Deloitte.

Fraud detection and prevention for hotels

Enterprise fraud and misuse management related to loyalty programs

Enterprise fraud and misuse management (EFM)

While other industries, specifically financial institutions, ramp up their fraud prevention with sophisticated anti-fraud tools and devoted fraud teams, fraudsters have discovered the value in committing fraud on loyalty programs. These programs have evolved and now offer liquid assets such as gift cards, airline tickets, and travel packages. Fraudsters have figured out how to exploit the lack of controls within loyalty programs in order to create points (potentially with employee assistance) or to take over accounts. They utilize both the online or phone channels to cash in on point redemptions.

These risks pose a financial and reputational threat without adequate controls.

Deloitte's EFM services help hospitality organizations lower their total cost of fraud by reviewing the various fraud drivers and finding the right balance between fraud losses, labor expenses, and the member experience. The EFM approach looks at various avenues of fraud, including online account takeover, social engineering through the call center, internal fraud, fictitious point creation (external and internal), and occupancy rate manipulation. Improved fraud detection and prevention can help to reduce fraud losses and preserve customer loyalty by reassuring members that their data and points are secure.

EFM services for hospitality

Fraud risk assessment

A fraud risk assessment of a company's loyalty program is a key component of an enterprise fraud and misuse management program. The Deloitte EFM team can perform a Fraud Risk Assessment to evaluate current loyalty program controls and identify potential risks. Our approach includes documentation review and workshops with select stakeholders to perform an analysis of people, process, and technology controls. We provide a prioritized list of gaps and a roadmap to reach an improved future state. As part of the solution prioritization, Deloitte can assist with evaluation of vendor tools, including features such as web behavior detection, alert/case management, and link analysis. These recommendations form the foundation for improving the control environment and maturing an organization's capabilities.

Fraud strategy and implementation guidance

In addition to the Fraud Risk Assessment, key services include improving metrics and reporting through visual analytics and refining suspicious activity reports. Deloitte evaluates the overarching fraud strategy and makes recommendations for improved governance through policy, roles and responsibility clarification, communication plans, and training. Deloitte leverages its industry knowledge and experience to elevate clients' fraud detection capabilities to a proactive suite of tools and processes to help counter the evolving fraud threat.
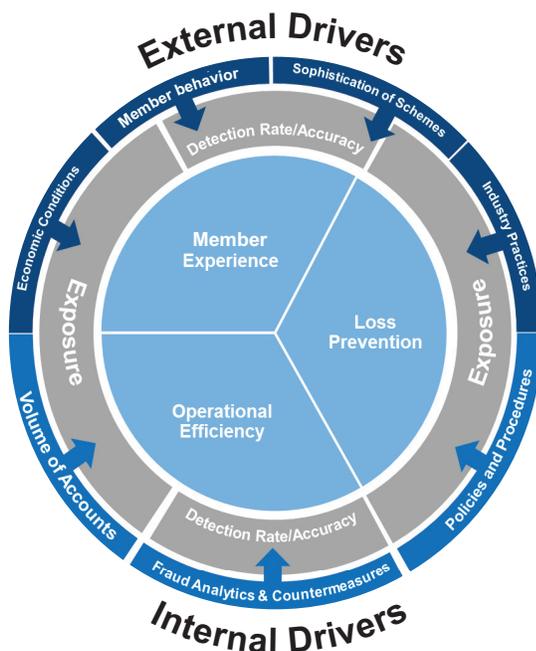
As part of its Fraud Strategy and Implementation Guidance, Deloitte identifies opportunities for improved reporting and visual analysis, outlining the process for crafting executive and investigative dashboards. Sophisticated dashboards can take reporting to the next level by employing data visualization tools that allow investigators to explore connections, dynamically filter, and take a deep dive into the data. For example, an effective dashboard that visualizes point awards by customer service representatives could enhance and accelerate the process of identifying misuse committed by call center or front desk employees.
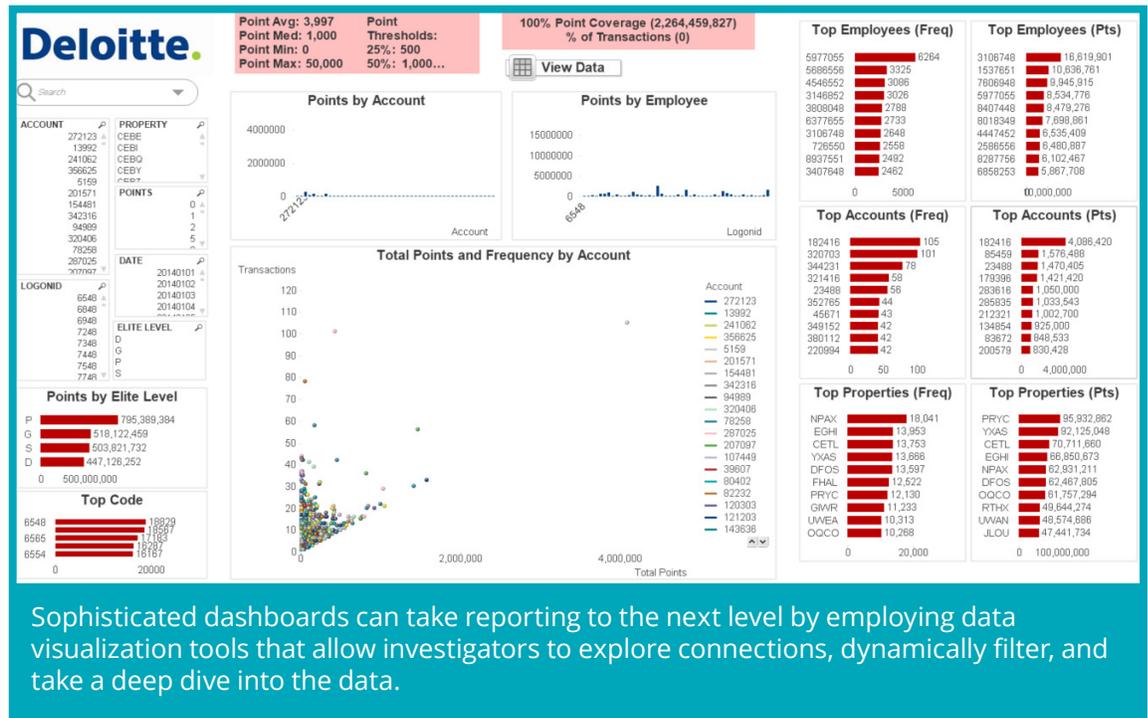
Use case
Deloitte worked with a hotel visual analytics to identify suspicious point transfer activity. Deloitte was given access to the raw transfer data and able to run several tests to create alerts of suspicious activity. That analysis resulted in multiple fraud rings being identified that were hidden with the previous reporting methodology.

Advanced analytics to mitigate occupancy fraud rsk

Advanced analytics can provide organizations with cutting-edge tools and capabilities using techniques such as predictive analytics, social networking analysis, and geospatial analysis.

Sophisticated dashboards can take reporting to the next level by employing data visualization tools that allow investigators to explore connections, dynamically filter, and take a deep dive into the data.

Sophisticated predictive analytics methods can detect and predict occupancy rate inflation in real-time or even before it occurs. Occupancy rate inflation is a technique used by hotel properties to manipulate occupancy rates above a certain threshold in order to receive higher reimbursements. Using both predictive and rules-based models, Deloitte can measure the risk for each room and each reimbursement request level. Risk scores are generated on a continual basis, and scores exceeding the set threshold are flagged as suspicious for additional review.

A sample of factors that may be considered in the predictive model include:

- Daily reimbursement reports

- Daily property room level data

- Occupancy rate breakdowns (e.g., reward, complimentary, paid)

- Reservation data (e.g., dates, method)

- Hotel attributes (e.g., category, number of rooms)

- Average daily rates

Bottom-line benefits

Deloitte's EFM services can help hospitality organizations in their fight against increasingly sophisticated fraud, both internal and external, while helping maintain and preserve a positive member experience.

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