

SPRING
2024



FIRST LOOK!

EXPERTS ESTIMATED CHECK FRAUD COULD REACH \$24 BILLION OR MORE IN 2023. DISCOVER A FEW WAYS INSUREDS CAN PROTECT THEMSELVES AGAINST FORGERY LOSSES.

Take a look inside to learn more!

The Casino Times

with the Fidelity / Crime Division

INSIDE THE ISSUE

- How to Prevent Employee Theft at Racetracks
- Check Fraud is On the Rise: What You Should Know
- Human Capital Risks



How to Prevent Employee Theft at Racetracks: Lessons from a \$520,000 Fraud

Tyrone Bell, Account Manager

Fidelity / Crime Division, Great American Insurance Company

Racetracks have an increased exposure to employee theft due to the amount of cash running through the operation. Cash exposures include money handled by the cashiers as well as money stored inside their vault. However, there is also another exposure that seems less obvious. Horsemen's accounts are set up and held by the racetrack on behalf of individual horse owners to allow racetracks to easily transfer money to the horse owners for their earnings after a race. Since money in a horseman's account is held by the racetrack, strong controls are needed to prevent a dishonest employee from taking advantage of a potential weakness.

CLAIM SCENARIO

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Horse Racing Tracks

At a popular racetrack in the Midwest, an employee was able to capitalize on the racetrack's lack of controls and steal over \$500,000 from the horsemen's accounts.

The employee worked at the racetrack for nearly 15 years and was responsible for transferring winning payments to the individual horsemen's accounts. The employee also had the ability to make adjustments within the accounts without any additional supervision. With this in mind, the employee found that she could initiate small transfers out of the individual horsemen's accounts and into her own bank account without anyone noticing. To minimize employee theft, it is always crucial to make sure that there is proper oversight for all banking transactions so that one person cannot complete a task without supervision. Lacking oversight is one of the reasons why this scheme went unnoticed for several months without anyone else having a clue.



The Importance of Accounting Controls and Audits at Racetracks

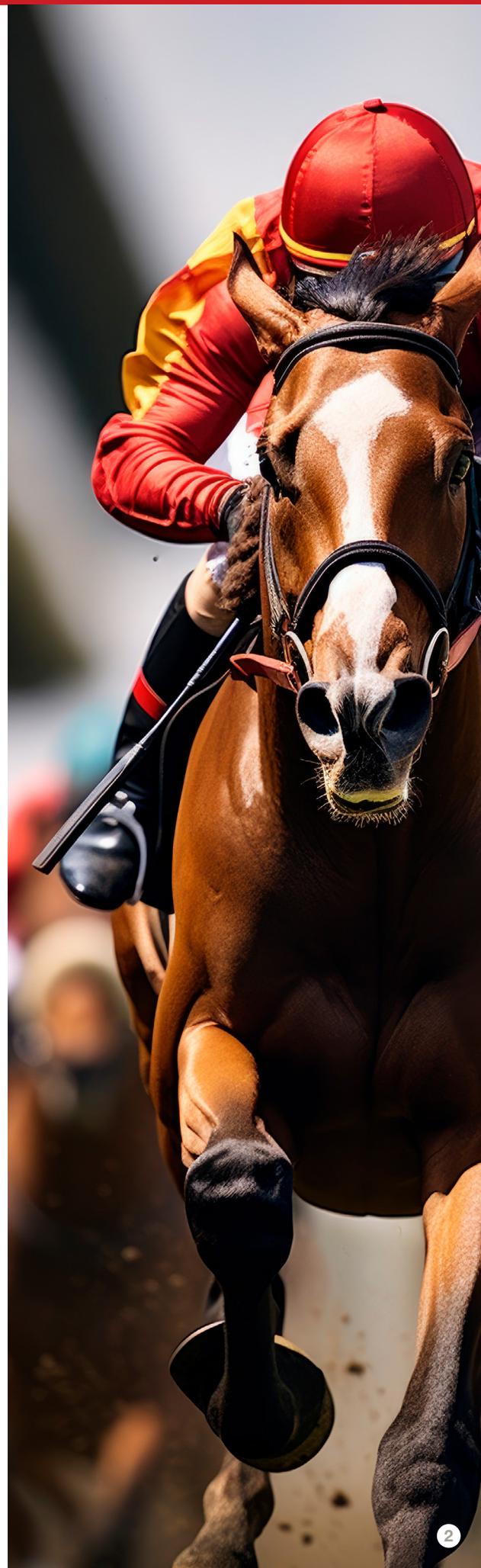
To assist in preventing a scheme like this from happening, racetracks need to have strong accounting controls in place. This includes implementing multiple levels of authority so that a second person reconciles the horsemen's accounts to verify that the payments being made are accurate. A racetrack needs to have a second person reconciling the horsemen's accounts at least every 30 days, and if possible, after every race. Implementing these controls will ensure that if there is a theft, it will be caught within a short period of time instead of the theft accumulating for months until the dishonest employee is caught. The longer the theft goes undetected, the larger the theft loss will become.



A racetrack needs to have a second person reconciling the horsemen's accounts **at least every 30 days, and if possible, after every race.**

To further deter and mitigate theft losses, racetracks should also implement a routine audit of the horsemen's accounts. The accounts should be reviewed by someone who does not have the ability to make transfers or reconcile on a monthly basis. Having another set of eyes reviewing the accounts will not only help mitigate against theft, but it will also help prevent errors and discrepancies that may occur.

Having these controls in place could have prevented this employee from stealing \$520,000 from the horsemen's accounts over an 8-month period. The theft was only caught when the dishonest employee was out sick, and another employee noticed the unauthorized transfers.



Check Fraud is On the Rise: What You Should Know

According to *the Financial Crimes Enforcement Network (FinCEN)*, mail theft-related check fraud is surging. At the start of 2023, experts estimated that check fraud had the potential to reach \$24 billion or more.



Here are a few ways insureds can protect themselves against forgery losses:

- Avoid using community mailboxes to mail checks. Instead, go to the post office or use mailboxes in locations with restricted access. Send larger checks by registered mail.
- Use a positive pay system to protect your accounts payables and accounts receivables.
- Use dark “indelible” ink to write checks that can’t be easily erased or covered over, such as black gel inks, archival ink, or oil-based ink.
- Review your bank statements frequently to spot inconsistencies. Most banks only allow 60 days to report fraud. Know your banks’ liability and policies.
- Have two individuals review checks to mitigate alterations. Use surprise audits and look for any disbursement or deposit irregularities.
- Consider having different accounts for different functions, for example, one for payroll, one for accounts payable, cheque issuance etc. for easier reconciliation.
- Follow up with vendors to see if payments have been received.



Most banks only allow 60 days to report fraud.

Human Capital Risks

Brad Moody, *Lowers & Associates Consulting*

The gaming industry, like any other industry, faces human capital risks that can impact its operations and overall performance.

Human capital risk refers to the potential negative consequences arising from issues related to the workforce.

To mitigate human capital risks, the gaming industry can focus on employee turnover, talent acquisition and retention, training and development, regulatory compliance, ethical conduct and integrity, technological changes and occupational health and safety. By prioritizing human capital management, the industry can enhance operational efficiency, maintain regulatory compliance, and deliver exceptional customer experiences.

Employee Turnover

High employee turnover can be detrimental to the gaming industry. Constantly hiring and training new employees can be costly and time-consuming. Moreover, a high turnover rate can affect customer service quality and employee morale, leading to a decline in customer satisfaction and loyalty.



Talent Acquisition and Retention

Attracting and retaining top talent can be challenging in a competitive industry like gaming. Skilled and experienced employees are crucial for the smooth functioning of casinos, especially in critical positions such as gaming supervisors, dealers, and managers. If the industry struggles to recruit and retain qualified professionals, it may face a shortage of talent and expertise.

Training and Development

Continuous training and development programs are necessary to ensure that employees have the knowledge and skills to perform their roles effectively. Inadequate training can lead to errors, lower customer satisfaction, and increased risks for the casino. The gaming industry needs to invest in comprehensive training programs to keep employees updated on industry regulations, new games, security protocols, and responsible gambling practices.

Regulatory Compliance

The gaming industry is subject to numerous regulations and compliance requirements, which can pose human capital risks. Ensuring that employees are well-informed and compliant with these regulations is essential. Failure to comply with regulatory requirements can lead to fines, penalties, reputation damage, and even legal consequences for the casino.

Ethical Conduct and Integrity

Employee misconduct, such as fraud, theft, or collusion with patrons, poses significant human capital risks in the gaming industry. Maintaining a culture of integrity and ethical conduct is crucial to prevent such risks. Casinos should have robust internal control systems, codes of conduct, and whistleblower mechanisms in place to address and deter unethical behavior.



7 Focuses to Mitigate Human Capital Risks



**EMPLOYEE
TURNOVER**



**TALENT
ACQUISITION AND
RETENTION**



**TRAINING AND
DEVELOPMENT**



Technological Changes

The gaming industry is constantly evolving, with advancements in technology playing a significant role. New technologies, such as online gambling platforms or mobile gaming applications, require employees to adapt to changes and acquire new skills. Failure to keep up with technological advancements can lead to skill gaps and hinder the industry's growth and competitiveness.

Occupational Health and Safety

The gaming industry involves various roles, including frontline staff, security personnel, and maintenance workers, which may expose employees to physical risks. Ensuring a safe and healthy working environment is crucial to minimize accidents, injuries, and related liabilities.



**REGULATORY
COMPLIANCE**



**ETHICAL CONDUCT
AND INTEGRITY**



**TECHNOLOGICAL
CHANGES**



**OCCUPATIONAL
HEALTH AND
SAFETY**



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