

# The Casino Shield



## The California Heist

It was a cool October night at a small casino in Southern California. The casino had just closed for the day and an inventory of funds was underway. Deposit cash totaling \$521,897 was secured inside locked cabinets in the main bank room, which was secured by one locked door and equipped with five security cameras. The following is an example of why it is of the utmost importance for casinos to store their cash in a highly secured environment.

At approximately 3:00 AM two armed guards began their patrol of the premises assisted by the casino's "eye in the sky" system. As the surveillance agent and patrol guards diligently went about their nightly duties, four men made their way to the casino's rooftop. Access to the roof was gained by climbing up from the trash area, then entering an air conditioning access door. The men then dropped down a vent into the interior space above the casino ceiling. The suspects proceeded to the area above the main bank room and cut all five security camera leads and dropped down into the main bank room. Once inside the room, the suspects pried open the locked cabinets and removed over \$500,000 in cash. The suspects then swiftly exited the main bank room by placing a table under the ceiling access door.

The next morning, at approximately 8:00 AM, the cage supervisor discovered the loss. The authorities were promptly notified and the preliminary investigation began as the police confiscated the damaged cabinets and the table used to exit

the cage area through the ceiling access panel. The investigation was turned over to the FBI with the county sheriff providing assistance. It was the belief of the cage supervisor that whoever entered the main bank room had intimate knowledge of the facility.

The first order of business was to question the surveillance agent who was on duty the night of the robbery. It is the responsibility of the surveillance agent to monitor all security cameras throughout the casino area and log any discrepancies. A review of recorded video following the discovery of the loss, revealed that all five cameras stopped sending signals, one after the other, at approximately 3:12 AM. A multi-colored alert was then shown on surveillance room monitors indicating "Signal Lost" at that time. However, the surveillance agent made no entry into his log regarding the lost signals and did not notify security or his supervisor about the event. Upon further investigation, it was discovered that the surveillance agent had given his two week notice to end his employment two days prior to the robbery.

This scenario proves how important it is to have adequate security measures in place and secure cash properly. The cage supervisor's suspicion might indeed be true, but unless there is a slip-up by the perpetrators, it is unlikely they will ever be caught.

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## Contact List



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 M. Hoboth**  
 Vice President  
 (860) 285-0076  
[smhoboth@GAIG.com](mailto:smhoboth@GAIG.com)



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**Steve Yesko, ARM**  
 VP, Business Development  
 (540) 338-7151  
[syesko@lowersriskgroup.com](mailto:syesko@lowersriskgroup.com)

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## We All Practice Due Diligence (And May Not Even Know It)

The term “due diligence” is used extensively in many legal articles and complex business transactions. It sounds complicated but in reality, due diligence is simply the process of “doing your homework” before you make a major commitment, either on a business or personal level. For example, prior to purchasing that new car, what do virtually all of us do these days prior to paying a visit to a car dealer? Of course, we check the internet for the target best price, the dealer cost, and any low interest financing deals so we can be prepared to counter the first three or four “sweet deals” offered by the car salesman. Although we may not really think about what this process involves, we are doing our “due diligence” prior to buying the car to get the best deal possible.

Due diligence can be as simple as just asking the proper questions and making sure that a situation isn’t “too good to be true.” Probably each of us has, at one time or another, been sold a “lemon” or defective article only to be told the old adage, “let the buyer beware.”<sup>1</sup> The term “due diligence” first came into use after enactment of the Securities Act of 1933. It was included in this act as a defense against holding broker-dealers liable for non-disclosure of certain information to investors that was not discovered through an investigation.<sup>2</sup> The term has now been applied to a large number of mostly business and corporate finance related transactions. Typically, in this type of environment, a due diligence investigation would be conducted by a company seeking to acquire another company. In this setting, a due diligence review would likely include audits by licensed professionals in the following areas: Compatibility of business operations; financial operations; legal and regulatory affairs; marketing operations; production facilities; management personnel; information systems operations and security; and financial reconciliation.<sup>3</sup>

Although due diligence reviews are most often conducted in complex business transactions, this does not mean that we, as individuals, should not practice our own form of due diligence in our financial and personal affairs. Remember Bernie Madoff and his once upon a time overjoyed investors. Bernie was making returns for his investors in the range of seven to ten percent per year when average investment returns were running in the three to five percent range. This “too good to be true” fairy tale ended abruptly on March 12, 2008 when Mr. Madoff pled guilty to running a massive Ponzi scheme that cost his investors more than \$50 billion in losses.<sup>4</sup> Many of the investors were wealthy individuals; however, far more of the losses were incurred by corporate investment advisors and mutual funds who failed to conduct a proper due diligence of Mr. Madoff’s operations.



This failure to conduct such a review was made even more unforgiving since there were a number of “red flags” that should have alerted individual and certainly institutional investors that there were potential serious problems with Mr. Madoff. For example, the investors allowed Mr. Madoff to provide trade confirmations three to five days after trades were made rather than daily as promised; they allowed Madoff to use weighted averages rather than individual trade prices on trade tickets for securities claimed to have been bought or sold; they did not investigate whether the small auditing firm used by Madoff had the ability to audit a \$65 billion fund; and they knew that Madoff’s relatives held senior positions in the firm.

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## We All Practice Due Diligence (And May Not Even Know It)

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These are just a few of the approximately twenty red flags that were detailed in later court cases.<sup>5</sup> Why, you ask, would a professionally operated investment firm fail to conduct a proper due diligence of Mr. Madoff? The answer lies in the fact that those investors that went with Madoff chose faith over evidence. That's what a con man is—a confidence man that engenders a relationship and then subsequently lures somebody into doing something that they shouldn't do.

On a personal level it is important to conduct your “due diligence” whenever you are going to commit your hard earned money or time to an endeavor. Probably the most significant financial outlay any of us will make is the purchase of a home. Proper due diligence in this case is very important due to the long-term financial commitment involved. Typical due diligence areas of review in a home purchase might involve hiring a home inspector to ensure the house is constructed properly and does not have any significant maintenance issues that will be expensive to repair. In addition, you may want to check out the rating of the schools in the area which can impact resale values among other things. How about the property tax rate applicable to your new home? Sometimes this tax can be quite high and pose a significant financial burden. One of my friends actually performed “due diligence” on the neighbors on either side of a home he wanted to buy. He wanted to make sure they were “good folks.”

Another personal area to conduct due diligence involves a new job offer. Before you accept that job offer and move to a new location, you might want to check to see if the new company is financially stable. What about the new industry you will be working in? Does it have a favorable forecast for the future? And then what about any employee benefits that you may have or want to negotiate prior to being hired?

All of these areas involve a significant amount of due diligence on your part prior to accepting a new position at a new company.

In closing, make certain you do your own “due diligence” in situations where you are being called upon to trust someone else. Question everyone before you hand your hard earned money to someone to “invest”. Always follow up on references provided and go outside of the provided reference pool to make sure you are dealing with a legitimate entity. Make sure you check professional licenses and industry disciplinary actions. Lastly, apply what one of my old law professors called “the smell test.” If the “deal” initially smells bad to you, it probably is.

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- <sup>1</sup> IP Due Diligence—A Necessity, Not a Luxury by Ian Cockburn
  - <sup>2</sup> Due Diligence—from Wikipedia.org
  - <sup>3</sup> Due Diligence—From Wikipedia.org
  - <sup>4</sup> The Post-Madoff Emergence of a Fiduciary Duty of Due Diligence by Scott A. Myers and James G. Martignon
  - <sup>5</sup> Ibid

*By Andrew J. Carraway, Esquire  
Attorney  
Lowers Risk Group*





# The California Heist

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Criminals are not to be underestimated and when proper security protocols are not followed, casinos in particular are left vulnerable. If normal casino procedures had been followed, the surveillance agent would have been removed from his post upon request for resignation. Instead, the surveillance agent was on duty and over \$500,000 in cash was stolen. Unfortunately, this was not the only shortcoming in their security. Firstly, the casino should have secured its cash in an appropriately rated UL safe instead of locked cabinets. Secondly, the main bank room should have had a separate alarm system consisting of motion detectors and door sensors. Finally, the roof should have been secured to prevent access from intruders. These controls could have helped mitigate this loss.

*By Francesco Sandolo, LEAD Intern  
Great American Insurance Group  
Fidelity / Crime Division*

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

## NEWS: Borgata Ends Fake Chip-Tainted NJ Poker Match January 17, 2014

ATLANTIC CITY, N.J. (AP) - Saying they have confirmed that one or more people used "a significant number of counterfeit chips" at an Atlantic City poker tournament, state casino regulators on Saturday canceled the tainted match and ordered all prize money frozen until an investigation is complete.

The New Jersey Division of Gaming Enforcement (DGE) canceled the first event of the Borgata Winter Poker Open. It had suspended the game Friday after suspicions about the use of fake chips arose.

"Thus far, investigators have found that one or more tournament entrants improperly introduced a significant number of counterfeit chips into the tournament, gaining an unfair advantage and compromising the integrity of play for the event," Tom Ballance, the Borgata's President and Chief Operating Officer said Saturday.

"It is extremely unfortunate that the criminal actions of these individuals can have a detrimental impact on more than 4,000 other entrants," he said. "We fully understand and regret the disappointment this cancellation causes our valued customers, and we will work diligently with DGE investigators to resolve the situation as quickly as possible. The integrity of our games and the confidence of our players is of the utmost importance to us."

Ballance said the Borgata has thoroughly examined its remaining stock of chips, which were cleared by investigators for use in dozens of other events in the poker tournament, which will be played as scheduled.

The event under scrutiny is the tournament's Big Stack, No Limit Hold 'Em event. It began on Tuesday and had a \$560 buy-in. There were 27 people remaining in the contest when play was suspended.

New Jersey State Police said Saturday the investigation is ongoing and that no arrests had been made.

*Source: Wayne Parry, Associated Press, New Jersey Herald*