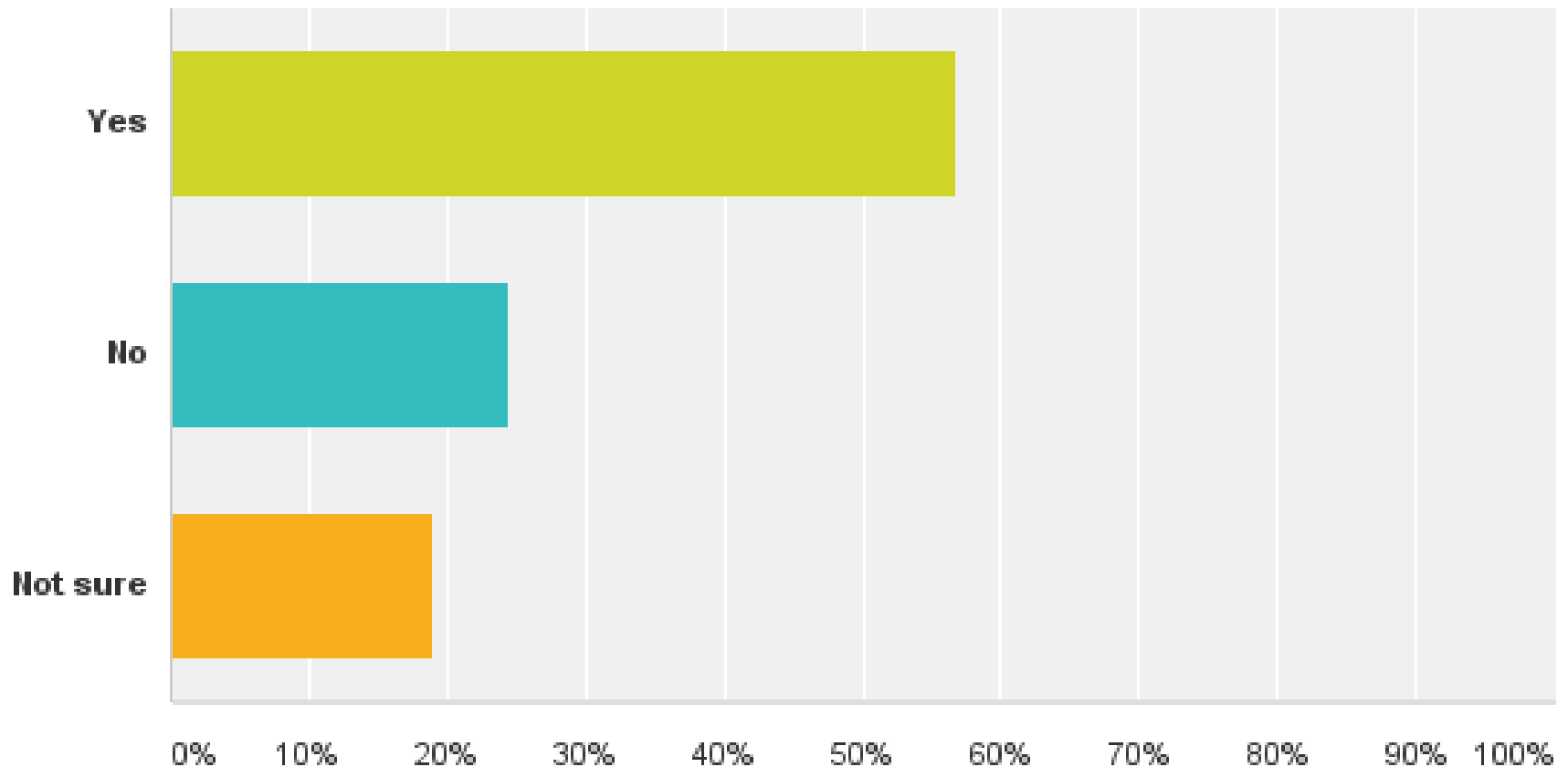
IAAPA FMIT SEPTEMBER 2015 ONSITE THEFT/FRAUD SURVEY RESULTS



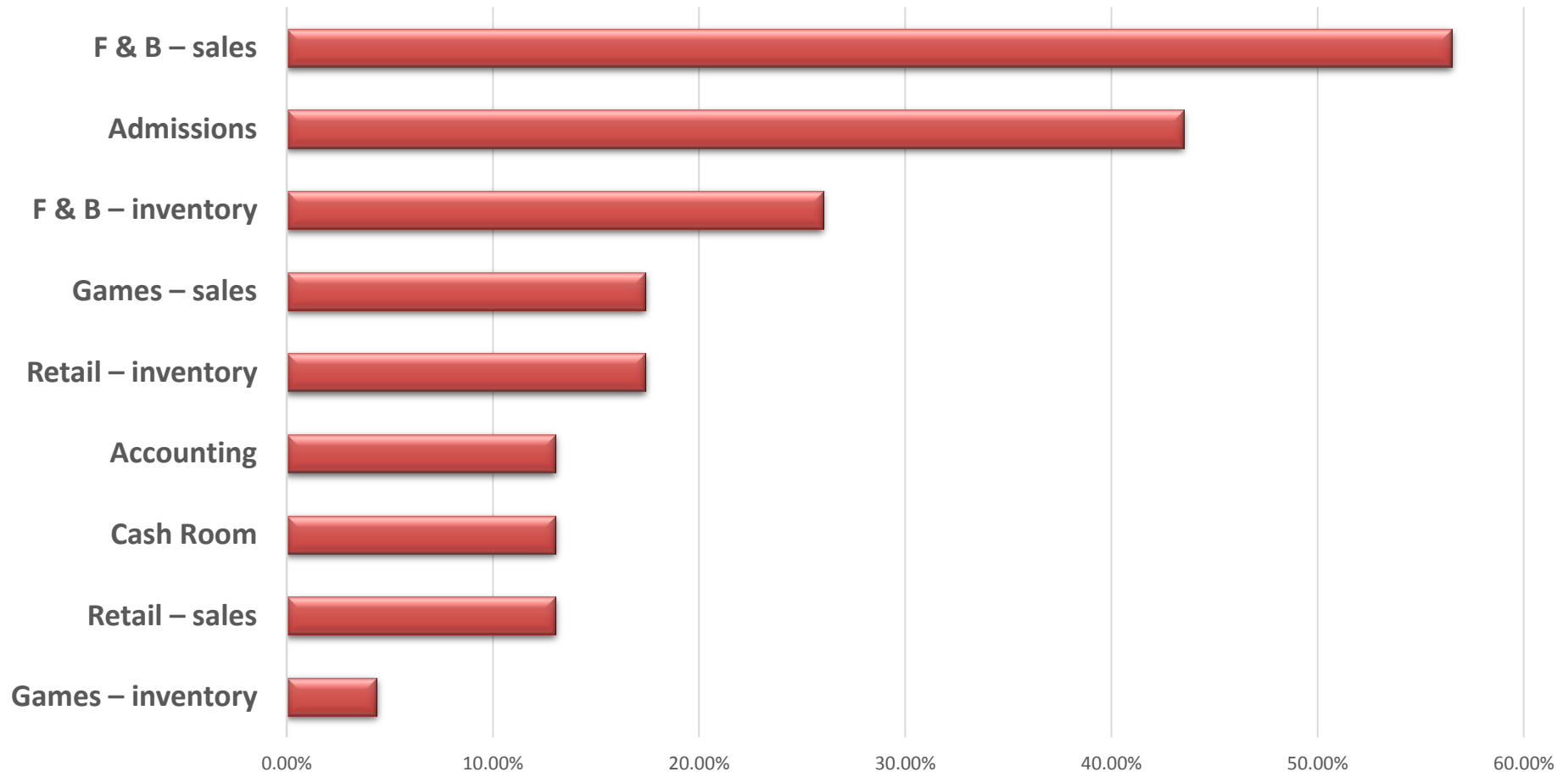
What area of your business do you have the greatest concern as being most vulnerable to theft or fraud?



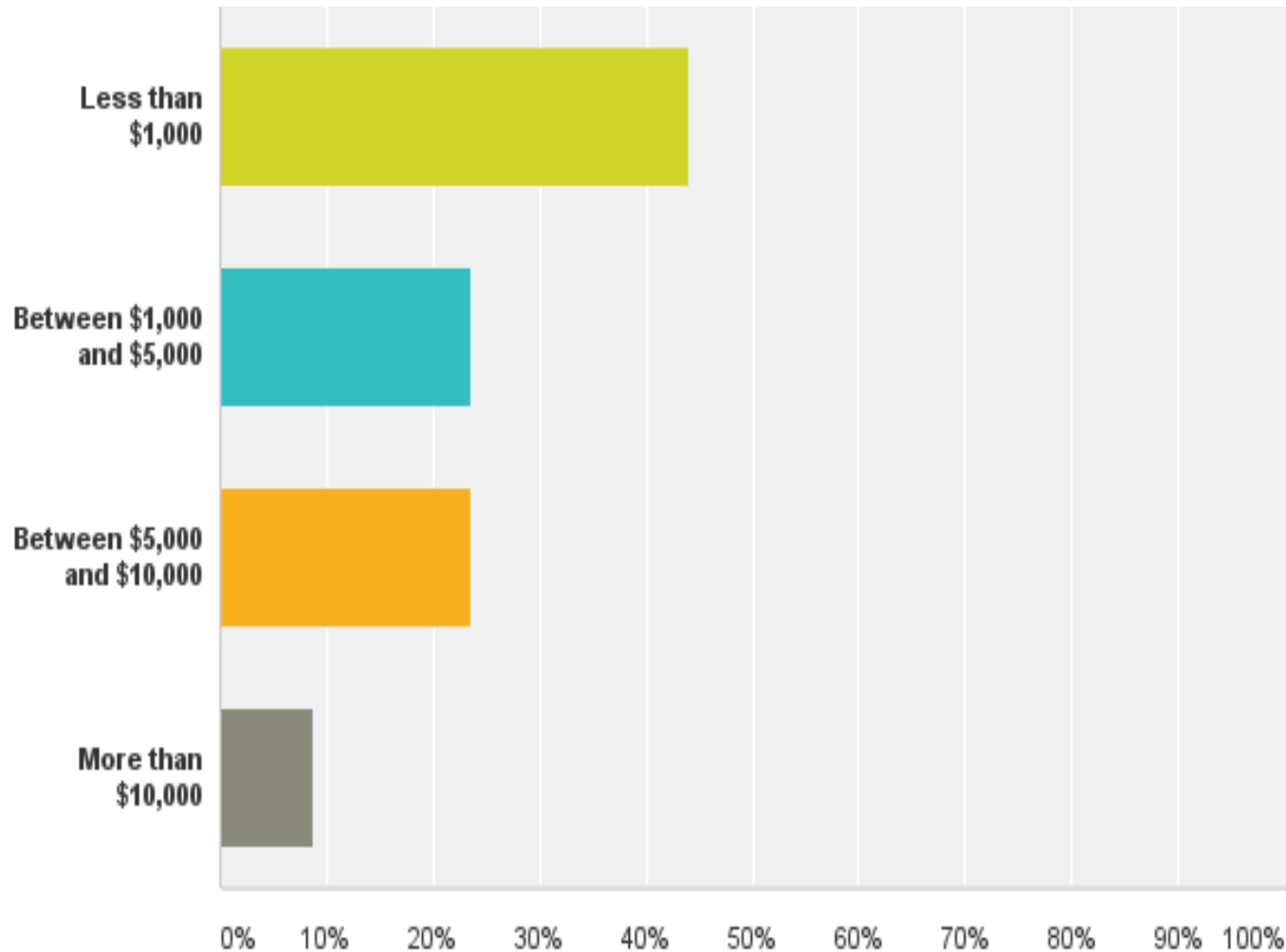
In the past 12 months, has your business been a known victim of theft or fraud by employees?



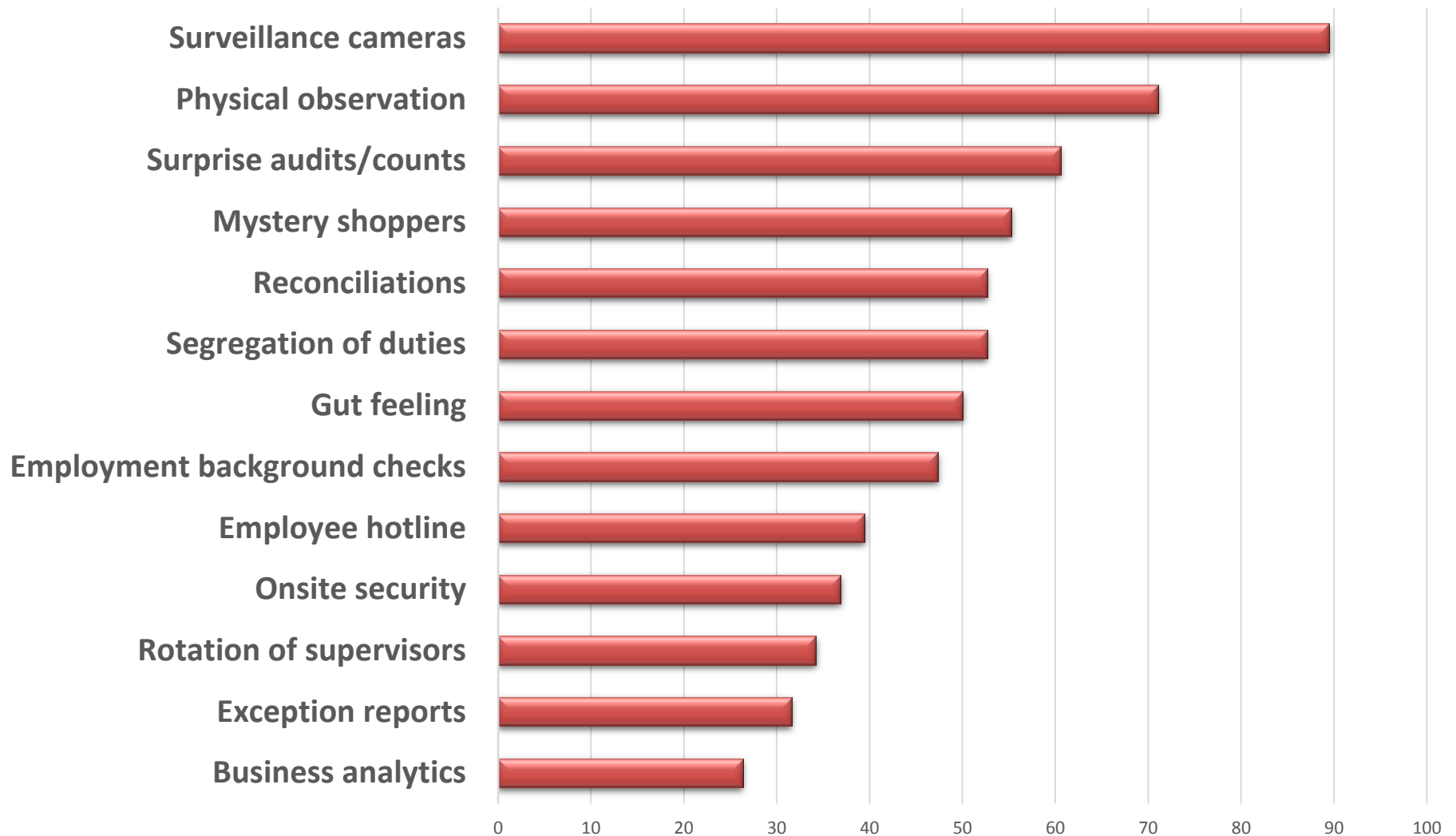
What areas did employee theft/fraud occur in the past 12 months?



In the past 12 months, what do you estimate your overall loss was to onsite employee /customer fraud?



What practices do you follow and/or tools do you employ routinely to combat theft and fraud?



Fraudster Profiles

Hot off the press...Convicted as charged!

Do you know who did what?





Match the suspect to the crime

**USING A
WHIZZINATOR
FOR DRUG TEST**

**BATTERY
ON LAW
ENFORCEMENT**

**ATTEMPTED
STRANGULATION**

EMBEZZLEMENT

BURGLARY



**ATTEMPTED
STRANGULATION**

EMBEZZLEMENT

**USING A
WHIZZINATOR
FOR DRUG TEST**

**BATTERY
ON LAW
ENFORCEMENT**

BURGLARY



Match the fraud suspect to the crime

**Human
Resource
Theft**

**Contractor
Theft**

**City Finance
Theft**

Rental Scam

**Stole From
PTA**



**Stole From
PTA**



Rental Scam



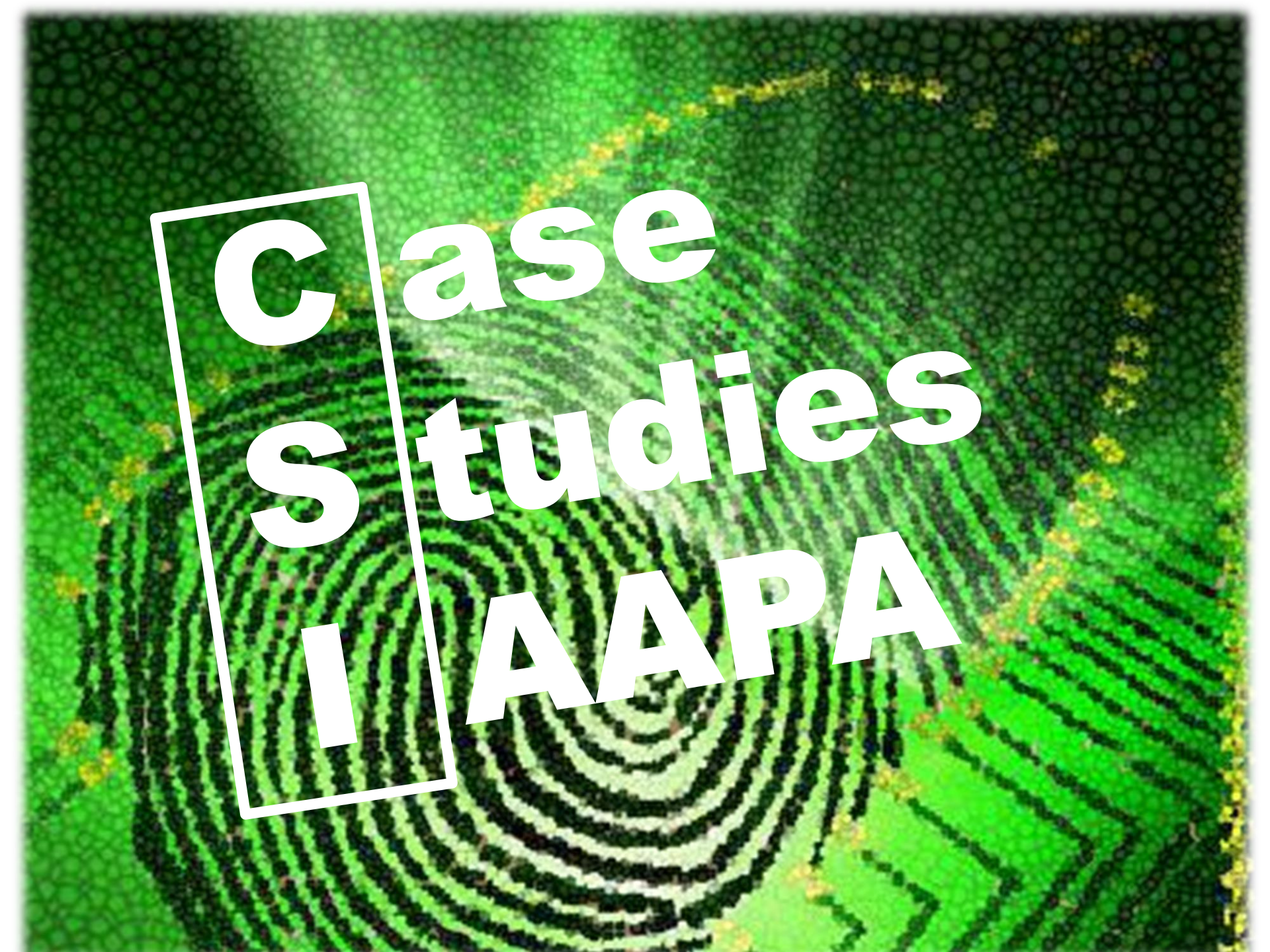
**Contractor
Theft**



**City Finance
Theft**



**Human
Resource
Theft**



case **s**tudies **I** AAPA

CASE FILE

**THE CASE OF CASH
INSECURITY**

**Games of
chance**



**Over/
Short
Reports**

CASE FILE

CONFIDENTIAL



CONCERNS



- Frequent unexplained cash shortages on various games based on meter readings
- Shortages seemed to be getting larger and more pervasive over time
- Games caches being returned to cash room, some with security tabs missing

CULPRIT: WHO DUNNIT?



**Cashroom
Staff**



**Security
Guard**



**Games
Employee**

CULPRIT: WHO DUNNIT?



**Cashroom
Staff**

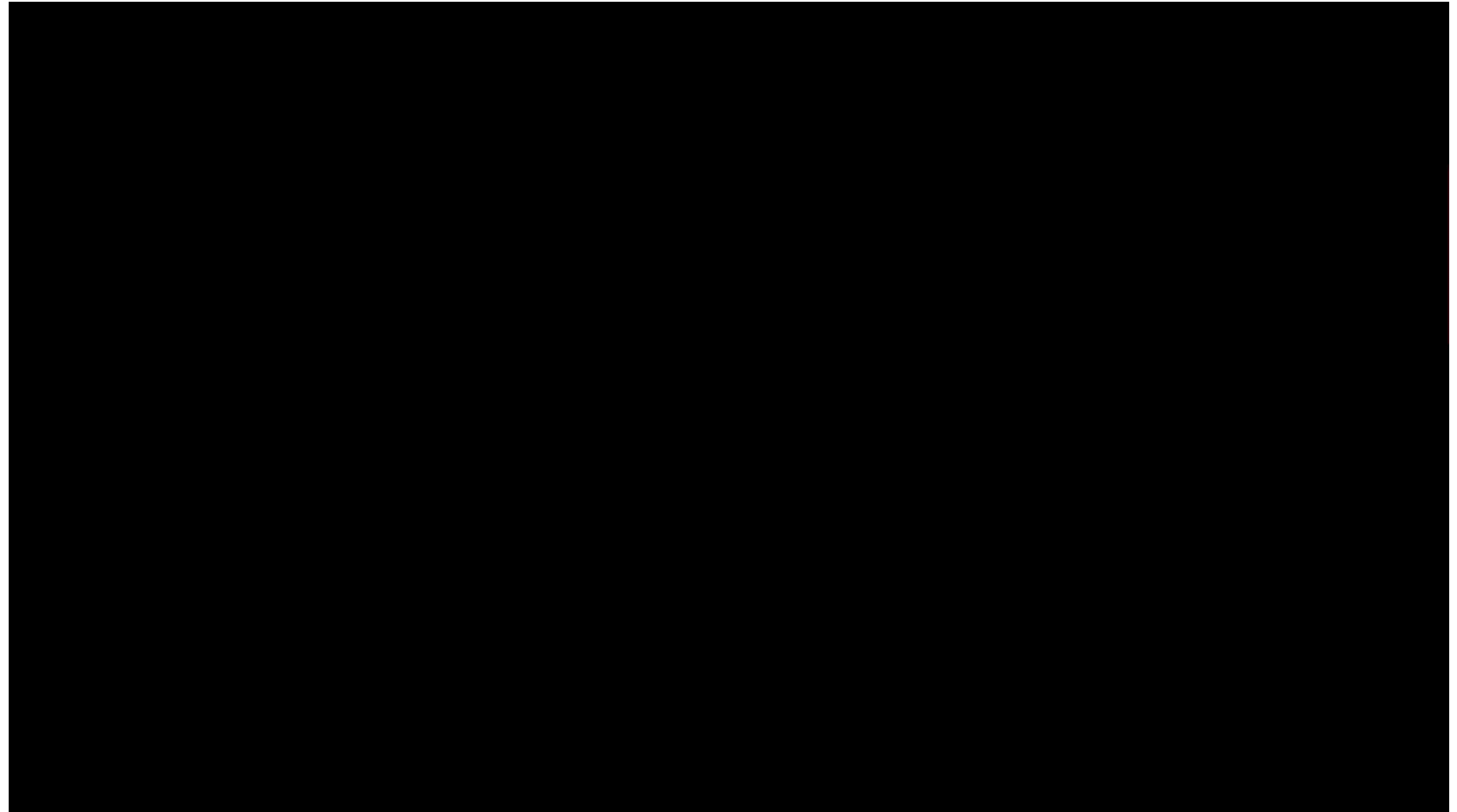


**Security
Guard**



**Games
Employee**

Confirmation/Confrontation: The Takedown



Consequences

- Estimated \$31,000 taken over approximately 4-8 week period, including \$2,500 recovered in sting operation
- Claim filed under crime policy, resulting in \$19k insurance payment after deductible
- Charges filed against employee; judgment awarded employer \$7k which is being garnished from wages



Conclusions: Case of Cash Insecurity

Existing Controls:

- Conducting routine criminal background checks
- Securing caches with security tabs
- Reconciling metered game readings to actual cash turned in
- Distributing over/short reports to Operations mgmt

Subsequent Additional Changes:

- Adding credit checks for new security hires
- Utilizing locked boxes to transport caches so transport personnel have no access to cash
- Adding 2nd transport staff and police escort



CASE FILE

THE CASE OF THE
(MIS)TRUSTED
SUPERVISOR

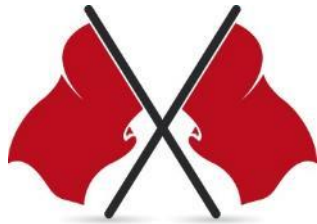
Ticket Refund, Anyone?



Refund Reports

CASE FILE

CONFIDENTIAL



CONCERNS



- Unexplained variances from manual counts and sign-out sheets
- Multiple refunds with no signatures or with similar signatures
- Team members concerned that they were not counting their own cash
- Too much access to certain systems

CULPRIT: WHO DUNNIT?



Supervisor



Ticket Seller

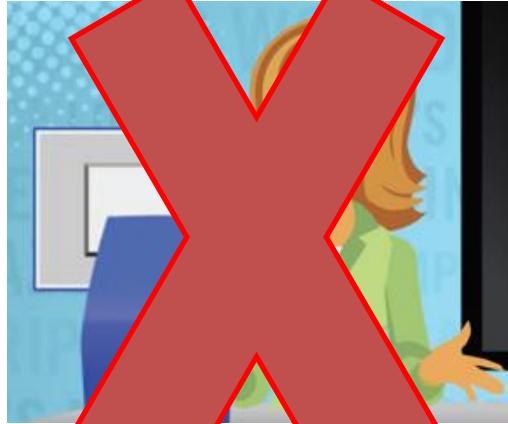


Manager

CULPRIT: WHO DUNNIT?



Supervisor



Ticket Seller



Manager

Consequences

- Identified thousands of dollars refunded and pocketed by the supervisor; this occurred over a period of several months
- After firing, charges were filed against culprit
- Warrant issued for culprit's arrest
- Culprit arrested and a judgment awarded for documented losses
- Culprit is currently paying restitution



Conclusions: Case of Mis-Trusted

Existing Controls:

- Refunds must be approved by a Manager or Supervisors
- Guests must sign refund slips

Subsequent Additional Changes:

- Reconciling physical refund slips to reports at closing
- Management runs daily and weekly refund reports to view trends



CASE FILE

THE CASE OF THE
SWITCHSTER
TICKET SELLER

**Did you get
your ticket?**



**Watch
Your
Trends**

CASE FILE

CONFIDENTIAL



CONCERNS



- Noticed a lower unexplained per cap
- Higher level of extremely discounted tickets
- Had a guest ask for a refund; they were not issued tickets

CULPRIT: WHO DUNNIT?



Supervisor



Ticket Seller



Manager

CULPRIT: WHO DUNNIT?



Supervisor



Ticket Seller



Manager

Consequences

- Identified transactions that were cleared prior to being finalized; printers turned off
- Sales were canceled and re-rung as highly discounted tickets
- Reviewed security footage and authorities called
- Culprit arrested onsite
- A judgment awarded for documented losses
- Culprit is currently paying restitution



Conclusions: Case of the Switchster

Existing Controls:

- All discounts are signed for by guests

Subsequent Additional Changes:

- Made a POS change so that no sales could be rung if printers turned off
- Review trends of ticket types sold by entire staff
- Review signed discount logs to reporting



A Commercial Break...

<https://www.youtube.com/watch?v=vGkGHhDqOoc>



CASE FILE

THE CASE OF THE
VANISHING
INVENTORY



F&B Outlets

COGS



CASE FILE

CONFIDENTIAL



CONCERNS



- Cost of sales seemed a bit too high on a consolidated basis.
- Not easy to get reports by F & B units due to old systems

Confirmation

- Auditors called in: Cash handling, Sales Journal and Inventory review
- Reconciliations between systems
- Forensic scripts written



Conclusions: Where's the Beef??



Conclusions

THE RESULTS

- Control issues: Warehouse transferred goods to units with no sign off at units.
- Inventory system was different to sales system which was different to GL system.
Inconsistencies never caught at a detail level.
- Employees could walk out the door with the goods and no one knew.



Confrontation: The Takedown

- Loss Prevention Supervisor set up a sting
- Caught more than 8 people in 1 month through surveillance, mystery shopping, and report reviews.



Conclusions: Case of Vanishing Inventory

Existing Controls:

- Retail units requisitioned goods and warehouse fulfilled after appropriate approvals
- Consolidated review of COGS
- F&B units not recording sales and pocketing money
- Inventory only done twice a year

Subsequent Additional Changes:

- Retail units to sign off on inventory received
- Units sales compared to unit COGS and inventory levels
- Set up pattern reports
- Inventory spot checked weekly to sales and COGS



CASE FILE

THE CASE OF THE GHOST EMPLOYEE



Park Services



**Overtime
Labor
Costs**

CASE FILE

CONFIDENTIAL



CONCERNS



- Excessive unexplained cost of labor in Park Services department, including OT costs
- Assistant Operations manager not having control over payroll costs

CULPRIT: WHO DUNNIT?



**Park Services
Employee**



**Payroll
Supervisor**

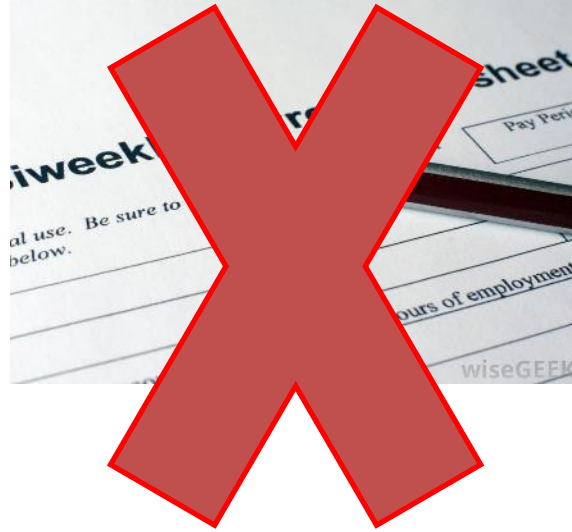


**Assistant
Operation
Manager**

CULPRIT: WHO DUNNIT?



**Park Services
Employee**



**Payroll
Supervisor**



**Assistant
Operations
Manager**

Confirmation/Confrontation: The Takedown

- Asst. Ops manager fired over labor mismanagement
- Particular Park Services employee found to not exist who was earning 80+ hours/week prior to manager firing
- Ghost employee's timecard punches were manually entered, not captured via biometric timeclocks
- Scheduling and timecard editing/approval duties were handled by same person: Asst. Ops manager



Consequences

- Identified \$9,448 in wages paid to ghost employee over a number of months; certain real employees friendly with culprit also had excessive OT but additional suspected collusion was not confirmed/confessed to
- After firing, unsuspecting culprit called back for meeting and arrested onsite; confessed to wrong-doing
- Charges filed against culprit; judgment awarded for documented losses to be recovered from ex-employee



Conclusions: Case of the Ghost Employee

Existing Controls:

- In-person hiring, including all proper ID and documentation
- Biometric time clocks
- Accountability

Subsequent Additional Changes:

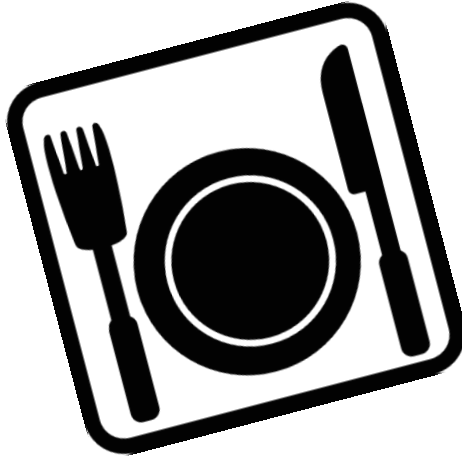
- Weekly OT alerts to all dept managers
- Cross referencing of scheduled vs. actual hours
- Weekly monitoring of hourly labor cost vs. budgeted
- Monitoring of manual punches
- Prohibition of sharing manager logins/passwords
- Segregation of duties (scheduling and timecard approvals)



CASE FILE

THE CASE OF THE
SELF-SERVING
WAITRESS

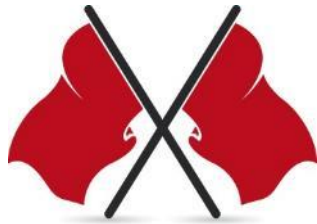
F&B



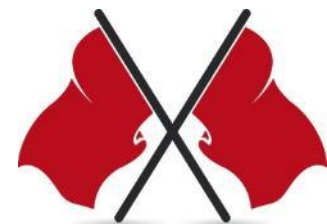
**Split
Checks,
Voids &
Discounts**

CASE FILE

CONFIDENTIAL



CONCERNS



- Discounts applied after guest check printed by a particular waitress/manager
- Self-authorized voids
- Unusual frequency of split checks

CULPRIT: WHO DUNNIT?



**Waitress
Extraordinaire**



**J1 International
Student**

**Long-standing, 9
seasons**

TRUSTED

**Worked way up
the ranks**

**Highly-regarded
by owners and
managers**

Confirmation

- Daily Micros sales journal reports pulled by IT and exported/analyzed in Excel for past 3 seasons (all that was available)
- Multiple voids self-authorized even though verbally prohibited (but not restricted in Micros)
- Items ordered by one table were being moved to another table (who happened to order the same thing) via split check feature AFTER first table was billed and BEFORE check was closed out



15/1 1120 GST 2
SEP13'14 3:43PM

EAT IN

1 CRAB CAKE SW	13.00
1 TURKEY REUBEN	11.00
1 COORS LITE	5.50
2 REG SODA	6.50
Subtotal	36.00
Tax	2.75
Payment Due	38.75

Visit us at **1** reyspiers.com

Suggested Gratuity

Guest received
this copy

The day!

15/2 1121
SEP13'14 3:43PM

EAT IN

2 REG SODA	6.50
Subtotal	6.50
Tax	0.59
Payment Due	7.09

Visit us at reyspiers.com

Suggested Gratuity

Guest does not
see this

Thank You! Have a nice day!

102 RJ (Test Only) 1
15/1 1120 GST 2
SEP13'14 3:43PM

EAT IN

1 CRAB CAKE SW	13.00
1 TURKEY REUBEN	11.00
1 COORS LITE	5.50
15.0000 %	
SEASON PASS DISC	3.60-
Food Sales	24.00
Beer/Wine/Liq	5.50
Discount total	3.60-
Tax	1.84
Total Paid	27.74
Cash	27.74

102 CLOSED **3** 3:43PM----

38.75-27.74=\$11.01

*** Do Not Pay This Check ***

102 RJ (Test Only) 2

17/1 1122 GST 3
SEP13'14 3:44PM

EAT IN

1 ROAST BEEF SW	11.00
1 BUFF CHKN WRAP	9.00
1 MOJITO	12.00
1 BAHAMA MAMA	12.00
2 REG SODA	6.50
Subtotal	50.50
Tax	2.39
Payment Due	52.89

Visit us at **4** reyspiers.com

Suggested Gratuity

Guest received
this copy

*** Call The Police ***

*** Do Not Pay This Check ***

102 RJ (Test Only) 3

17/1 1122 GST 3
SEP13'14 3:44PM

EAT IN

1 ROAST BEEF SW	11.00
1 BUFF CHKN WRAP	9.00
1 MOJITO	12.00
1 BAHAMA MAMA	12.00
2 REG SODA	6.50
15.0000 %	
SEASON PASS DISC	3.98-
Food Sales	26.50
Beer/Wine/Liq	24.00
Discount total	3.98-
Tax	2.03
Total Paid	48.55
Cash	48.55

102 CLOSED **5** 3:45PM----

Confrontation: The Takedown

- Director of HR and former friend called culprit in for meeting
- Initial denial turned into confession



Consequences

- IT analysis conservatively identified over \$5,200 in suspected fraud between split check fraud, void fraud and discount fraud cumulatively occurring over 3 seasons, possibly longer
- Employee readily agreed to and paid back \$4,200 in cash
- No charges filed given previous stellar standing; legal agreement signed holding Company harmless



Conclusions: Case of the Self-serving Waitress

Existing Controls:

- Pre-employment criminal/credit background checks
- Manager authorization required in Micros for voids
- Policy prohibited managers from self-authorizing voids and other restricted functions

Subsequent Additional Changes:

- Split check to another table disabled
- Regular discounts now scanned
- Manual discounts manager-authorized
- Custom reports auto emailed to management; flag suspicious activity



WRAP-UP



**Statistic: The typical organization
loses 5% of revenue per year to fraud**

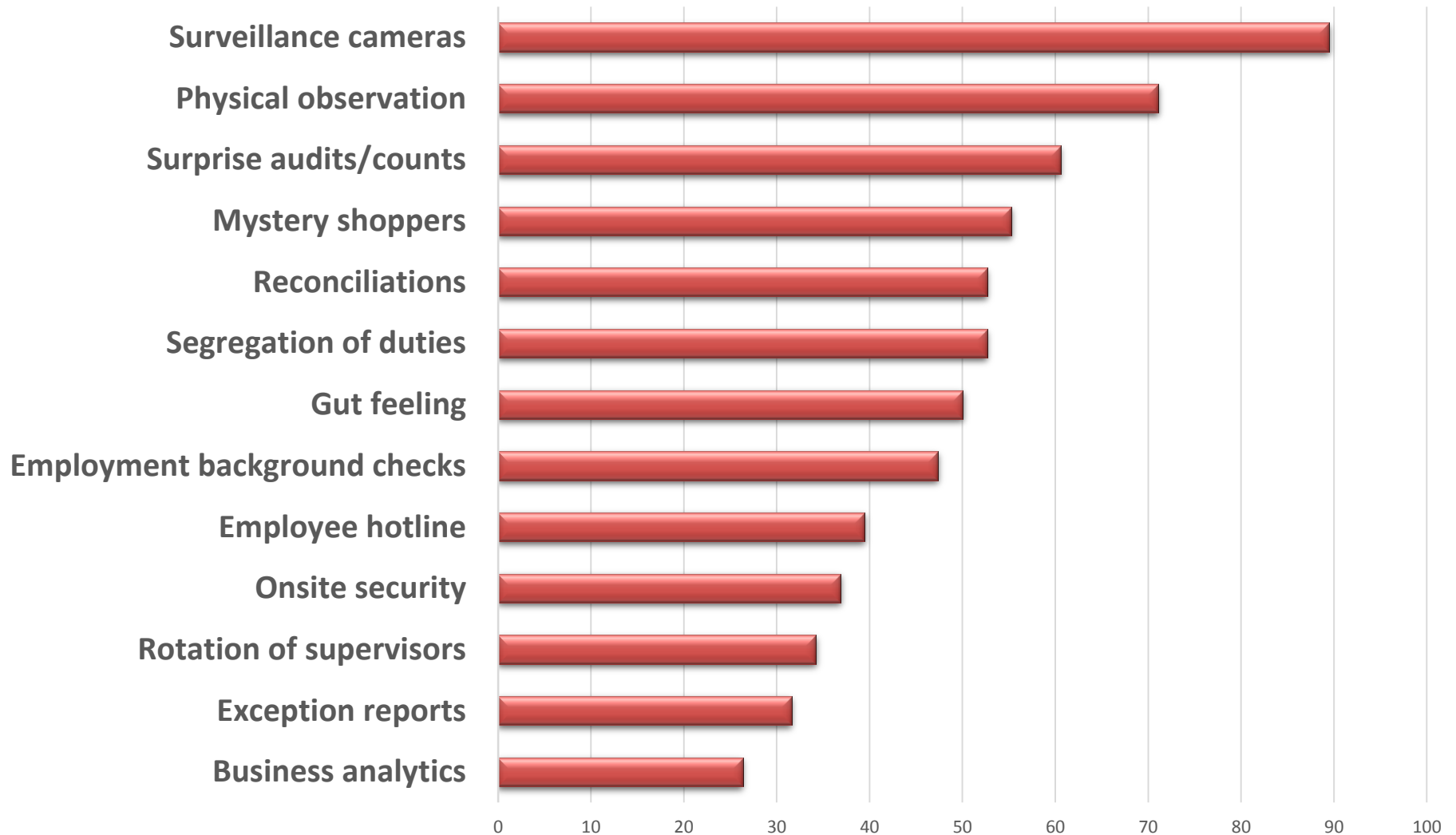


What's Your Fraud Mentality:

Personal Inventory Questions: On a scale of 1 to 5 (5 - Strongly Agree)	Weighted Average Scoring
We constantly evaluate every aspect of our operations to test for and/or identify vulnerabilities to theft or fraud.	3.56
We have taken proactive measures to protect our business from onsite customer fraud	3.67
We have employed a number of tools and practices to deter, prevent and detect employee theft.	3.67
We consistently apply policies and perform procedures designed to minimize the occurrence of fraud and theft in our business.	3.66
We believe we catch the majority of fraud and theft that occurs in our business.	3.06



What practices do you follow and/or tools do you employ routinely to combat theft and fraud?



What can you afford to do?

What can you not afford NOT to do?



Credits & Acknowledgements

“Faith” and “Mitt” – Sting video participants

Fraudster Profile Mug Shot slides courtesy of
Les Lake CFE, CREI
Lake Forensic Advisors, LLC





**STAY PUT FOR MORE!
NEXT UP: ONLINE FRAUD**