



Native American Insider

Issue #12 April 2013

Contact List



Through the transfer of knowledge to you, the tribal government, or enterprise, Tribal First enables you to increase your self-sufficiency in all aspects of risk management. For more information, contact:

Robert Shearer
Senior Vice President
(800) 552-8921
rshearer@tribalfirst.com



Trust your risk mitigation needs to Lowers Risk Group, an independent, internationally recognized provider of loss prevention, investigation, and enterprise risk management (including human capital risk) services to the Casino & Gaming Industry. For more information, please contact:

Steve Yesko, ARM
VP, Business Development
(540) 338-7151
syesko@lowersriskgroup.com



Great American is prepared to provide the insurance protection your casino needs to guard against fraud, theft, robbery, kidnap and ransom, or computer crime. For more information, please contact:

Stephanie Hoboth
Vice President
(860) 285-0076
smhoboth@gaic.com

Severe Burn: How Pre-Job Planning & Assessment Reduces the Potential for Accidents and Injury

Workers often address day to day tasks as mundane and do not take time to recognize or properly address the hazards of each job task. Management may, at times, approach job safety as if it is too costly, creates extra work, or alternatively, they may see safety as common sense.

Serious accidents can occur when employee complacency is combined with lack of proper safety management. As you will read in the summary below, both of these conditions are present. Ask yourself "How would my organization approach this problem?" Depending upon how you answer, it may be time to consider implementing a structured safety program or enhancing employee safe practice compliance.

Accident Summary

Task: A maintenance worker was assigned the task of repairing PVC piping located in a small mechanical room. The room was approximately 10'X10' and was poorly ventilated. The job required the use of PVC primer and PVC glue.

Incident: Both the PVC Primer and Glue are extremely flammable. The maintenance worker failed to terminate and/or lock out energy sources in the room. During the process of repairing the PVC pipe, containers were left open for extended periods and an ignition source was present. Vapors from the primer and glue created a combustible atmosphere which eventually resulted in an explosion and injuries were sustained by the employee.

Injury: The maintenance worker experienced first and second degree burns to his hands, torso, head, and face as the result of a "flash explosion."

Prevention: In most accidents, multiple factors lead to the cause. Management and employees must share the responsibility of enforcing safe work procedures and following safe work practices. The following are items which would have prevented the accident from occurring.

Management had Safety Data Sheets and a Hazard Communication Program in place but they did not have a Material Safety Data

Sheet/Safety Data Sheet (MSDS/SDS) available for the products being used. Management should have also had a practice in place to obtain MSDS/SDS when new chemicals were brought into the operation. In this incident, the primer and glue were purchased from a local hardware store. MSDS/SDS can be obtained by going to the manufacturer website or calling a toll free number and having them faxed, emailed, etc. Training should occur upon hire and anytime new chemicals are used within the operation to ensure that employees understand any new hazards and required controls associated with the product. The employer only provided initial basic Hazard Communication Training.

Maintenance Worker did not take the time to evaluate the job and potential hazards and was complacent in his approach to completing the job. He should have obtained a copy of the MSDS/SDS from the manufacturer, read and understood the warnings. By doing so, he would have known that he needed to eliminate all ignition sources in the room; lock out power and cap containers between application to reduce the accumulation of flammable vapors and the creation of an explosive environment. Using a fan to help ventilate the area initially sounds like a good idea but the fan would have needed to have been properly rated for use in a flammable/combustible atmosphere. The employer did not have such equipment and it was not necessary in this case.

Additional items such as the wearing of proper personal protective equipment were also ignored but these did not turn out to be variables in the accident.

Continued on page 4

Inside This Issue

Severe Burn: How Pre-Job Planning & Assessment Reduces the Potential for Accidents and Injury	1
Sparky Inc.	2
The Hidden Risks of Occupational Fraud	3
Severe Burn....(continued)	4
Whitepaper: <i>Employee Theft in The Casino & Gaming Industry</i>	

Sparky Inc.

Casino operators are always on the alert to detect any kind of gaming scam, or employee dishonesty involving gaming operations. However, often some casinos are not so vigilant when it comes to the more mundane day-to-day support matters, such as maintenance, restaurant, hotel activities, or the myriad subsidiary companies many casino based companies operate.

Upper management of an older casino decided it was time for a complete renovation. They hired a construction engineer, who drew up a renovation plan complete with construction schedules. He recommended they act as their own general contractor, which they did, appointing the engineer to direct each stage of the renovation.

The first stage of the renovation was to be a complete upgrade of the building's electrical system. The engineer solicited bids from four companies and awarded a contract to the lowest bidder. The electrical company was added to the casino's approved vendor list and work commenced.

The next stage was a major upgrade to the air conditioning system. The engineer rejected a bid from the casino's long time HVAC vendor in favor of a bid from a new company in a nearby city. Work began on the air conditioning roughly three months after the electrical work was completed. In another six months, the new air conditioning system had been installed and the job was completed. Room renovation was done floor by floor and included installation of upgraded plumbing items, new telephones, Wi-Fi transceivers, and new carpeting. In each case, the engineer went through a bidding process, awarded contracts, and added the vendors to the casino's approved vendors list.

The engineer, now a vice president of the company, was in the process of finding decorators to redesign the casino floor when the security director received an anonymous phone call. The caller informed him that the engineer / vice president was receiving kickbacks from the electrical and HVAC companies. The security director discussed the call with his CEO, and they reported the matter to the local police, who commenced an investigation. They did not confront the vice president.

After obtaining subpoenas for the HVAC and electrical companies' bank accounts, the police uncovered they had paid over \$950,000 to Sparky Inc., a duly registered corporation in the same state. The vice president and his wife were the owners and officers of Sparky Inc. Sparky's bank records documented the purchase of expensive cars, considerable gambling activity, and some elaborate vacations. When confronted, the vice president admitted the whole scheme. The casino recovered most of the money from their crime carrier. The vice president and his wife were both sentenced to lengthy prison terms.

During the whole two year period of this loss, there was no oversight of the engineer / vice president. While the casino did have an approved vendor list, there was no background investigation done on any of their vendors. If there had been, it would have been discovered that the HVAC company had two prior felony theft convictions in another state. A careful comparison of the HVAC invoices would have shown that the casino was billed in duplicate for much of the work. The electrical company also double billed. The CFO was terminated. The loss could have been avoided if the engineer had been supervised and if the approved vendor procedure included a background investigation of the vendors. Considering the multi-faceted nature of casino operations, they are more vulnerable to vendor fraud than other businesses. Practicing these basic controls could have saved the company time and money by preventing this loss.

*By William F. Marston, VP, Crime Claims
Great American Insurance Group
Fidelity / Crime Division*

The above narrative is fictional; however, it is based on situations that have been reported.



The Hidden Risks of Occupational Fraud [Infographic]

Your organization is at higher risk for occupational fraud than you might think. United States organizations lose more than \$652 billion annually to fraud perpetrated by employees, often managers or executives. Victims include private or public companies, not-for-profits, governmental agencies, and any other type of organization where managers and employees have access to financial or material assets.

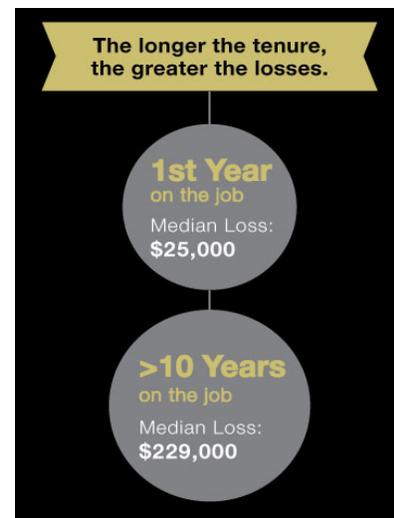
One of the most challenging aspects of occupational fraud is that the perpetrators are usually people who have no prior criminal record. Well-run organizations use background checks to minimize risk in hiring, and prior infractions are generally grounds for refusing to hire a person. Yet people with previously clean histories who have earned trust in their positions may abuse that trust, using their privileged access to steal.

Perpetrators of fraud can exist in any place in an organization, but as our new infographic demonstrates, there are patterns showing that risk varies with role. For example, losses are greater the higher a person's position is in the organization, and the longer he or she has been employed. Specific types of occupations are associated with a higher incidence of fraud.

Highlighting the Need for Proactive Fraud Prevention

The hidden risks of occupational fraud can make it seem like you can't trust anyone you work with. The truth is that proactive **fraud prevention** tactics you employ to prevent losses can also help preserve an open, trusting work environment.

Lowers Risk Group's latest infographic, several excerpts shown below, features data from the Association of Certified Fraud Examiners' [2012 Report to the Nations](#). To view this infographic in its entirety, and other related blog posts, please visit: <http://www.lowersriskgroup.com/blog/>.



Severe Burn—How Pre-Job Planning & Assessment Reduces the Potential for Accidents and Injury

Continued from page 1

Cost of Accident: Due to fast thinking co-workers, the maintenance worker escaped suffering long term disability and was fortunate that he was not disfigured and did not lose his life. Putting yourself and your employees in the "maintenance worker's shoes," would your organization or employees have approached the job any differently?

Everyone's main concern is the maintenance worker's health, but the monetary cost of the accident cannot be ignored, especially since this was a task that most would think requires little to no safety preparation. In hindsight, this was not the case. The following costs categorically apply and contribute to both the insurance cost and the "out of pocket" expenses that must be paid by the employer.

- Airlift to Burn Center
- Medical treatment and hospital stay for 3 nights
- On-going medical treatment
- Regulatory agency inspections and resulting violations (Fire Authorities and OSHA)
- Equipment repair
- Loss of business and interruption of operations
- Loss of production
- Paid temporary disability for maintenance worker for time off
- Cost of temporary replacement or co-workers' overtime
- Management time to work with officials, regulatory agencies, and insurance claims professionals
- Future insurance premiums

Lesson Learned: Basic injury and accident prevention pay large dividends. Following the stated prevention tips would have conservatively taken less than 30 minutes which would equate to about \$10. The accident easily cost the organization over \$50,000 and the maintenance worker was minutes from severe disability, disfigurement, or even death.

By Tim Leech, ARM, CSP
First Vice President
Tribal First Risk Control Consulting

Lowers Risk Group & Great American Insurance Group Risk Mitigation White Paper Series: *Employee Theft in the Casino & Gaming Industry*

Excerpt from *Employee Theft in the Casino & Gaming Industry* whitepaper:

Some people are wondering if the emphasis on employee theft in the casino and gaming industry has been lost. In the December 2010 edition of Casino Management, in an article entitled, "*What is the Real Cost of Employee Theft?*," Douglas Florence, Sr. approaches the subject. Looking at the microcosm that is Nevada, Mr. Florence notes that, when a criminal arrest was made in Nevada, 67% of the monetary values involved in the crime were the result of employee theft – either carried out alone, in collusion with coworkers, or with assistance from outside, third-party accomplices or agents.

If true, the statistic is alarming and points to an increased potential for employee related crime of all types – theft, fraud, embezzlement, extortion – especially for the casino and gaming industry which continues to expand even amongst the toughest of economic times. When extrapolated from its Nevada context, by rights a state already hard hit by the recession with high unemployment and the housing collapse, but also a state with a heavy casino and gaming footprint, might not one wonder what impact increased employee related crime would have on gaming development within their respective states? This white paper looks at the domestic casino and gaming industry as it stands today, as well as where it appears to be heading, and attempts to examine the validity of concerns regarding employee related crime based upon a variety of research studies and industry reports.

To learn more about how proactive [loss prevention](#) can work in your organization, and to request this whitepaper please [contact us](#).