

# Hotel Anywhere

## Fraud Response Policy and Procedures

### DISCLAIMER

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This sample policy outlines the hotel's principles with respect to maintaining a fraud free environment, details procedures for employees to report suspected fraud, and describes actions to be taken by the Hotel.

### 1. Introduction

- a. The Hotel is committed to the highest possible standards of openness, probity and accountability in all its affairs. It is determined to maintain a culture of honesty and opposition to fraud and corruption.
- b. In line with that commitment, the Hotel's Anti-Fraud Policy outlines the principles we are committed to in relation to preventing, reporting and managing fraud and corruption.
- c. This Fraud Response Policy reinforces the Hotel's approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption. It also outlines how the Hotel will deal with such complaints.
- d. This policy applies to any fraud, or suspected fraud, involving employees as well as consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with the Hotel.
- e. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with the Hotel.
- f. The prevention of fraud requires policies and procedures that address the following three factors:
  - i. Limiting opportunities by making the crime more difficult to commit; and

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- ii. Creating an environment where integrity is of utmost importance and employees understand the consequences for fraudulent behavior.

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### 2. Implementation

- a. This plan is to be implemented where suspicions of fraud or corruption have been raised.
- b. *Fraud* is defined as:  
**"The intentional distortion of financial statements or other records by persons internal or external to the company which is carried out to conceal the misappropriation of assets or otherwise for gain".**
- c. *Corruption* is defined as:  
**"The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person".**
- d. Fraudulent or corrupt acts may include:
  - i. **Systems Issues** - Where a process/system exists which is prone to abuse by either employees or public.
  - ii. **Financial Issues** - Where individuals or companies have fraudulently obtained money from the Hotel.
  - iii. **Equipment Issues** - Where the Hotel's equipment is used for inappropriate personal use.
  - iv. **Resource Issues** - Where there is a misuse of resources, (e.g. theft of materials)
  - v. This is not an exhaustive list. If you are in any doubt about the seriousness of your concern, advice and guidance can be obtained from the **Internal Audit Director**.
- e. Actions constituting fraud include but are not limited to:
  - i. Forgery or alteration of any Hotel document;
  - ii. Misappropriation of funds, assets, or inventory;
  - iii. Accepting or seeking anything of value from vendors or patrons; and
  - iv. Using position of influence to assist outside or internal parties to conduct fraudulent activities.

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### 3. Safeguards

- a. **Harassment or Victimization** - The Hotel recognizes that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Hotel will not tolerate harassment or victimization and will take action to protect those who raise a concern in good faith.
- b. **Confidentiality** - The Hotel will do its best to protect an individual's identity when he or she raises a concern and does not want their name to be disclosed. It must be appreciated, however, that the investigation process may reveal the source of the information and a statement by the individual may be required as part of the evidence.
- c. **Anonymous Allegations** - This policy encourages individuals to put their names to allegations. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Hotel. In exercising this discretion, the factors to be taken into account would include: the seriousness of the issues raised; the credibility of the concern; and the likelihood of confirming the allegation from attributable sources.
- d. **Untrue Allegations** - If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, individuals make malicious or vexatious allegations, action may be considered against the individual making the allegation.

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### 4. Employee Actions

- a. Employees are often the first to realize that there is something seriously wrong within the Hotel. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Hotel. They may also fear harassment or victimization. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion.
- b. The Hotel's **Whistle-blowing Policy** is intended to encourage and enable staff to raise serious concerns within the Company rather than overlooking a problem or blowing the whistle to the media or other external bodies.
- c. A full copy of the **Whistle-blowing Policy can be obtained from the Human Resources Department.**
- d. In essence, employees should approach the **\_\_\_\_\_** or the Internal Audit Director. If the claim is substantiated, the **General Manager and the Internal Audit Director** will be notified and consulted. The nature of the complaint will determine the Hotel's course of action.
- e. Internal Audit can be contacted by completing **the intranet on-line reporting facility or by phone at phone number here.**

### 5. Public Actions

- a. The Company encourages members of the public who suspect fraud and corruption to contact the **General Manager, Corporate Office or Internal Audit Director.**
- b. The **Internal Audit Department** operates independently of all other Hotel processes and departments, and works to establish procedures with the following aims:
  - i. develop an anti-fraud culture.
  - ii. deter, prevent, detect and investigate fraud and corruption.
  - iii. see appropriate actions against those who commit or seek to commit some sort of fraud or corruption.
  - iv. obtain compensation in respect of any losses to the Hotel.

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### 6. How Will Allegations of Fraud or Corruption Be Dealt With By the Hotel?

- a. For issues raised by employees or members of the public, the action taken by the Hotel will depend on the nature of the concern. The matters raised may:
  - be investigated internally using Hotel resources
  - be investigated internally using external resources
  - be referred to the Police or other appropriate legal entity
- b. Where the loss is substantial, legal advice should be obtained without delay. Legal advice should also be obtained about prospects for recovering losses, where the perpetrator refuses repayment. The Hotel would normally expect to recover costs in addition to losses.
- c. An investigation will be launched quickly to mitigate damages due to additional losses and damaged reputation.

### 7. Start the Investigation

- a. Prior to the launch of an investigation by internal and/or external resources, the evidence will be reviewed by a fraud response team. The fraud response team will be determined by the **Internal Audit Director** based upon the type of fraudulent act suspected and the parties involved. The selection should take into account the skill set required to obtain evidence and any personal relationships that may alter judgment: positively or negatively.
- b. The fraud response team may include the:
  - General Manager
  - Human Resource Director
  - Corporate Directors
  - Finance Director
  - Controller
  - Internal Auditors
- c. The fraud response team will review the preliminary data and request additional support, if needed.
- d. Any additional requests to those involved in the initial detection should be conducted in a confidential manner to protect the suspect from false accusations and speculation.

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- e. Members of the fraud response team shall treat all information received confidentially and should not attempt to personally conduct investigations or interviews related to any suspected fraudulent act without express consent from the entire fraud response team.
- f. The fraud response team will document their determination to proceed with an investigation or not based upon the evidence.
- g. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the Hotel from potential civil liability.

### **8. Investigation Scope and Objectives**

- a. If an investigation is deemed warranted; the fraud response team will determine the scope and objectives in order to assign an Investigation Unit. Scope and objectives include but are not limited to:
  - i. Termination
  - ii. Strengthen internal controls
  - iii. Civil penalties/restitution
  - iv. Insurance Recovery
  - v. Prosecution
- b. Internal resources to quantify losses include:
  - i. Internal Audit
  - ii. Hotel Finance
- c. Internal resources to strengthen controls include:
  - i. Department Managers
  - ii. Corporate Directors
  - iii. Internal Auditors
- d. Internal resources for termination include:
  - i. Human Resources
  - ii. The decision to terminate an employee is made in accordance with the Employee handbook. Neither the Investigative Unit or fraud response team have the authority to terminate an employee.

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- e. External resources to quantify losses include:
  - i. Forensic Accountant
  - ii. Certified Public Accountant
  - iii. Certified Fraud Examiner
  
- f. External resources to pursue prosecution include:
  - i. Legal Counsel
  - ii. Police/Prosecutor
  - iii. Federal Bureau of Investigation
  - iv. Certified Fraud Examiner

### **9. Investigation Unit**

- a. The Investigation Unit shall work with the fraud response team to immediately minimize losses and secure evidence.
  
- b. The Investigative Unit may contain members from the fraud response team.
  
- c. The Investigation Unit shall secure evidence in a manner that supports the fraud response teams established scope and objectives.
  
- d. The Investigation Unit will have:
  - i. Free and unrestricted access to all Hotel records and premises, whether owned or rented;
  
  - ii. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, digital or electronic information systems, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigation.
  
  - iii. Any removal of documents from the Hotel must be expressly approved and documented by the fraud response team prior to release from the premises.
  
- e. The Investigation Unit will report their findings to the fraud response team.

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## 10. Fraud Response

- a. The fraud response team will review the findings of the Investigative Unit and take appropriate action as warranted, such as:
  - i. Recommend termination of employment;
  - ii. Referral to law enforcement;
  - iii. Monitor recoveries of monies or property;
  - iv. Recommendation to prevent repeat offenses;
  - v. Press release/poor publicity mitigation;
  - vi. Fraud education/training;
  - vii. Risk analysis of similarly vulnerable areas;
  - viii. Civil litigation; and

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Prepared by Moss Adams LLP for informational purposes only.

Please contact the representative below for specific questions about this document, fraud prevention, or forensic accounting services:

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