

HOSPITALITYLAWYER.COM PRESENTS



OCTOBER 1-2, 2012 HOUSTON

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

Presented By:

Brad Bonnell - *InterContinental Hotels Group (IHG)*

CASE STUDIES IN TRAVEL INDUSTRY FRAUD



- Brad Bonnell, Director, Risk Management, InterContinental Hotels Group (IHG)
- 20 years with IHG
- Former Chief of Staff, Georgia State Patrol
- Former Special Agent, Georgia Bureau of Investigation
- Former Special Agent, US Army Criminal Investigation Command

- **IHG**

- **4,542 hotels in 100 countries**
- **9 Brands**
- **13 Reservation Centers booking 400K rooms per night**

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

FRAUD DEFINED

- Crime for gain that uses deception as its principal method of commission.
 - Intentional or deliberate act to deprive another of property or money by guile, deception or other unfair means.
 - Intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.
 - Use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the organization's resources or assets.
- “A skin of truth stuffed with a lie!”

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- Fraud is generally categorized as:
 - Asset Misappropriation – The most frequently occurring but on a per incident basis the least costly
 - False Reporting – The least occurring form of fraud but on a per incident basis the most expensive
 - Corruption – Conflict of Interest (Purchase Schemes, Sales Schemes), Bribery (Invoice Kick Backs, Bid Rigging), Illegal Gratuities

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
2012 THE GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

- FRAUD – “AN UNAVOIDABLE COST OF DOING BUSINESS OR THE LAST GREAT UNMANAGED BUSINESS COST?”

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
2012 THE GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS AND THE UNIVERSITY OF PORTSMOUTH CENTER FOR COUNTER FRAUD STUDIES HAVE FOUND THAT A BUSINESS WILL LOSE ON AVERAGE 5% OF ITS ANNUAL REVENUE TO FRAUD.

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- AREAS OF VULNERABILITY:
 - FREQUENCY MARKETING PROGRAMS
 - TRAVEL AGENCY COMMISSIONS
 - VENDOR FRAUD
- REACTIVE, UNCOORDINATED AND INCONSISTENT MANAGEMENT OF FRAUD

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
2012 THE GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

COMPUTER THEFT



FREDDIE LEE
GIDDENS

Source: Dougherty Co.
Sheriff's Office

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

■ MOAMMAR TRAVEL SERVICES, NABLUS, PALESTINE

- Fraudulently obtained \$1.1M through fraudulent bookings to obtain travel agency commissions. This fraud generated an additional loss of \$7M as a result of rooms taken out of the inventory as a result of the fraudulent reservations.
- Indicted, US District Court, Northern Georgia



CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
THE 2012 GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

■ Intercontinental Voyages, LTD & LLC



CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- InterContinental Voyages, LTD & LLC (ICV)
- Arrested April, 2012 as co-conspirator in the fraud perpetrated by ICV
- Forensic analysis of her computer produced 500K transactions related to the fraud perpetrated by ICV.



CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
2012 THE GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

Joseff Daif (aka: Najhi Ahmed) employed by IHG at the UK CRO was taken into custody on 10 April by City of London Police and charged with using his position of employment to commit fraud.



CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- **JoyStar Faces Involuntary Bankruptcy Petition by Agents**
- **January 2, 2009** By: [George Dooley](#)
- **Several TravelStar/JoyStar travel agents have filed a Chapter 7, involuntary petition for bankruptcy against TravelStar d/b/a JoyStar for unpaid commissions due them, according to Peter Stilphen, Coral Sands Travel. In an interview with [Travel Agent](#), Stilphen reports that Drew Axelrod, an agent who claims to be owed over \$35,000 by JoyStar, filed the petition on December 31, 2008 in the Southern District of Florida's United States Bankruptcy Court. (Case # 08-30191-RBR.)**

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
THE 2012 GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

Is your management of fraud proactive,
coordinated and consistent?

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- Does your program contain the following elements?:
 - Fraud Governance established in the form of a “zero tolerance” policy concerning all forms of fraud and the protection of “Whistle Blowers”
 - Fraud Risk Assessment that advises on the investment to be made in a counter fraud strategy
 - Prevention accomplished through methods, techniques and polices that function to create the risk of detection
 - Detection in the form of a confidential fraud “Whistle Blower” hotline, data analytics, monitoring of social media and “mystery shoppers”
 - Competent Investigation and remediation

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- Do you know the indicators of fraud?
 - Do you insure against fraud?
 - The power of the 10-99

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

- Indicators of fraud:
 - Employees who appear not to take any time off or who come to work on their “off” days
 - Low ratio between gross and net pay indicating no deductions and a “ghost” employee
 - Sequentially numbered vendor invoices indicating that you are the only “client”
 - Invoices that have not been folded
 - Benford’s Law

CASE STUDIES IN TRAVEL INDUSTRY FRAUD

HOSPITALITYLAWYER.COM PRESENTS
2012 THE GLOBAL
CONGRESS ON TRAVEL
RISK MANAGEMENT
OCTOBER 1-2, 2012 HOUSTON

“Be good and you will be lonesome.”

- Mark Twain -