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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



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



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

Lucky Diamond Casino Manager Accused Of Embezzling Nearly \$400K

The article below chronicles events that occurred in 2011; however, crimes such as this can happen today.

A former manager of Lucky Diamond casinos in Missoula and Billings [Montana] has been accused of embezzling more than \$383,000. Scott Peterson allegedly used casino funds to repay personal financial obligations and then attempted to cover his tracks by altering accounting records, according to court records filed in Missoula County Justice Court. Peterson is charged with three counts of felony theft by embezzlement, one count of felony deceptive practices, and one count of felony evidence tampering.

Each count carries a maximum sentence of 10 years in prison and a \$50,000 fine. Peterson allegedly committed the crimes between January 2006 and July 2010, and most occurred in Missoula County. According to an affidavit filed by prosecutors in Justice Court, here's how the case unfolded:

Peterson was hired in 2006 to manage Lucky Diamond casinos in Missoula, Billings, and Billings Heights. As manager, he wrote checks, made bank deposits, paid bills, and made data entries in the accounting system.

Casino owners noticed discrepancies in their financial records sometime during late 2009 or early 2010. A fraud examiner conducted a financial audit and concluded that Peterson used business checks and credit cards to pay for personal expenses. Peterson also allegedly took cash from casino vaults and issued IOUs that were never repaid.

A review of the financial audit by Montana Gambling Investigation Bureau agent Tim Theisen indicated Peterson also altered entries on the casino's accounting system sometime during July 2010. The loss was finally totaled at more than \$383,000. Peterson was eventually confronted by casino management and admitted to embezzling from the business.

In an interview in April with Theisen, Peterson admitted to embezzling money from the casino and falsifying accounting records to conceal his criminal activity. Peterson has made partial repayment of \$64,000, but he also apparently bounced a check intended to repay some of the IOUs he'd previously written.

This type of loss could have been avoided if the casino implemented separate controls for all of their banking procedures. The same person should not have the ability to write checks and pay bills without verifying with someone else first. The casino could have utilized a second person to countersign all check above \$10,000 and then have a separate employee to reconcile the banking transactions. Trusting a single employee to handle all of the banking controls is too big of a gamble for any casino to take.

Sources:
Mark Boatman for the Missoulian
Tyrone Bell, Account Manager,
Great American Insurance Group, Fidelity / Crime Division

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Whitepaper— Banking Audit: A New World

The following excerpts are from the whitepaper recently published by Lowers Risk Group entitled *Banking Audit: A New World*. This paper looks at changes to the regulations that are impacting the armored carrier industry and the financial institutions that work with them. These changes and regulations could also potentially impact casino and gaming operations.

Background

The banking industry has undergone significant and historic change since the financial crisis of 2008. The Dodd Frank Wall Street Reform and Consumer Protection Act created heightened expectations and new regulations for financial institutions. This, in turn, has created the need for additional levels of oversight within the financial institution itself. However, it isn't just financial institutions that are feeling the impact. Third party service providers of financial institutions, including armored carriers, are being impacted as well.

Regulatory Developments

Anti-money laundering guidelines have been redefined and additional regulations, driven by the Treasury, have been introduced. The governmental agency responsible for monitoring the financial system is The Financial Crimes Enforcement Network ("FinCEN").

FinCEN's mission is to safeguard the financial system from illicit use, combat money laundering, and promote national security through the collection, analysis, and dissemination of financial intelligence and strategic use of financial authorities. Financial institutions, as well as the armored car (CIT) industry, are required to abide by FinCEN reporting requirements.

In theory, this adds a layer of accountability to ensure customer accounts have been properly researched and cash deposits are legal. Both banks and CIT carriers have an obligation to report inconsistent deposit activity that doesn't match with the typical customer deposit profile. As banks outsource to the cash in transit (CIT) industry, they share accountability to record cash deposit/withdrawal anomalies and escalate reporting (as applicable), or face stiff penalties.



On March 17, 2014, Thomas Curry, Comptroller of the Currency, spoke before the Association of Certified Anti-Money Laundering specialists. His remarks focused on compliance with the Bank Secrecy Act / Anti-Money Laundering Laws (BSA/AML) but his statements were reportedly broadly applicable to other risk management concerns of current interest to the OCC and other federal bank regulatory agencies.

Mr. Curry indicated in his remarks that most underlying BSA/AML infractions can be traced back to these underlying deficiencies: 1) The organization's culture of compliance, 2) The resources committed to compliance, 3) The strength of the organization's information technology and monitoring process, and 4) The quality of risk management.

Mr. Curry went on to say that these are the qualities that have an impact well beyond BSA/AML compliance and that "go a

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Whitepaper— Banking Audit: A New World

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long way toward explaining how well an institution deals with credit and operations risk.” One can certainly see how an organization’s “culture of compliance” will impact the quality and reliability of any compliance audit program.

Financial institutions continually look for creative methods for cost reductions and at the same time internal audit programs become more detailed and often without the ability to properly measure results. Audit procedures are generally self-written and based on an implied set of standards drawn on the knowledge and experience of current employees or the hiring of industry experts to obtain an independent survey/review.

Conclusion

In recent years there has been a significant increase in government policy reform and regulation to monitor financial institutions. Audit controls associated with cash service providers are paramount as banks are held accountable to more stringent standards to protect banking customers and the bank. This level of oversight, as well as the creation of other government agencies to identify potential anti-money laundering and terrorist funding operations, has created the need for thorough professional audit procedures and controls.

Administering these procedures and controls with only internal resources tends to be more costly and can actually create additional risk. Losses from lack of oversight are common and much more costly when there are inadequate audit and compliance programs. A qualified third party working within the framework of industry standards or best practices, as well as the requirements of the financial institution, may properly address areas of compliance and audit findings as well as appropriate remediation efforts.

With its extensive knowledge and expertise in the cash handling industry, Lowers & Associates understands how best to employ the current "best practices" standards. Lowers & Associates has programs in place with the leading CIT carriers and insurers alike to both evaluate internal controls compliance, as well as perform full inventory cash and coin audits in any organization on whatever frequency is deemed necessary.

To download the complete *Banking Audit: A New World* whitepaper click on the graphic below. If you have questions about how Lowers Risk Group can assist your organization, we invite you to [talk to a risk management consultant](#).



Calgary Thieves Break Into Casino And Steal An ATM That Had No Money In It

National Post—January 29, 2015: The two culprits who broke into a Calgary casino Wednesday morning and made off with an ATM are in for a surprise.

“There’s no money in the machine,” said Staff Sgt. Travis Baker. “If they haven’t gotten into it yet, I’m sure they’re fairly disappointed right now.”

Security at Casino Calgary at 1420 Meridian Road N.E. notified police at around 6 a.m. to report what was initially believed to be an armed robbery, resulting in a heavy police presence in the area. Police later determined two offenders in dark clothing had smashed the glass doors of the casino with a crowbar to gain entry to the building, then headed straight for the ATM.

Security footage shows the culprits loading the ATM onto a dolly and making their way outside, the machine at one point toppling on top of one of the crooks as they exit the building. Police say the two got into a waiting vehicle believed to be a silver colored minivan. Unbeknownst to the duo, the machine was in the process of being moved to a different part of the casino and was out of order and contained no cash, Baker said.

There were about eight to 12 security and cleaning staff inside the closed casino, but no one had any contact with the offenders and none were injured, said Vince Pao, spokesman with Pure Canadian Gaming, which runs Casino Calgary and three other casinos in the province.

The casino was evacuated and searched. It later reopened for business at 11 a.m., he said. Pao said Pure Canadian Gaming is cooperating with the investigation, providing police with all the information, and will be reviewing the casino’s security procedures.

He added he’s not concerned about similar smash and grabs happening at any of the company’s other casinos. “I’ve never heard of this happening at any of our other properties,” he said, adding he believes this was a “very isolated incident.”

The offenders remain at large. Baker said investigators are taking a closer look at a gold Nissan Murano SUV that was in the area, as well as a back seat that was discovered about a block away that may have been removed and dumped from the getaway vehicle. He said this is one of 13 ATM smash-and-grab thefts since August, where offenders use a vehicle or weapon to crash through the doors or windows of a business.

In each case, very little to no money has been stolen — the machines are often emptied several times daily and at the end of the business day, which is why it’s puzzling that so many people continue to attempt these thefts.

“In reality, stealing an automated teller machine is probably a bad idea for making cash. Not a substantial amount of money is obtained from these for all the work, the effort,” Baker said, adding tools like grinders, axes, and chisels are needed to get to the cash box within the machine.

“In most of the cases, these individuals have been absolutely unsuccessful in stealing the machine, never mind getting the money out of it. Most often the machine is too heavy, it’s bolted down, it’s too hard to get out of the store, they cause too much damage, or as we saw the other day, the vehicle got jammed inside the store and they couldn’t even get the vehicle out of the store, never mind the cash machine.

“It’s a very ineffective way to make a living.”

