

Fighting Fraud in the Travel Industry in 8 Minutes or Less!



2015 GLOBAL CONGRESS ON TRAVEL RISK MANAGEMENT

Presenter

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Brad Bonnell, the VP of Loss Prevention at Extended Stay America, is responsible for protecting the reputation of the brand from all security related threats such as, organized criminal activity and fraud.

Previously, he spent 20 years with InterContinental Hotels Group (IHG) as the Global Director of Security. His responsibilities included counter terrorism, executive protection, and crisis management.

Brad's law enforcement career includes serving as Chief of Staff for the Georgia State Patrol and Special Agent for the Georgia Bureau of Investigation.



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Apathy: The Ubiquitous Threat

When confronted with evidence that fraud may be occurring, it is not unusual for managers to either simply refuse to believe that such a thing could occur in their organization or they simply accept the loss as nothing more than, “The cost of doing business”.

The Cost

Extensive and credible research conducted by The Association of Certified Fraud Examiners and the UK Center for Counter Fraud Studies, have found that a corporation without a disciplined fraud risk management program will lose on average 5% of its gross annual revenue to fraud.

Vulnerability

The travel industry is particularly vulnerable to fraud as a result of the enormous amount of information that has to be collected for:

- Reservations
- Financial Transactions
- Marketing
- Maintenance of Frequency Marketing Programs
- Maintenance Travel Agency Commission Programs

Case Studies

- Moammar Travel Services, Nablus, Palestine
- InterContinental Travel Services
- Room Ghosts

Controlling The Cost

It begins with understanding what motivates fraud:

- Perception of Need
 - Rationalization
- Perception of a Risk Free Opportunity*

- * Thanks to Professor Donald R. Cressy - "We are all a little bit guilty, some of us are just guilty as hell."

Creating Risk

Understanding what motivates fraud enables us to prevent fraud by creating risk for those who might be tempted to commit fraud.

This can be accomplished through a Fraud Risk Management Program consisting of:

- Fraud Governance
 - Prevention
 - Detection
 - Investigation
- Threat Assessment

Governance

A “Zero Tolerance” policy that:

- Defines fraud
- Holds all employees/associates responsible for preventing and managing fraud
 - Requires reporting

Prevention

Policies, procedures and techniques that function to prevent fraud from occurring create the risk of detecting fraud.

- Pre-Employment Background Investigations
 - Segregation of Duties
 - Authorization limits
 - Job Rotation
 - Mandatory Vacation
- Regularly scheduled audits, inventories and inspections

Detection

Detection involves activities and programs designed to identify fraud or misconduct that is occurring or has occurred. Detection techniques are established to uncover fraud when preventive measures fail or unmitigated risks are realized. Whereas preventive techniques are apparent and identifiable, detective controls are clandestine in nature – operating in a background that is not evident in the business environment.

- Confidential Fraud “Hotline”

- Data Analytics

Investigation

A coherent fraud control program requires a system for prompt, competent and confidential investigation and resolution of allegations involving potential fraud or misconduct.

An allegation of fraud has serious consequences and must be carefully and thoughtfully expressed. To falsely accuse someone of this type of misconduct could result in costly litigation and damage to your reputation and the reputation of your business.

Threat Assessment

In essence, measuring your loss to fraud in order to advise on your investment in a counter fraud strategy.



We Have Met The Enemy

