



Native American Insider

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Controlling Losses in Vacant Buildings

Vacant properties can present significant loss potential to any business. Although the location of the property and problems that exist in a particular area may vary, it is critical that commercial property owners understand and recognize the most common vacant property risks to ensure proper measures are taken to mitigate losses.

Common areas of loss associated with a vacant property include:

- Vandalism
- Break-ins and burglary
- Damage from fire and smoke
- Water damage
- Damage from storms and wind

Losses can happen at any time, and the duration of time a property is vacant can increase the risk of damages to the building. The longer a property is vacant, the more likely a loss will occur.

Prepare for Vacancy

Proper preparation prior to a building becoming vacant can help reduce loss exposures. The following are steps that a property owner or manager should consider prior to a building becoming vacant:

- Mitigate exposures from hazardous operations, in particular those involving flammable liquids and hazardous materials.
- Secure and shut off unnecessary utilities and eliminate fire hazards within the building by removing combustibles and debris within 25 feet of the property.
- Notify police and fire departments that the property will be idle, and retain a central station to monitor water-flow and security alarms.

- Plan for regular tests of fire protection system alarms to ensure they are operational.
- The installation of fencing or other barriers to limit access to the property can also help deter vandalism.
- Consider installing variable light timers to increase the appearance that the building is occupied, and ensure lights do not turn on and off at the same time each day.
- Instruct employees and subcontractors on security practices for the building.

Lighting

Over 90% of crime occurs after dark. Lighting is a tool that when used wisely, can increase security and safety. How much light is needed depends on the size and characteristics of the area. A good way to determine where light is needed is to visit the property at night and think like a criminal.

- Where could someone break in?
- Where would someone hide? Can others see activity in or near the building?

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Think Theft Can't Happen At Your Casino? Think Again!!!

Below are actual news headlines, all associated with losses in the gaming industry:

- "Former Casino HR Manager in California Pleads Guilty to Embezzling \$400K"
- "Virginia Women Charged with Embezzling more than \$1.2 Million from a Casino & Racetrack"
- "Police Arrest One, Search for Another after Casino Robbery and Chase"
- "Mississippi Woman Accused of Embezzling \$195K from Casino"
- "Alabama Women Sentenced in Casino Embezzlement Case"
- "Suspects Arrested in String of Convenience Store, Casino Thefts"
- "New York Couple Sentenced in Embezzlement Casino Laundering Case"
- "Iowa Woman Sentenced to 15 Months Prison for Casino Embezzlement"
- "Former Woodstock Woman Pleads Guilty in Casino Nightclub Embezzlement Scheme"
- "Atlantic City 'Fake' FBI Agent Convicted of Casino-Hotel Robbery"

To keep your casino out of the headlines, here are some internal controls to consider:

- Ensure adequate barriers are placed between the cashier's cage and the patrons. Steel bars are recommended.
- Armored car service should be used for all deliveries of money, securities, and other valuables.
- Limit cash on hand by scheduling frequent deposits.
- Implement an authorized master vendor list and conduct background checks on all vendors. Vendor Fraud is the number one type of employee theft loss.
- Establish or review the casino's employment screening program consisting of background checks and drug tests, and ensure the program is comprehensive, role-specific, and legally compliant.
- An annual CPA audit is recommended.
- Proper segregation of banking and payroll duties is crucial.



Source: <http://fraudtalk.blogspot.com/>

*By Tory Knauf, Account Manager
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Are You Doing Enough To Protect Against Financial Fraud?

Yet more evidence of the prevalence of financial fraud against organizations has emerged from a recent poll by Kyriba. The poll found that almost 80% of organizations had been victims of fraud. The very high proportion of victims is startling in itself, but it is consistent with information we have presented in previous articles that organizational fraud is a global problem, costing 5% of top line revenue annually.

Almost 30% of the respondents to the Kyriba poll reported suffering financial losses, but we think this is a conservative number in this context. Organizational fraud is a hidden crime that sometimes is difficult to detect, even long after the fact. When organizations do detect fraud, they may have incentives to minimize publicity about the crime, so underreporting is probable.

Fraud Occurs, But Fraud Prevention Lags

Taken together, this information is a clarion call to executives and managers to implement rigorous anti-fraud controls. Yet the poll found that over one-third of respondents had not reviewed or updated their fraud prevention controls in over a year. In fact, 18% believed that their organization had *never* installed or updated a fraud prevention program.

Sometimes it seems like it should be easier for victims, many of whom are sophisticated individuals or organizations, to detect financial fraud. But the Bernie Madoff case has shown us how easily investors can be fooled by timing deposits, moving cash from one account to another, delaying responses to questions, or simply not providing requested information at all. All of these kinds of subterfuges should be detected by a fraud prevention program, but obviously the program has to exist in the first place.

A new range of threats has evolved in the rapid growth of extensively networked digital systems. We have seen the massive losses that external theft can cause, as in the Target case, but loss potential is also large for internal theft and fraud. The challenges in these cyber thefts involve both organization (comprehensive access control, for example) and continuous reviews of performance through audits of digital transactions.

Active Prevention Processes are Essential

We have long argued that systematic financial fraud prevention controls should be an integral part of every organization's risk management program. We cannot know with certainty, in advance, when unseen flaws in controls will be found, or flaws in software will come to light.

An organization's best defense against these possibilities is regular, rigorous audits and internal controls designed to detect irregularities in financial flows quickly.

*By Mark Lowers
President
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Lighting should be bright and positioned to prevent dark areas around the property. Keep in mind that dim light provides enough light for criminals to see what they are doing, but not enough for others to observe them. Bright light allows for easier property observation by police, security, neighbors, and others. In some cases, darkness can be better than lighting. If there is no one around to witness and report crimes *and* if lighting helps criminals see what they are doing, darkness may be a better alternative.

Inspect the Property

A simple way to reduce losses associated with a vacant property is arranging frequent and unscheduled inspections; including the use of an outside security service. Working with a security service or local law enforcement to conduct frequent rounds will detract vandals and thieves.

Visit the property at least once per week to evaluate the condition of the building and damages that may have occurred. The visit should include checks of general conditions to ensure that important areas are secured and that all fire protection intrusion detection systems and fencing are maintained and in working order.

Maintain the Property

Plan regular maintenance routines to check pipes, foundation, roof, gutters, and look for insects or other pests that may damage the property. Regular maintenance can reduce the risk of damaged or frozen pipes, sprinklers that leak, or damages associated with weather.

Property owners should maintain landscaping to give the appearance of occupancy and to reduce hiding spaces from shrub and foliage overgrowth. Ensure that foliage near light fixtures and entrances are maintained as to not effect light direction.

Holes or gaps in the fencing should be repaired. Fencing should also be checked for adequate attachment to post and ties.

Take measures to repair damages, such as graffiti and other items immediately. Frequent maintenance will help lower the cost of repairs.

Check Fire Detection Systems

Fires can occur unexpectedly and the resulting damage in vacant buildings can be significant. To mitigate this risk, ensure that the fire sprinkler and detection systems are working properly. Conduct weekly recorded inspections of sprinkler control valves, fire extinguishers, and other fire protection equipment.

Vacant properties pose a variety of risks. Routine property maintenance and repairs will reduce the potential of damages as well as the resulting financial impact associated with repairs.

*By Brent Escoubas, Vice President
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